

# Somerset County Council Statement of Accounts 2020/21

**Accounts for Approval**



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**SOMERSET**  
County Council



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# Director of Finance's Narrative Report

## 1. Introduction

This narrative report highlights some of the most important matters reported in the accounts and comments on the Council's financial performance and its economy, efficiency, and effectiveness in its use of resources over the financial year.

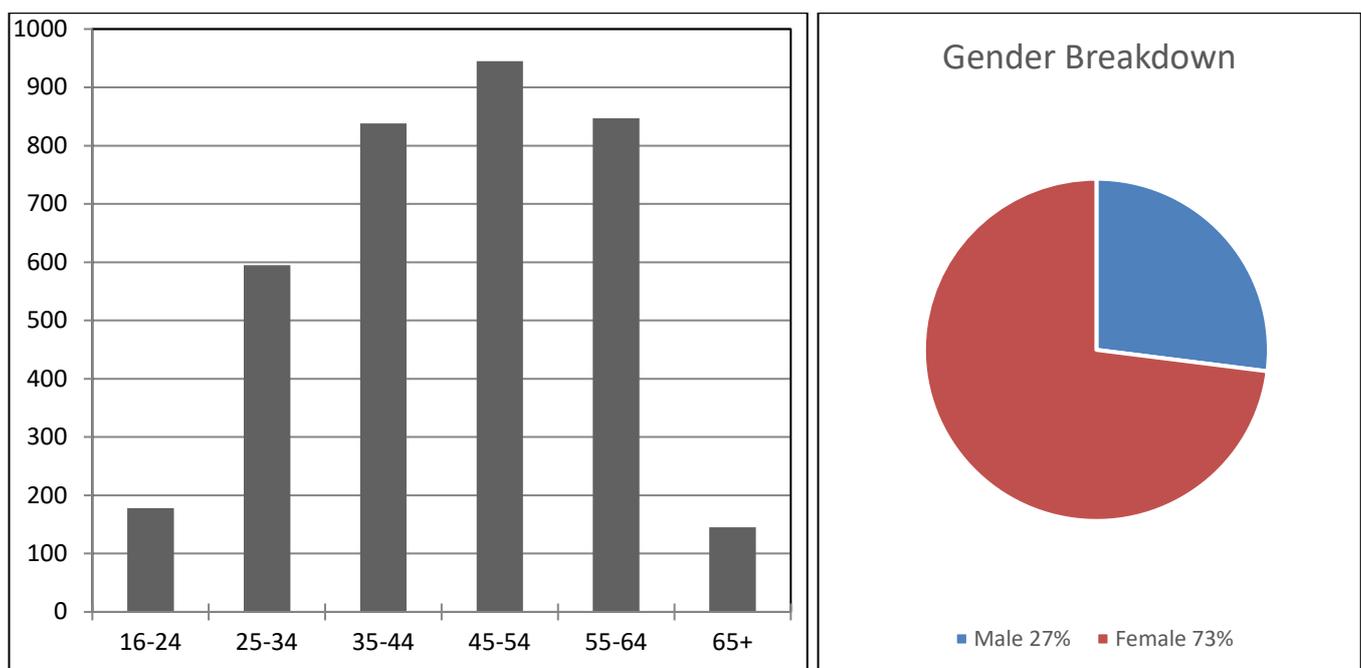
## 2. Somerset Context

Somerset is a beautiful county with many assets including a strong and significant heritage and vast areas of countryside and moors. Somerset's population is classified as around 50% urban/town, and 50% rural, making it one of the ten most rural counties in England. One third of people live in one of the county's four largest towns: Taunton, Yeovil, Bridgwater, and Frome.

The population of Somerset is approximately 562,000 with an age profile that is weighted slightly towards people of older age; around 1 in 4 of the residents of the county are over the age of 65. Nearly 90% of the population growth since 2011 has been in the 65 and over age group. Somerset's employment rate remains higher than the national level (77.1% compared to 75.4%) with 79.7% of Somerset's residents aged 16-64 being classified as economically active. This is marginally higher than the national average of 79.1% although average annual earnings in Somerset consistently lag behind the UK level.

## 3. People Context

Somerset County Council employed 3,548 people in full and part time contracts on 31<sup>st</sup> March 2021. Employees are a valued significant resource within the Council and employee's costs account for 30% of the total gross expenditure. The Council's workforce profile can be seen in the charts below.



#### **4. Somerset County Council Governance**

Somerset Council is a broad and complex organisation. Policies are directed by the political leadership (Leader and Cabinet) and implemented by the Senior Leadership Team (SLT).

##### **Political Structure in 2020/21**

The Council is made up of 55 elected councillors. The political make-up of the Council during 2020/21 was:

- Conservative Party – 33 councillors
- Liberal Democrat – 14 councillors
- Labour – 3 councillors
- Independent Group – 2 councillors
- Green Party – 2 councillors
- Independent – 1 councillor

The Council has a statutory duty to set a balanced budget and the Council's Medium-Term Financial Plan, Capital Strategy, and Treasury Management Strategy were all approved by Full Council in February 2020.

##### **Chief Officer Structure**

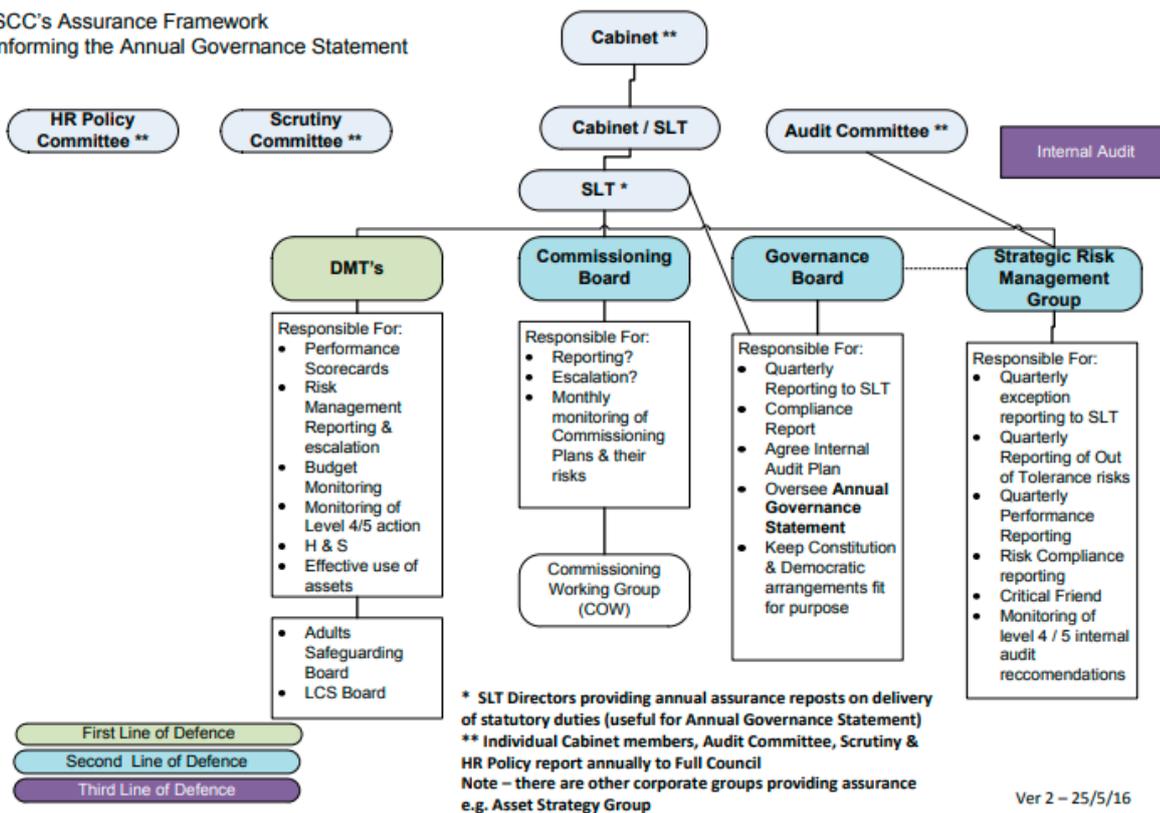
Councillors are supported by SLT, which is headed by the Council's Chief Executive, Patrick Flaherty. SLT is responsible for the overall management of the Council, for setting and monitoring overall direction and ensuring high performance in the delivery of council services.

SLT is supported by Individual Director's Management Team meetings (held at least monthly) and several internal Boards that have delegated functions to oversee specific programmes of work or corporate functions such as:

- Strategic Commissioning Group
- Governance Board
- Asset Strategy Group
- Strategic Risk Management Group
- Infrastructure Board

In addition to these Officer 'gateways' and internal governance arrangements, there is also the Cabinet & SLT meetings which meet monthly to review strategic matters and policy development. The following diagram shows the relationship of these Boards and a summary of their functions:

SCC's Assurance Framework  
informing the Annual Governance Statement



Further details of the governance arrangements in place during 2020/21 can be found in the Annual Governance Statement.

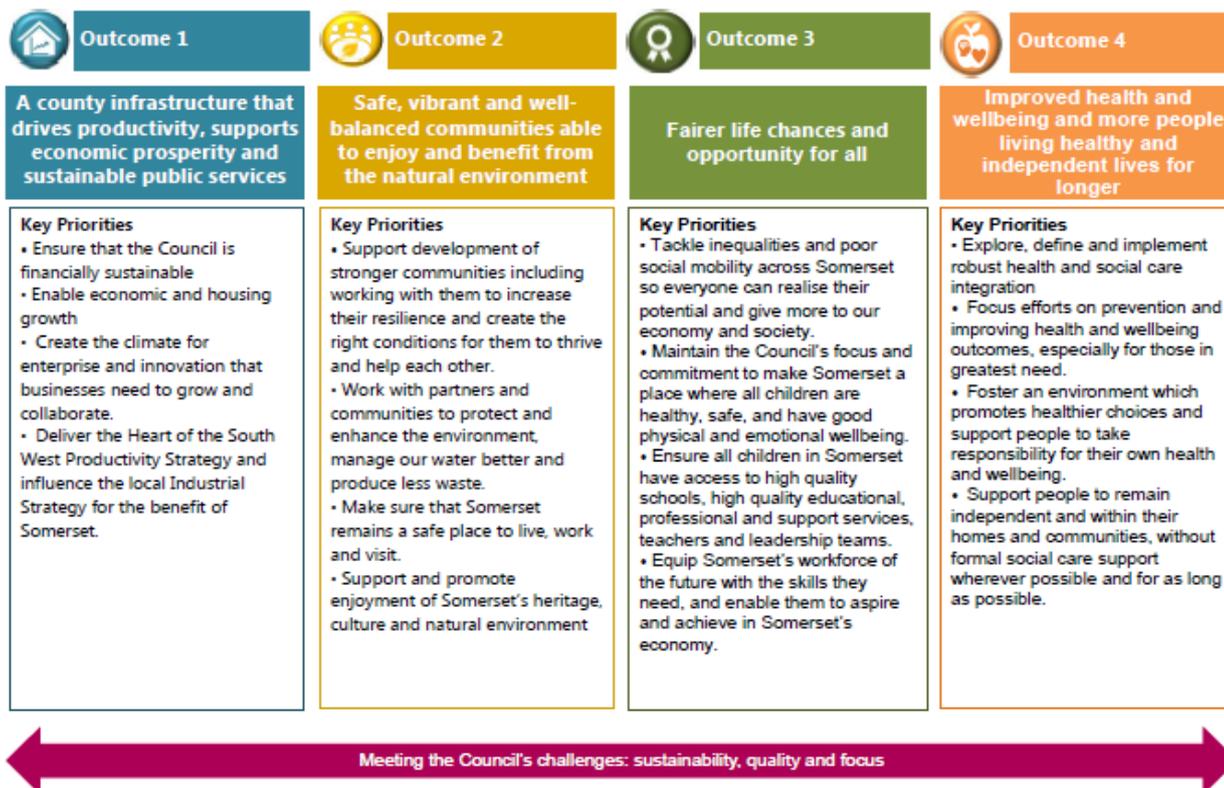
## 5. The County Council Vision

The Council's Vision is all about improving lives by creating:

- A thriving and productive County that is ambitious, confident and focussed on improving people's lives.
- A County of resilient, well-connected and compassionate communities working to reduce inequalities.
- A County where all partners actively work together for the benefit of our residents, communities and businesses and the environment in which we all live.
- A County that provides you with right information, advice and guidance to help you help yourself and targets support to those who need it most.

## Business Plan

The Council's Business Plan explained how it would work towards this Vision over a three-year period. The Business Plan contained four strategic outcomes that showed what the Council would focus on to deliver its Vision and improve lives. Beneath each strategic outcome sat four key priorities and a range of activities. By lining up these activities, priorities and strategic outcomes with the Vision the Council was able to plan-ahead, monitor progress and above all ensure that it was working within its financial means. An updated Business Plan will be presented to Cabinet in July 2021.



## 6. Performance for the year

The Corporate Performance report reflects the Council's ongoing progress towards the priorities laid out in the Business Plan. The measures used to support this report come from across the Council and are a subset of the measures monitored quarterly by Cabinet and the Senior Leadership Team. The report sets out the key activities and measures used to check the Council's performance for the year against the priorities it was working towards.

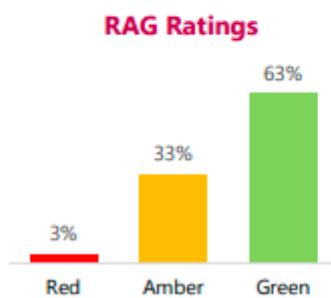
The report includes Key Performance Indicators (KPIs), where progress is assessed against targets and project updates. Performance is shown using Performance Ratings, progress is shown in terms of Direction of Performance (DOP) using arrows.

Performance Ratings	
G	Performance is on or exceeding target. Project is on target.
A	Performance is off target but within tolerance. Project requires attention.
R	Performance is off target and outside tolerance. Project is off target.
B	Metric discontinued. Project is closed.
Direction of Performance	
↑	Performance is improving. Project has achieved a milestone.
→	Performance is steady. Project is progressing.
↓	Performance is declining. Project has missed or at risk of missing milestones.

The following table shows the Council's progress, as at the 31<sup>st</sup> March 2021:

## High level Summary

	RAG Rating			Direction of Performance*		
	G	A	R	↑	→	↓
A county infrastructure that drives productivity, supports economic prosperity and sustainable public services	6	2	1	1	1	0
Safe, vibrant and well-balanced communities able to enjoy and benefit from the natural environment	3	4	0	2	3	0
Fairer life chances and opportunity for all	1	3	0	1	2	0
Improved health and wellbeing and more people living healthy and independent lives for longer	9	0	0	5	2	1
Meeting the Council's challenges: sustainability, quality and focus	0	1	0	1	0	0
<b>TOTAL</b>	<b>19</b>	<b>10</b>	<b>1</b>	<b>10</b>	<b>8</b>	<b>1</b>

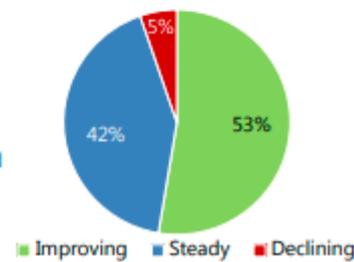


**63%**  
of measures  
rated as on or  
exceeding target



**53%**  
of measures rated  
as improving

### Direction of Performance



\*Not all measures carry a direction of performance therefore total numbers will not match total number of RAG ratings

## Summary by Vision Outcomes



\*Not all measures carry a direction of performance therefore total numbers will not match total number of RAG ratings

## 7. Financial Context

There were no significant changes in funding mechanisms or responsibilities during 2020/21.

The Council's financial statements continue to be prepared on a going concern basis, on the assumption that the functions of the Council would continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) does not negate the presumption of going concern.

The Council recognises the continuing need for improved public accountability and transparency through significantly strengthened financial reporting, in terms of frequency, quality and timeliness of reports to Cabinet, Audit Committee and Scrutiny meetings. This improved approach continued throughout 2020/21 and has helped the Council to improve its Value for Money rating. The approach taken in the Medium-Term Financial Plan has further improved the Council's financial resilience over the long-term whilst also supporting the delivery of the council's key priorities.

## 8. Revenue spending in 2020/21

In February 2020, the Council agreed its budget for 2020/21 at £340.716 million and approved a band-D council tax of £1,289.20 which included an increase in Council Tax of 1.99%, an additional precept increase specifically for Adult Social Care of 2% and a precept to cover the responsibilities for the Somerset Rivers Authority of £12.84.

The following table shows the actual spending across our service headings. These figures are based on service responsibilities, rather than the total cost of providing services (including charges for using assets, and adjustments to show the true cost of providing pensions to employees), which is used in the Comprehensive Income and Expenditure Statement.

**Table 1: Comparison of net spend against revised budget**

Service	2020/21	2020/21	Difference	
	Total Revised Budget £millions	Total Net Spend £millions	£millions	%
Adult Services	138.550	142.250	3.700	2.7
Childrens Services	92.273	89.620	-2.653	-2.9
Public Health	1.781	1.781	0.000	0.0
Economic & Community Infrastructure Services	73.643	68.625	-5.018	-6.8
Support Services & Trading Units	25.812	23.722	-2.090	-8.1
Accountable Bodies (LEP, SRA & CDS)	2.802	2.802	0.000	0.0
Schools	18.192	18.192	0.000	0.0
	<b>353.053</b>	<b>346.992</b>	<b>-6.061</b>	<b>-1.7</b>
Non-service items (costs such as bank charges that cannot be linked to a particular service) and Corporate Contingencies	-12.337	-14.403	-2.066	16.7
	<b>340.716</b>	<b>332.589</b>	<b>-8.127</b>	<b>-2.4</b>
Funded by:				
Revenue Support Grant	-6.100	-6.174	-0.074	1.2
Business Rates	-76.345	-77.160	-0.815	1.1
Council Tax	-258.271	-258.271	0.000	0.0
	<b>-340.716</b>	<b>-341.605</b>	<b>-0.889</b>	<b>0.3</b>
<b>Total Outturn Surplus (-) / Deficit</b>	<b>0.000</b>	<b>-9.016</b>	<b>-9.016</b>	<b>-2.6</b>

The Outturn surplus of £9.016m is also reported in Note 6, but as the classification of some Corporate Support Services are included in both Continuing Operations and the Provision of Services the total reported for resource management will be different from the figures in the table above. There is a similar difference with the Individual Schools Budget (ISB) figures reported in the table above as the Outturn position for ISB is not reported at Outturn (so excluded from Note 6).

The Covid-19 pandemic had a significant impact on the Council and its operations with some projects being delayed and completed in the new financial year. The underspend for the year was £9.016m (2.6%) with £1.961m of service budgets and £0.990m of Covid-19 funding carried forward to 2021/22 to complete projects started in 2020/21. General Reserves were boosted by £3.311m to increase overall financial resilience.

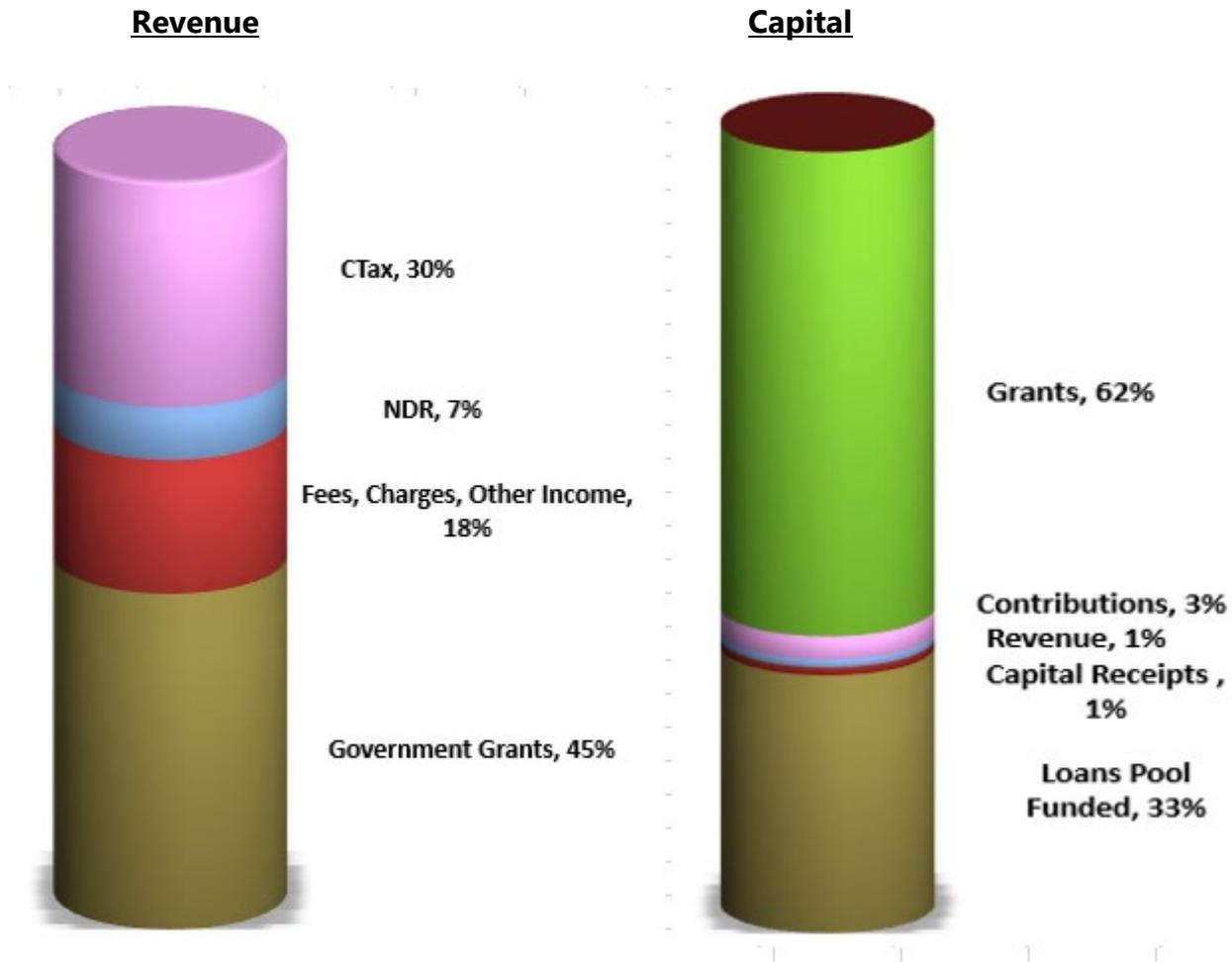
### 9. Capital spending in 2020/21

Alongside our day-to-day costs, the Council spends money on assets such as buildings, roads, vehicles and information and communications technology. This is capital spending. During 2020/21 our capital spending was £122.901m (£164.799m in 2019/20). The following table gives more detail on how we spent this money.

**Table 2: Major Capital Schemes**

Scheme		2020/21	
		£millions	£millions
<b>Economic Community and Infrastructure</b>	Local Enterprise Partnership	24.551	
	Road Structures	21.375	
	M5 J25 Improvements	7.714	
	iAero Centre	4.031	
	Integrated Transport & Improvement Schemes	3.098	
	Somerset Energy Innovation Centres	2.588	
	Somerset Rivers Authority	2.572	
	Major Transport Projects	2.376	
	Bruton Enterprise Centre	1.473	
	Bridge Structures	1.175	
	Traffic Control & Management	1.104	
	Toneway Corridor Improvements	0.801	
	Taunton Digital Innovation Centre	0.797	
	Fleet	0.746	
	Street Lighting	0.549	
	Rights of Way	0.447	
	Superfast Broadband	0.194	
Other Projects	<u>0.350</u>	75.941	
<b>Children and Learning</b>	Schools' Basic Need	31.516	
	Schools' Capital Repairs	3.262	
	General Education Provision	1.327	
	Early Years	0.902	
	Other School Projects	0.850	
	Other Children's Services	<u>0.061</u>	37.918
<b>Somerset Waste Partnership</b>	Depot Improvements	3.877	
	New Recycling Fleet	<u>1.827</u>	5.704
<b>Support Services</b>	ICT Investment & Development	0.913	
	A Block Priority Improvements	0.747	
	Other Projects	<u>1.638</u>	3.298
<b>Learning Disabilities</b>	Housing/ Assistive Technology	0.038	
	Other Projects	<u>0.002</u>	0.040
<b>Total Capital Spending</b>			<u><u>122.901</u></u>

The diagrams below show where our money came from. It is important to note that the contribution from the local community through the Council Tax represents just 30% of our revenue funding needs.



### 10. Borrowing facilities

Under the Prudential Code, the Council has set an authorised limit against which our external borrowing is monitored and managed. For 2020/21, the Operational Boundary was set at £595m (£457m for 2019/20). On 31 March 2021, the amount we owed was £351.5m (£353.5 m in 2019/20).

On 31 March 2020	Borrowing	On 31 March 2021
£millions		£millions
162.9	Public Works Loan Board (PWLB)	162.9
183.2	Other long-term loans	181.4
7.4	Other organisations investing in the Comfund	7.2
<u>353.5</u>		<u>351.5</u>

In line with accounting practice, the Council must show the 'fair value' of its loans. The fair value of the PWLB loan is £225.080m at 31 March 2021 (£211.525m at 31 March 2020). The fair value of the other long-term loans is £295.027m at 31 March 2021 (£295.865m at 31 March 2020).

During the year, the Council adopted a strategy to limit external borrowing and reduce the cost of borrowing through its Treasury Management activities, by utilising cash funds available rather than taking external debt. This is known as internal borrowing. The council has utilised this strategy over the past three years with the level of internal borrowing as at the 31 March 2021 being £48.2m.

### **11. Significant Assets & Liabilities**

The Council has a strong Balance Sheet as at 31 March 2021 with the most significant Assets and Liabilities shown in the table below:

<b>On 31 March 2020</b>	<b>Balance Sheet Extract</b>	<b>On 31 March 2021</b>
<b>£millions</b>		<b>£millions</b>
945.1	Property, Plant & Equipment	985.0
127.3	Short Term Investments	155.2
44.9	Cash & Cash Equivalents	77.1
-346.1	Long term Borrowing	-344.3
-41.0	Long Term Liability - PFI/Lease	-39.9
-754.8	Long Term Liability - Pensions	-993.6
110.7	Usable Reserves	170.2
-203.1	Unusable Reserves	-468.8

### **Pension Liabilities**

The Council has net future pension liabilities of £993.6m (£754.8m as at 31 March 2020) on an IAS19 basis. The Somerset County Pension Fund is formally valued every three years by an independent actuary to set future contribution rates. The most recent actuarial revaluation, as at 31 March 2019, assessed the funding level at 86% with a target funding level of 100%. Additional contributions were agreed at this valuation to restore the Fund to a funding position of 100% by no later than 31 March 2039.

When the Pension Fund is in deficit, it generates an interest cost which would not occur if it were fully funded. The Council's decision to make increased deficit recovery payments in recent years has significantly reduced both the overall pension fund deficit and the total interest payable by the Council to the Pension Fund.

Despite the Pension Fund's assets recovering well past their pre-pandemic highs, increasing by £249m in year from £946m to £1,195m, the overall deficit on an IAS19 basis grew. This is due to an increase in liabilities from £1,701m to £2,188m. The future value of pension liabilities is determined by the discount rate, which is based on the yield on investment grade corporate bonds. As the spread on corporate bonds has dramatically reduced, it has led to a decrease in the discount rate, which in turn increases the future value of liabilities.

## Usable Reserves

On 31 March 2021, the Council had the following reserves available:

On 31 March 2020 £millions	Reserves	On 31 March 2021 £millions
	<u>Revenue - SCC</u>	
	<u>General Fund</u>	
19.7	General Reserves	19.7
6.4	Service Unearmarked Reserves	10.2
	<u>Earmarked Reserves</u>	
-	S31 Local Tax Income Guarantee Grant Reserve	10.1
69.5	Other revenue reserves which we have set aside	92.1
	<u>Capital - SCC</u>	
5.1	Capital reserves	9.9
4.0	Capital Grants/Contributions Unapplied Reserves	3.7
	<u>Revenue - Schools</u>	
17.1	Schools' carry-forward fund	24.5
-11.1	Dedicated Schools Grant	-
<u>110.7</u>		<u>170.2</u>

The Spending Review on 25 November 2020 announced that the Government would compensate local authorities for 75% of irrecoverable losses in Council Tax and Business Rates income expected in 2020-21 (the 'local tax income guarantee') due to the Covid-19 pandemic. This balance represents an estimation of the Authorities lost income payable under this guarantee, that was accrued at year-end. This grant is un-ringfenced and will be paid to the Council through Section 31 (S31) grant in 2021/22.

Under current collection fund accounting rules, the S31 grant receivable during 2020/21 will not be discharged against the Collection Fund deficit until 2021/22, This reserve is therefore not actually available but earmarked against the following year's collection fund deficit that will be charged to the Council when its transferred from the Collection Fund Adjustment Account in 2021/22.

This reserve has been disclosed separately from the other Earmarked Reserves to avoid overstating the Council's General Fund position. The General Fund Reserve has increased by £3.8m since last year and represents 8.8% of the 2020/21 budget. Although this has increased the Council needs to continue to operate within very strict financial limits as the County recovers from the Covid-19 pandemic and awaits the outcome of Local Government Reorganisation in Somerset. The budget report presented to Council in February 2021 outlined that as Director of Finance my conclusion was that the levels of earmarked and non-earmarked reserves were adequate and reasonable in meeting the Council's risks.

The Dedicated Schools Grant reserve (deficit) has been reclassified from 1<sup>st</sup> April 2020 (in line with new regulations), as an Unusable reserve. See Note 43 – Dedicated Schools Grant Adjustment Account for further details.

## **12.COVID-19 Pandemic Response**

The overarching aim for the Council when responding to the Covid-19 pandemic has been 'to save life, mitigate the impact of the incident, prevent further harm and return to the new normality as quickly as possible'.

The infection rates in Somerset have been kept among the lowest in the country (with 19,958 cases detected as at 31 March 2021). Somerset has led the development of local contact tracing in the South West and has provided significant support to the local NHS vaccination programme. The Council has managed, through tireless support to workplaces, care homes, schools, households, and communities to minimise spread (dealing with 200 active incidents in total with a further 1,500 closed).

The Council's pandemic response was led by its Public Health Team, and some of the key achievements during 2020/21 were:

- Over 200,000 vaccinations offered in Somerset.
- Hundreds of Council staff being redeployed to work alongside the NHS and local communities.
- Playing a leading role in the Local Outbreak Management Plan, which included the provision of preventative and reactive infection control advice to workplaces, care settings, schools and local events, and a very successful outbreak testing programme; and
- Working with vulnerable groups to tackle inequality and support the vaccination programme.

The Council also developed a number of initiatives and support packages to help reduce the impact of the pandemic on vulnerable groups (such as vulnerable children and young people, and those in need of health and social care support). These initiatives included but was not limited to:

- Sourcing over 11 million pieces of Personal Protective Equipment (PPE) during a period of national shortage for allocation to the local community and care sector.
- Successfully recruiting additional care providers through the Proud to Care campaign.
- Providing £3m support to local care providers at the start of the pandemic to ensure their financial stability.
- Providing £2.1m support to Early Years settings to facilitate continued opening and sustainability.
- Adult Social Care investment in community networks to improve food distribution and community support.
- The provision of Social Workers in NHS Emergency Departments to help reduce admissions.
- Securing access to lateral flow testing for key internal and external staff carrying out face to face work including social care, nurseries, and residential homes providers.
- Engaging over 80 young people at risk of criminality or exploitation in summer holiday activities.
- Providing food vouchers to local schools to ensure vulnerable children had access to a decent meal during the school holidays.

- Maintaining a close relationship with partners to ensure contact with vulnerable children was retained, and
- Being the first South West Council to sign up to Unison's 'Stop the Spread' pledge.

To control the spread of the Covid-19 virus, protect the NHS and save lives the Government announced a series of national lockdowns in England during 2020/21 that involved the closure of all non-essential high street businesses. People were ordered to stay home and were only permitted to leave for essential purposes only. These lockdowns have had a significant on the local economy and employment market, so the Council has been actively working with local business to mitigate the impact and support the local economy. This response included but was not limited to:

- Providing redundancy support for businesses and individuals.
- Launching the 'Step Up Somerset' programme, an online employment and skills resource to support employment seekers.
- Targeted support for the local tourism sector especially hard hit by the pandemic.
- Introducing a 'Kick Start' scheme that successfully placed over 100 young people in local public sector organisations, and
- Working with the Libraries Service to provide access to digital devices, by sponsoring an expansion of the device loan scheme to support individuals with access to employment opportunities and training.

### **Financial Impact on the Council's 2020/21 Budgets**

The financial impact of the pandemic has been felt across all local government. The impact on The Council has been three-fold:

- The Council has incurred additional expenditure in its response to the pandemic.
- The impact on the local economy has led to significant falls in income from sales, fees and charges; and
- Saving proposals have been delayed or are considered no longer deliverable.

The impact of the pandemic has been mitigated by the support provided to local authorities by Central Government. The most considerable of these was the general Covid-19 support grant funding and the Infection control grant. During 2020/21, the Council received grant funding and NHS/Other Local Authority contributions of £72m to support the pandemic response, with an additional £15.6m of funding available from the unspent Covid-19 support allocation received in 2019/20.

The use of this funding was closely monitored to ensure the funding was only used to support the pandemic response and details of how the Council has used the additional funding has been regularly reported to Government through a series of returns.

During 2020/21, £65m was spent by the Council in its Covid-19 response. The Council also reported a reduction in its budgeted Sales, Fees and Charges income of £5m as a direct result of the national lockdown restrictions (further details of the funding received and expenditure incurred during 2020/21 can be found in Note 1: Covid-19 Pandemic Response).

As at 31<sup>st</sup> March 2021, the Council reported unspent Covid-19 funding of £17.6m. These unspent allocations have been carried forward to future years as earmarked reserves (£6.8m) and receipts in advance (£10.8m) to fund the on-going impact of the pandemic. This has meant that the Council has been able to maintain a healthy level of reserves as at the end of this financial year. There were no material grants received by the Council during 2020/21 where the Council was acting as agent for the funding.

All the grant allocations payable to the Council during 2020/21 have been recognised in the accounts.

### **13. Other Developments & Priorities**

#### **Heart of the South West Local Enterprise Partnership**

The Heart of the South West Local Enterprise Partnership (HoTSW LEP) is a business-led partnership between the private sector, local authorities, universities, and colleges, covering Devon, Plymouth, Somerset and Torbay. The HoTSW LEP plays a central role in deciding local economic priorities and undertaking activities to drive economic growth and create local jobs

As a result of the national Local Enterprise Partnership Review in 2018, all Local Enterprise Partnerships were required to have a single accountable body to manage funding, awarded by Government, in accordance with the Local Assurance Framework. Prior to 2020/21, the main funding streams for the HoTSW LEP had been awarded to the Council (Growth Deal) and Devon County Council (Growing Places Fund).

During 2020/21, the Council were appointed as the single accountable body for the HoTSW LEP, and the Growing Places Fund previously awarded to Devon County Council was transferred to the Council. Details of how the Council accounts for the HoTSW LEP funding allocations can be found in the Accounting Policies section of the accounts.

More information on the Heart of the South West LEP can be found on their website.

#### **Future Funding**

The UK Government has announced that the Fair Funding Review (FFR) and Business Rates Retention reset (BRR) will be implemented in April 2022, although consultations and further details around this are yet to emerge. Council officers will continue to work with the Government on informing the approach to funding for the next financial year and beyond.

#### **Local Government Reorganisation**

One Somerset is Somerset County Council's ambition to replace the County's five existing councils with a single unitary model. The Council has submitted its business case for the unitary proposal, having been invited to submit its proposal by the Secretary of State for Housing, Communities and Local Government.

Mendip District Council, Sedgemoor District Council, Somerset West & Taunton Council and South Somerset District Council have also submitted a joint proposal (referred to as Stronger Somerset) for two unitary councils covering the whole of the area of the administrative county of Somerset County; one unitary council in the west comprising the current districts of Sedgemoor and Somerset West & Taunton and the other in the east comprising the current districts of Mendip and South Somerset in the east.

Both proposals were reviewed by the Secretary of State, and his decision was to approve the One Somerset bid. It is planned that the shadow authority will be implemented by May 2022 and the new Council in place by April 2023. SCC has approved a budget of £3.2m for implementation costs in 2021/22. A total of £16.5m is outlined in the business case for one off transitional costs resulting in £18.5m annual savings from the one unitary proposal.

### **The Statement of Accounts**

The annual Statement of Accounts sets out a summary of our financial affairs for 2020/21 and shows our financial position as at 31 March 2021. It includes the following statements and accounts:

- Comprehensive Income and Expenditure Statement.
- Movement in Reserves Statement.
- Balance Sheet.
- Cash Flow statement.
- Pension fund accounts.

An explanation of each of these statements is included within the statement itself. We use some technical terms in these accounts, which we have explained in the glossary.

### **Inspection and audit**

The Government have reviewed and updated the timetable for the production and audit of accounts. The Council is required to produce and publish its accounts by 31 July for the 2020/21 and 2021/22 financial years, and made available for public inspection. The external auditor should complete their work by 30th September 2021, however, Grant Thornton have already indicated that this is very unlikely to be met, and it is planned that these accounts will be approved by the Audit Committee at their meeting on 18<sup>th</sup> November 2021. The delay has arisen due to the impact of Covid-19 on both the complexity of the audit and pace at which it can be completed, and the increased assurance work that auditors are required to carry out nationally with respect to pensions and asset valuations.

The Council will make these accounts available for public inspection (from 26 July to 3 September 2021) so that people who pay Council Tax and rates, and other members of the public, can ask the auditor any questions. This is a legal requirement, but my department will answer questions from anyone with an interest at any time. These accounts will be approved by our Audit Committee on 18<sup>th</sup> November 2021.



**Jason Vaughan FCCA, CPFA, IRRV (Hons)**  
**Director of Finance**  
**(Chief Financial Officer)**  
25th November 2021

# Statement of Responsibilities

**This section explains the Council's responsibilities for our financial affairs and how we make sure we carry out these responsibilities properly.**

## **Somerset County Council's Responsibilities**

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Chief Financial Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

## **The Chief Financial Officer's Responsibilities**

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

In preparing this Statement of Accounts, the Chief Financial Officer has:

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

The Chief Financial Officer has also:

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

## **The Chief Financial Officer's Declaration**

This Statement of Accounts gives a true and fair view of the financial position of Somerset County Council as at 31 March 2021 and its income and spending for the year ending on that date.



**Jason Vaughan FCCA, CPFA, IRRV (Hons)  
Director of Finance  
(Chief Financial Officer)**

25th November 2021

**Independent Auditor's Report**

**to the Members of  
Somerset County Council**

The audit report will appear here.

**Independent Auditor's Report**

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# Annual Governance Statement

for year ended 31 March 2021



## Foreword

**“To ensure that Somerset and its people are supported and enabled to fulfil their potential, prosper and achieve a high standard of well-being”.**

**This is the Council’s stated purpose as contained in the Council Plan for 2018-22. The Plan sets out what we will do to achieve this, continuing to look for ways to improve services and, as far as possible, prioritising frontline services against a background of shrinking public sector finances while at the same time, planning for a sustainable future.**

**Effective corporate governance is essential to support the Council in meeting these challenges.**

All who use our services and all who pay for them, together with our suppliers and partners, must be able to have confidence in our governance arrangements - that our ways of working enable us to provide the right services effectively and efficiently and on a consistent basis, and that we take informed, transparent and lawful decisions. They must also be assured that we properly account for the money we receive and spend.

While our corporate governance arrangements have been effective in supporting the Council through the exceptional last year globally, nationally and locally together with the significant opportunities for Somerset through Local Government Reorganisation, we will ensure our arrangements remain effective in 2021-22 and into future years as we continue to meet our challenges.

As always, there are some opportunities for improvement which have been identified as a result of our monitoring and review arrangements. We will ensure that the necessary action is taken to address these.



**Pat Flaherty,  
Chief Executive**



**Councillor David Fothergill,  
Leader**



## What is Corporate Governance?

Corporate governance refers to the processes by which organisations are directed, controlled, led and held to account. It is also about culture and values - the way that councillors and employees think and act.

The Council's corporate governance arrangements aim to ensure that it does the right things in the right way for the right people in a way that is timely, inclusive, open, honest and accountable.

## What this Statement tells you

This Statement describes the extent to which the Council has, for the year ended 31 March 2021, complied with its Governance Code and the requirements of the Accounts and Audit (England) Regulations 2015. It also describes how the effectiveness of the governance arrangements has been monitored and evaluated during the year and sets out any changes planned for the 2021-22 period.

The Statement has been prepared in accordance with guidance produced in 2016 by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) - the 'Delivering Good Governance in Local Government Framework'. It embraces the elements of internal control required by the 'Code of Practice on Local Authority Accounting in the United Kingdom'.

# The Council's Governance Responsibilities

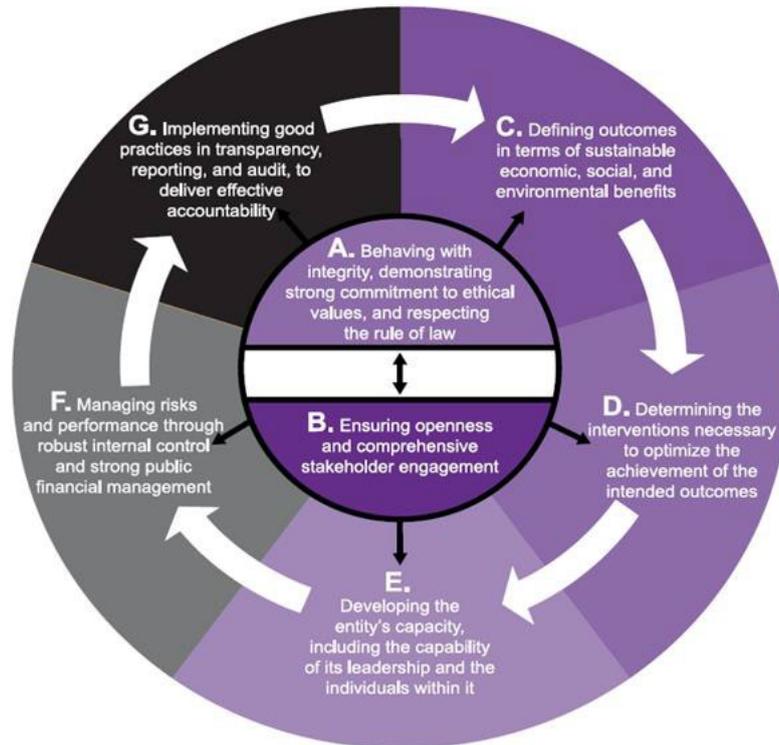
The Council is responsible for ensuring it conducts its business in accordance with the law and to proper standards and that public money is properly accounted for and is used economically, efficiently and effectively. It also has a duty to continuously improve the way that it functions, having regard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

To meet these responsibilities, the Council acknowledges that it has a duty to have in place sound and proper arrangements for the governance of its affairs, including a reliable system of internal control<sup>1</sup>, and for reviewing the effectiveness of those arrangements.

The Council's Governance Code, which was developed in accordance with the governance guidance produced by CIPFA and SOLACE, states the importance to the Council of good corporate governance and sets out its commitment to the principles involved. The Code is on our website, or can be obtained from the Monitoring Officer or Director of Finance.

<b>Somerset County Council Governance Code (2017)</b>
<b>Our commitment to good governance is made across the following core principles:</b>
A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
B. Ensuring openness and comprehensive stakeholder engagement.
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
D. Determining the interventions necessary to optimise the achievement of intended outcomes.
E. Developing the Council's capacity, including the capability of its leadership and the individuals within it.
F. Managing risks and performance through robust internal control and strong public financial management
G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

<sup>1</sup> A process to ensure that objectives will be achieved



## The Governance Framework

The governance framework consists of the systems and processes by which the Council is directed and controlled and through which it accounts to, engages with and leads the community. It also includes our values and culture.

It enables us to monitor the achievement of our objectives and to consider whether these have led to the delivery of appropriate, cost effective services. The Framework is summarised in the diagram overleaf.

As the Council improves the way it provides services, it is important that the governance arrangements remain robust but also flexible and proportionate.

In order to review the effectiveness of the governance framework, assurances are provided to, and challenged by, the Senior Leadership Team, the Audit Committee, Constitution & Standards Committee, Scrutiny Committees, the Cabinet or Council as appropriate.

The Healthy Organisation review by our internal auditors accredited the council in 2018/19 with high assurance / low risk in terms of its Corporate Governance. Despite the exceptional year with many challenges for public services, our internal auditors have confirmed continued improvement and assurance with our governance framework and systems. The Governance Framework cannot eliminate all risk of failure to meet the targets in our policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The Senior Leadership Team is the Senior Officers body which brings together Directors responsible for commissioning, resources, support and customer services and service delivery.

Some of the key elements of the governance framework are highlighted on the next pages.

**Purpose: 'To ensure that Somerset and its people are supported and enabled to fulfil their potential, prosper and achieve a high standard of well-being'**

**Sources of Assurance**

**Assurance Required on:**

- Delivery of Council Plan
- Communication of performance
- Financial management
- Service quality and best use of resources
- Any failures in service delivery addressed effectively
- Councillors and Officers working together effectively
- Compliance with laws and regulations, policies and procedures
- High standards of conduct and behaviour
- Informed and transparent decision making
- Management of risk and effective internal controls
- Developing the capacity and capability of members and employees
- Democratic engagement and robust public accountability

- Planning principles for services and Somerset Way of Working
- Constitution
- Strategic Leadership and Senior Management structures
- Medium Term Financial Strategy
- Financial Regs and Procedure Rules
- Contract Procedure Rules
- Commissioning Plans and Procurement Strategy
- Consultation Strategy
- Communications Plans
- Equality Plan
- Organisational Development and Workforce Policies and Plans
- Corporate Performance
- CIPFA FM Code
- Information Management policies
- ICT & Digital Strategy
- Health and Safety Policy
- Risk Management Policy
- Partnership Working
- Internal & External Audit and inspection
- Anti-Fraud and Corruption Policy and procedures
- Audit, Scrutiny and Constitution & Standards committees
- Codes of Conduct (Employees and Members)
- Whistleblowing Policy
- Performance Review and Development
- Complaints system

**Assurances Received**

- Statement of Accounts
- 'Focused on Our Performance' self-evaluation of progress against Council Plan
- External Audit and Inspection reporting
- Internal Audit reporting
- Risk and Control Registers and Risk Management Reporting
- Directors and Strategic Manager's internal control assurance
- Anti-fraud and corruption annual report
- Scrutiny Reviews
- Reviews commissioned by management
- Annual review of Constitution, Schemes of Delegation & Contract Procedures
- Peer Reviews
- Ongoing review by Governance Board of Corporate Governance and areas for improvement
- Governance Code and Framework review

**Opportunities for Improvement**

- Health & Safety
- Sustaining robust ICT infrastructure

**Governance Review & Assurance**

**Annual Governance Statement**

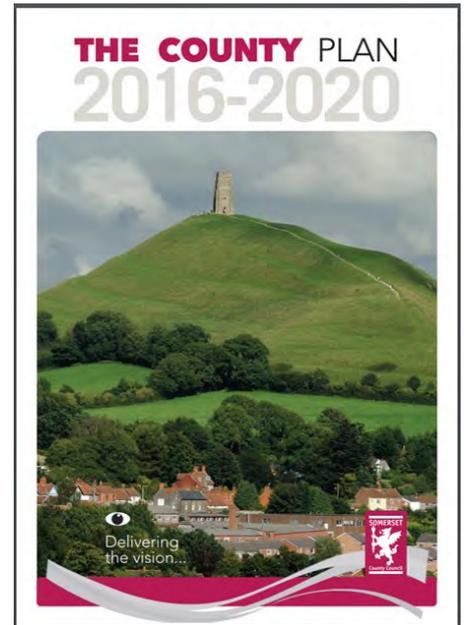
**GOVERNANCE FRAMEWORK**

## The Council Plan

The Council Plan for 2018-22 sets out our overall purpose - 'to ensure that Somerset and its people are supported and enabled to fulfil their potential, prosper and achieve a high standard of well-being'. It helps us to focus our resources and drive improvement, and sets out where we will focus our energies and our increasingly limited resources and how we will judge our performance.

The Plan sets out seven principles which we consider in the planning and delivery of services (see next page).

The Plan is the means by which the Council sets out how objectives will contribute to the wellbeing goals for Somerset and how they will be achieved. Objectives and target outcomes are set within three strategic themes – Economy, People and Place – and the corporate theme of Organisation. Limited resources mean there is a need to be realistic about how much can be done. This means making difficult choices on where to focus resources so more can be done with less, and we can work with together with partners to do more. Key to this are robust financial, commissioning and decision-making processes, good quality data, good governance, performance management, effective technology and a willingness to do things differently.



## Evaluating Performance

The Council's Business Plan was originally approved by Cabinet in June 2018 (updated at Full Council in May 2019) and is scheduled for refresh in summer 2021. The Business Plan outlines how we will work with partners and communities to deliver the County Council's 'Vision for Somerset' in the most efficient way possible for Somerset's taxpayers. The Business Plan contains the strategic outcomes that show what the Council will focus on to deliver its Vision and improve lives. Beneath each strategic outcome sits the key priorities to deliver those outcomes and a range of associated activities. By lining up these activities, priorities and strategic outcomes with the Vision the authority can plan ahead and monitor progress.

Performance is regularly reviewed by Directors and the Senior Leadership Team. Regular performance reports are presented to the Cabinet and available for review by scrutiny committees. An annual performance outturn report is reported to Cabinet.

Both our external and internal auditors assess the Council's arrangements for delivering continuous improvement and subsequent performance.

The Council's schools, education and training services are assessed by Ofsted on an ongoing schedule, and our social services are subject to ongoing review by the Care Quality Commission.

### Social Media-Join The Conversation!

**Join the conversation on all aspects of Somerset Council services and activities.**

**The Council provides its customers access to our services and information in the most appropriate Social Media channels.**



# Covid 19 - governance

The impact of the coronavirus pandemic has been felt by all organisations in the UK and the Council is no exception, being a significant employer, service provider and community leader in the county. This section summarises the impacts on key areas of the Council's functions. It should be noted that while the Council has experienced significant disruption to its day-to-day operations, the review has highlighted the effectiveness of its governance arrangements in providing a robust foundation for its response to the pandemic and this continues. The Council maintains a strong focus on business continuity and emergency planning, including learning from experience of managing major incidents and participating in national and local planning exercises. The Council reviewed its business continuity arrangements as part of the ongoing uncertainty up to and following the UK's exit from the European Union.

There has been significant impact on pre-coronavirus ways of working and service delivery. This has included a move from office-based working to home working where possible, closure of public buildings and facilities such as libraries and recycling centres, temporary closure of services such as day care and re-enablement services. The Council moved rapidly to staff working at home where possible and refocused people management activity to address the challenges of new ways of working. ICT security requirements were strengthened as staff working at home moved to VPN infrastructure. Policies and procedures have been adapted to respond to changing needs. Some planned work has not progressed, including some planned internal audit work.

In terms of democratic arrangements, our meetings began to be cancelled from late March 2020. On 28 March 2020 the Leader of the Council and the Chief Executive made a decision to put in place emergency decision making arrangements and to postpone and call no further member meetings up to mid May 2020 to protect the health of members, officers and the public. The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations were laid before Parliament in early April, following which the Council held its first virtual committee meetings from 13 May 2020. 'Virtual' internet-based meetings were established for all committees and school admission appeals and these continued throughout 2020/21.

The Council is a Category 1 responder under the Civil Contingencies Act 2004 and has been an active and standing participant in the county's multi-agency response partnership (chaired by Avon & Somerset Police). A Multi-Agency tactical group chaired by the Council and with members drawn from all district councils, CCG and NHS, Fire, Police, Waste Board and specific services including representatives from Children's services was held throughout the pandemic to coordinate the response across Somerset. Various "cells" were set up to ensure appropriate response was in place with the Council chairing a number of these including the Vulnerable People and Communities Cell that coordinated food, medical support and other help was on hand for those who needed it. The Council's contact centre took a role in pulling together a single point of contact for Somerset residents with the Coronavirus helpline that has taken a total of 13,000 calls. The Council was also represented on the Somerset Foundation Trust operated Somerset Vaccination Board. More than 1000 council staff volunteered to be part of the redeployment effort to support our communities and strategic partners. Around 500 staff were used in the end, running contact track and tracing operations, setting up vaccination hubs, running test sites, and working alongside community volunteers to ensure those shielding were fully supported.

Throughout the majority of 2020/21, the Senior Leadership Team met twice weekly to manage the council's emergency response, maintain delivery of core services and prioritise resources accordingly. Regular position statements and updates were provided to elected members and reported to Cabinet meetings and other committees, including the formation of a new Member Engagement Board with partner representatives.

The Council reviewed and improved arrangements for officer decision making in 2019 and these have stood the Council in good stead in the response and early recovery periods of the coronavirus major incident. There is provision in the Constitution for the Chief Executive to take urgent decisions and for the Leader of the Council to take decisions that would otherwise have been taken by Cabinet or Cabinet Members.

Assessment of financial impacts of coronavirus Coronavirus related costs have been regularly undertaken by the Section 151 Officer and reported to SLT and Cabinet meetings. Arrangements have been put in place to identify increased costs and lost income as a result of the coronavirus. The Council has received over £75 million through 15 different funding streams from various Government Departments to help fund the Council's coronavirus response and new responsibilities. There is robust monitoring arrangements in place with monthly reporting to MHCLG on the financial impact of the coronavirus. The Finance team has been working closely with Senior Managers in preparing the forecasts for MHCLG. The Director of Finance continues to closely monitor the impact of the pandemic on the Council's budget both in the current year and upon the Medium-Term Financial Plan. There is recognition that the impact of the coronavirus can mean an ever-changing situation and the monthly financial reporting to Scrutiny and Cabinet have been effective in supporting the council through an exceptional year.

Assessment of the longer-term disruption and consequences arising from the coronavirus pandemic have been assessed as part of the Council's response and this will inform planning during the recovery phase. The Council established a Recovery Board during 2020 to drive its recovery response. This has included consideration of impacts relating to:

- Service delivery
- Finances
- Staff resourcing and capacity
- Staff well being
- Relationships with other bodies and partnerships

A Somerset Economic Recovery plan was developed with partners and agreed by all five local councils. Multi agency arrangements to manage the recovery phase are in progress. A new coronavirus Corporate Risk has been added to the Corporate Risk Register and it is anticipated that this risk will remain on the corporate register for some time, in the context of the prolonged nature of this incident and anticipated longer term disruption. Directors are updating service risk assessments as part of recovery work whilst also recognising that some services are still in the response phase. There were additional health and safety and ICT requirements which required ongoing reflection and review to ensure appropriate controls and measures were in place. Our focus as part of the recovery work is to ensure commissioned services remain fit for purpose; that markets are developed and procurement is refocused in alignment with the Council's future needs. This includes the likelihood of a long-term need for significant procurement activity in relation to PPE in order the safeguard the Council's social care services and workforce.

# Supporting Somerset's economy

Covid 19 and the associated public health restrictions placed upon social and economic activities have had a significant impact on the Somerset economy in the last year. Overall, Somerset's economy is likely to have shrunk by more than 10% during 2020 and is unlikely to return to pre-Covid levels until at least 2022. The number of individuals claiming out of work benefits has risen by over 100% in the last year, and more than 100,000 people in Somerset have had to rely on support from either the coronavirus job retention scheme (commonly known as the furlough programme) or the self-employment income support scheme. Correspondingly, businesses have been hit hard, especially those in the most vulnerable sectors such as retail, hospitality, wholesale and manufacturing. Covid 19 has accelerated economic changes, including precipitating company closures with impacts on particular localities and widened existing inequalities. In April of 2021, early results from 2021 Somerset Business Survey revealed that 72.4% of businesses achieved 50% or less of their normal turnover in the last 12 months, whilst 80.2% achieved 50% or less of their normal profitability.

Somerset County Council has played a leadership role in addressing these unprecedented challenges, while also working closely with a wide range of partners to support businesses, individuals and communities. As an anchor institution in the local economy, SCC has recognised the importance of acting responsively with our many contractors and suppliers. During the past year we have adopted a flexible approach to their contractual requirements, supporting their resilience in the face of operating restrictions and financial difficulties. Working with the Somerset Chamber and the Federation of Small Businesses (FSB) SCC has also taken steps to maximise opportunities for local contractors to compete for minor work schemes in our capital programme and thereby mitigate the impacts of the construction downturn resulting from Covid 19. As we emerge from the pandemic we are building on these relationships, including through a recent webinar hosted by the Chamber and FSB about doing business with SCC which attracted 100+ attendees. Similarly, as an anchor employer, to support young people whose employment prospects have been hard hit in the past year we are providing a significant range of work placements under the Government's Youth Kickstart programme and extending our own graduate recruitment programme.

From the first Covid 19 lockdown in March 2020 we convened, as part of our multi agency response mechanisms, a business response cell comprising senior representatives from all five Somerset local authorities, the Heart of the South West Local Enterprise Partnership and Growth Hub and business representative organisations. The cell's work has included ensuring joined up communications to businesses about support available, including during the roll-out of the Government's financial support packages, building and sharing intelligence about local economic impacts, including conducting a business survey in Autumn 2020 and refreshed in Spring 2021 (1,000+ businesses in both stages), ensuring that Covid responsible operating messages are widely accessible to local businesses and collaborative planning for high streets reopening and receiving visitors as restrictions have been lifted. In addition, the cell has overseen decisions about repurposing of funds from the Somerset local authorities business rates retention pilots to resource support for response measures in the Somerset visitor economy and labour market.

In the past year there has been a sequence of significant redundancy announcements by Somerset businesses, with the economic consequences of Covid 19 a factor in a number of cases. Somerset County Council co-ordinated the development of a multi-agency response protocol ensuring that an effective response to major redundancies, with clearly defined roles across organisations so that we can best work with and support the business undergoing change and the consequent impacts for its workforce and the wider community. Examples have included the response to the closure of Oscar Meyer (with the loss of circa 800 jobs and of the two main employers in the Somerset market town of Chard) and the response to the impacts for Taunton of the demise of Debenhams (where in addition to the store this includes the closure of its national financial administration centre).

In addition to responding to the immediate economic impacts of Covid 19 we have recognised the imperative of developing a plan for ultimate recovery in the county post Covid 19. The Somerset recovery and growth plan was adopted by Somerset County Council (and Somerset's District Councils) in January 2021 and has been highlighted by the Local Government Association as a case study of good practice. Details of the study can be found on the LGA website. The County Council has successfully secured resources in the past year to progress actions identified in the plan from a range of sources including the Government's Getting Building Fund, European Structural Funds, DWP and from private sector sources including EDF Energy.

Alongside recovery from the impacts of Covid 19 on Somerset's economy Somerset County Council has continued to focus in the past year on the longer-term issues and opportunities for the Somerset economy that pre-dated the pandemic. These include raising the productivity of the local economy, transition to a zero-carbon economy and changing workforce and skills requirements. We have completed the construction of the Somerset Energy Innovation Centre campus in Bridgwater and the iAero Centre in Yeovil – developments funded by the County Council and Growth Deal funds. We have also secured Getting Building Fund investment in a Digital Innovation Centre in Taunton and for light industrial units at Bruton Enterprise Centre. Working with the LEP, Bristol University, Nuclear South West and Somerset District Councils we jointly prepared and submitted an expression of interest in March 2021 to the UKAEA for the UK's fusion demonstrator plant to be located at the Hinkley Point site in Somerset. If we succeed in securing the site for this national demonstrator this will further strengthen our long-term positioning as a leading area in the UK's clean energy sector.

# Safeguarding vulnerable adults and children

## Safeguarding Adults

Safeguarding means protecting an adult's right to live in safety, free from abuse and neglect. It is about people and organisations working together to prevent and stop both the risks and experience of abuse or neglect, whilst at the same time making sure that the adult's wellbeing is promoted.

The aims of adult safeguarding are to:

- Prevent harm and reduce the risk of abuse or neglect to adults with care and support needs
- Stop abuse or neglect wherever possible
- Safeguard adults in a way that supports them in making choices and having control about how they want to live

The Somerset Safeguarding Adults Board (SSAB) is a multi-agency partnership, independently chaired, which became statutory under the Care Act 2014 from 1st April 2015. The role of the Board is to assure itself that local safeguarding arrangements and partner organisations act to help and protect adults in its area.

The Boards' main objective is to assure itself that local safeguarding arrangements and partner organisations act to help and protect people aged 18 and over in the area who:

- have needs for care and support; and
- are experiencing, or at risk of, abuse or neglect; and
- as a result of their care and support needs) are unable to protect themselves from either the risk of, or experience of, abuse or neglect.

The Board has a strategic role that is greater than the sum of the operational duties of the core partners, overseeing and leading adult safeguarding across the county and interested in a range of matters contributing to the prevention of abuse and neglect. The Board does not work in isolation, nor is it solely responsible for all safeguarding arrangements. The Board's website promotes local adult safeguarding policy, practice and resources: <https://ssab.safeguardingsomerset.org.uk/>

Somerset County Council has the lead role for adult safeguarding in Somerset, which it primarily discharges through its dedicated Adult Safeguarding Service. The number of safeguarding concerns raised with SCC in 2020/21 was 2,776. Of these concerns, 878 progressed to a Statutory Section 42 Safeguarding Enquiry whilst the remaining contacts would have received a different outcome - this could have been a quality assurance response, an assessment of needs or a review, for example. In 2020/21, where a risk was identified, in 97% of cases the risk was reduced or removed. When an individual was asked and expressed a desired outcome from the safeguarding intervention, 99.6% of outcomes were either fully or partially achieved and 0.4% were not achieved, this being an improvement in practice and recording compared to 2019/20. Each year, the Local Authority submits an statutory return as part of the Safeguarding Adults Collection (SAC) which records details about safeguarding activity for adults aged 18 and over in England, reported to, or identified by, Councils with Adult Social Services Responsibilities, the collection includes demographic information about the adults at risk and details of the incidents that have been alleged

To provide governance and oversight of the standard of practice in the Service, quality assurance audits are undertaken both internally and as part of the SSAB's Quality Assurance subgroup. The Adult Social Care service introduced system wide quality audits from September 2019, with Safeguarding Triage and Enquires being discrete areas for audit. The feedback from these audits has been positive, as has the learning, to develop and further enhance the service delivered. The Somerset Safeguarding Adults Board has 'Listening and Learning' as a key overarching Strategic Plan priority, and places specific emphasis on the need to encourage and actively seek feedback from people who experience adult safeguarding and their carers. Consequently, the Council's Adult Safeguarding Service have been working with Healthwatch to devise a way to capture service user feedback and launched 3 x feedback forms (directed at anyone who has recently received support from the Adult Safeguarding Service) in May 2021.

## **Safeguarding Children**

### **Somerset Safeguarding Children's Partnership (SSCP)**

The new safeguarding arrangements for children set out in 'Working Together to Safeguard Children (2018)' took effect in September 2019. The safeguarding lead responsibility is now shared between the three statutory partners: Somerset County Council, Avon and Somerset Constabulary, and Somerset Clinical Commissioning Group with a strong commitment to shared and equitable leadership of the new arrangements. A Youth Forum has also been established to enable young people to hold the three statutory partners to account during an annual conversation. This year there has been a continued focus on the four priorities of early help, multi-agency safeguarding, neglect as well as child exploitation. The SSCP is consolidating what is working well, and addressing areas needing further improvement to ensure that the partnership is effective as possible in safeguarding children. There has been a national and local focus on the identification of vulnerabilities in the pre-birth and post-natal period, as well as a focus on adolescents with complex circumstances and needs. [Out of routine: A review of sudden unexpected death in infancy (SUDI)]. Details of which can be found on the Governments asset publishing service website

The Somerset Safeguarding Children Partnership has also been pleased to confirm the appointment of an Independent Scrutineer, effective as of January 2020, who has supported the partnership's activities over the last year, particularly during the challenging lockdown periods.

There is regional activity across the Avon and Somerset Constabulary area to support provision of wider independent scrutiny. It is planned to develop a pool of scrutineers across the region and develop regional approaches to common concerns such as County Lines activity.

Multi agency audits have continued across the partnership where areas that need to be tested arise. In addition, the partnership has invested in a post to support data collection and analysis to support the scrutiny and assurance function of the partnership. The statutory Section 11 audit of the efficacy of safeguarding arrangements within partner agencies was completed at the end of 2020 with no significant concerns. The findings will be tested during 2021-2022.

The Somerset Safeguarding Children Partnership has commissioned two local Child Safeguarding Practice Reviews in response to serious incident notifications. The changes required following the learning from these reviews have already been implemented, and the reviews will be published in 2021.

Details of the SSCP Structure are available on request.

## **Corporate Parenting Board**

In order to thrive, children and young people have certain key needs that good parents generally meet. The corporate parenting principles set out Seven Principles (identified in section 1 of the Children and Social Work Act 2017) that local authorities must have regard to when exercising their functions in relation to looked after children and young people.

The role of the Somerset Corporate Parenting Board is to ensure that Somerset County Council, together with the four District Councils, fulfil their duties towards children looked after (CLA), corporately and in partnership with other statutory agencies, including the NHS and Police. The existing Corporate Parenting Strategy and Terms of Reference (TOR), including membership, of the Corporate Parenting Board were agreed by Council in 2017.

The focus of the Corporate Parenting Board is on the delivery of five priorities covering placement sufficiency and stability, education, health, voice of the child and leaving care through well-established sub-groups with good cross agency working, led by a senior officer, and supported by a Councillor from the Board. Additionally, the key area of foster carer development is led by the council's fostering service. Action owners on the groups take responsibility for issues to deliver solutions within deadlines.

These priorities are monitored through the Corporate Parenting Board annual action plan and reported on quarterly. The Annual Report is received at Full Council. Highlights of improvements and progress for 2020/21 as follows:

- Improved performance through the new Health dashboard
- Improved communications around quality and timeliness of Initial Health Assessments (IHAs)
- Increased area provision for IHAs and Adoption Medical Reviews

## **Special Educational Needs and Disabilities (SEND)**

The Written Statement of Action (WSOA) for SEND was approved for publication by Inspectors on 30<sup>th</sup> November 2020 and was published on 1<sup>st</sup> December. The full WSOA is available on the Local Offer website. It is highly ambitious but must be in order to address the shortcomings in the system and to improve the offer for children and young people with SEND, and their families. Somerset County Council shares responsibility for delivering the Written Statement of Action with NHS Somerset CCG.

The WSOA is monitored monthly through the SEND Improvement Board (SIB) comprising members from across the local area. The SIB was refreshed in July 2020, both in terms of its membership and work, to be certain we focused on improvement against the priority areas. We did this to gather

regular feedback from young people and families and to ensure effective challenge and collective responsibilities by all members. In addition, the local area has implemented a Children's Executive Group (CEG) to allow speedy joint resource allocation, decision-making and issue resolution to facilitate delivery of WSoA. Terms of reference and monitoring reports presented to the SIB are published on the Local Offer website.

The WSoA contains nine Improvement Priority (IP) areas linked to the nine areas of weakness identified. Each IP area has a responsible lead from different parts of the system who reports on the progress of their area and any linked work cutting across the WSoA.

Both CEG and SIB receive a monthly report on progress against the Written Statement of Action. An annual report on SEND is provided to the Health and Wellbeing Board. There are also regular updates to the Early Help Board.

There have been eleven SIB meetings since the inspection. The Board continues to reflect on the lived experience of young people and families and provide challenge to the Programme in ensuring this is used to inform planning for improvement. The Board also receives regular reports from member providers who share their perspective on improvement progress and current challenges – latest reports reflect better communications across the partners and early signs that services are beginning to work together better as a system.

The Children's Executive Group continues to meet regularly to provide direction, support and challenge to priority leads, acting as the point of escalation for resolving partnership delivery challenges, and is supporting better joint commissioning for the local area.

The local area has recently commissioned an independent audit to assess the progress made by the CCG and partners to develop its governance structures for partnership working and joint commissioning. It will also assess the progress made to address the actions required to improve the provision to support children with Special Education Needs and Disability (SEND), following the Statement of Action and funding in place.

This will identify areas of good practice in partnership working, so that learning is incorporated into other joint working arrangements.

Details of the SEND Governance structure are available on request.

# Local Government Reorganisation

Over the last twelve months the Council has developed the One Somerset business case for a single unitary council to replace the current county council and four district councils. This case sets out how the proposal will meet the three tests set by the Secretary of State:

1. To improve local government in the county
2. To have a credible geography of between 300,000 and 600,000 population
3. To command a good deal of local support 'in the round'

The proposal includes detailed financial modelling demonstrating implementation costs and revenue savings to be delivered as well as engagement, research and consultation with residents and businesses throughout the county. It sets out innovative proposals to place communities at the heart of the new arrangements, including devolution to town and parish councils who have been engaged closely throughout the last year.

Both proposals were reviewed by the Secretary of State, and his decision was to approve the One Somerset business case. It is planned that Parliament will approve a Structural Changes Order by March 2022 ahead of elections in May 2022 and the vesting date of the unitary council on 1 April 2023. SCC has approved a budget of £3.2m for implementation costs in 2021/22. A total of £16.5m is outlined in the business case for one off transitional cost resulting in £18.5m annual savings from the one unitary council proposal.

# Managing Risk

The management of risk is vital for the Council to achieve the objectives set out in the Council Plan. Risk management is an integral part of good governance which the Council is committed to. The management of a risk pathway policy document provides a systematic approach that enables the Council to manage uncertainties within in a framework that is uniformed, guided and supportive.

It involves an ongoing process to identify risks, assign ownership and the identification of controls to manage risks to an acceptable level.

The Council's strategic risks are identified by senior management with the support of the risk manager. These, together with the significant risks to planning and delivering services, are recorded in the Council's risk management system.

The strategic risks are regularly reviewed by the risk manager, senior management and by Audit Committee who seek assurance that, as far as reasonably practical, the controls mitigate the risks efficiently, effectively, and economically. Strategic Risk Management Group also review the Strategic risks at least once a year to support the risk owner and escalate if required.

Risk implications in decision making are the responsibility of those requesting change and those approving the decisions. Considerations and mitigations of the risks are required to be acknowledged in the relevant documents to ensure that the Council's financial, legal and moral commitments are met.

The Covid-19 pandemic of 2020, which is on-going, saw additional risks identified across the whole of the Council. The recovery phase of the emergency was activated in autumn 2020, this phase highlighted additional risks to the recovery of the Council and Somerset as a County.

## Strategic Risks 2020-21

- Safe-guarding Children - The Council fails to deliver its statutory service delivery duties and legal obligations in relation to vulnerable children.
- Organisational Resilience - Without the minimum level of capacity and resource, the resilience of the organisation is compromised.
- External influences - Impact on commissioning and results in the Council not achieving the outcomes it seeks.
- Partnership working - Strategic programmes which provide both opportunities and challenges for current and future partnership working.
- Managing and monitoring of supply chains - Markets do not provide optimum value for money and income generation.
- Covid-19 Pandemic effect on supplier - Supplier disruption across all services in demand and sustainability of supplier financial standing.
- Sustainable Medium Term Financial Plan- The ability to set future balanced budgets and build resilience through reserves to be able to deliver the Councils priorities.
- Maintain a balanced budget in 2020/21- The Council is unable to manage within the financial resources available during the year.
- Climate change - The Council fails to take action to mitigate and adapt to Climate Change.
- Uncertainty around Local Government Reorganisation.

## Decision Making and Responsibilities

The Council consists of 55 elected Members, with a Cabinet of Lead Members who are supported and held to account by three Scrutiny Committees and the Audit Committee.

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, and a section on responsibility for functions, which includes a list of functions which may be exercised by officers. It also contains the rules, protocols and codes of practice under which the Council, its Members and officers operate.

It is updated annually to take account of changing circumstances, legislative changes and business needs.

The Constitution sets out the functions of key governance officers, including the statutory posts of 'Head of Paid Service' (Chief Executive), 'Monitoring Officer' (Strategic Manager – Governance) and 'Section 151 Officer' (Director of Finance) and explains the role of these officers in 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.

## Equality

The Council is committed to delivering equality and improving the quality of life for the people of Somerset County. Our Equalities Plan helps us to ensure that we prioritise those who may be vulnerable to discrimination.

Any new Council policy, proposal or service, or any change to these that affects people must be the subject of an Equality Impact Assessment to ensure that equality issues have been consciously considered throughout the decision-making processes.

### Open Policy and Decision-making

Whilst regulations permitted, all Council meetings could be viewed live as part of the Council's virtual meetings. Work is being undertaken during summer 2021 to provide a hybrid meeting solution and webcasting.

Meetings of the Council are open to the public except where exempt or confidential matters are being discussed, and all reports considered and the minutes of decisions taken are, unless confidential, made available on the Council's website.

The Council's Forward Work Programmes contain information about all matters that are likely to be the subject of a decision taken by the full Council or the Cabinet during the forthcoming four-month period. Proposed key decisions for Cabinet Members and Officers are also publicised in advance and when they are taken. We publish information about matters to be considered by Scrutiny Committees.



## Financial Management

The Director of Finance is responsible for the proper administration of the Council's financial affairs, as required by Section 151 of the Local Government Act 1972, and our financial management arrangements are compliant with the governance requirements set out in the Chartered Institute of Public Finance and Accountancy's 'Statement on the Role of the Chief Financial Officer in Local Government' (2016).

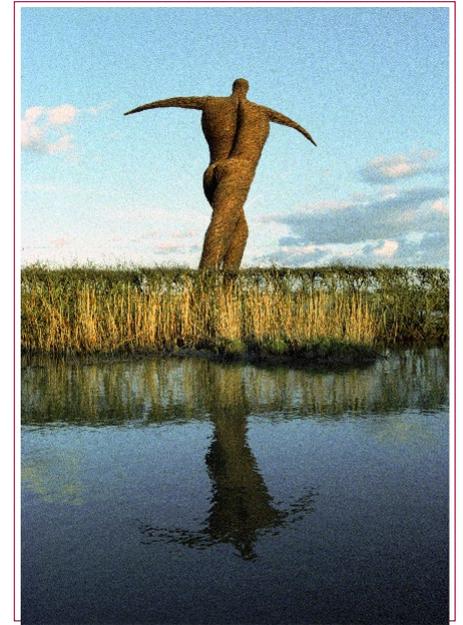
There are robust arrangements for effective financial control through our accounting procedures, key financial systems and the Financial Regulations. These have reviewed and assessed against the new CIPFA Financial Management Code with improvements forming part of an action plan. The continued improvements in our Financial Management arrangements have been recognised by SWAP Ltd as part of their review of the Healthy Organisation with an improved rating from Amber to Green.

Our Treasury Management arrangements, where the Council invests and borrows funds to meet its operating requirements, follow professional practice and are subject to regular review and are reported to Audit Committee, Cabinet and the Council.

The Medium-Term Financial Plan sets out the Council's strategic approach to the management of its finances and outlines some of the financial issues that we will face over the next three years. This Plan is subject to review by the Scrutiny Committees and Cabinet ahead of approval by the Council every February.

The Reserves Strategy enables the Council to meet its statutory requirements and sets out the different types of reserve, how they may be used and the monitoring arrangements.

Despite our established success in balancing budgets and maintaining tight financial control to avoid overspending, like many councils, the Council faces the challenge of designing a sustainable budget for the future. This is in the main caused by increasing demand for services combined with reductions to local government funding. In February 2021, we set a balanced budget for 2021/22 and forecasted a funding shortfall of £12.4m for 2022/23 and £5.6m for the following year. We are focusing a large part of our Transformation Programme on Local Government Reorganisation given its impact on services and finances. We are continuing our Transformation work to improve efficiency and reshape our people services whilst maintaining our commitment to the most vulnerable.



There is robust monthly budget monitoring process, which is reported to SLT, Scrutiny Place and Cabinet. With the outturn forming part of the Statement of Accounts which is report to the Audit Committee. The monthly budget monitoring reports have included updates on the various Covid funding streams from Government and allocations of the Covid 19 Emergency Fund during the year.

# Commissioning and Procurement of Goods and Services

The Council is a commissioning organisation, and its senior officer structure clearly reflects that approach with Lead Commissioners. An officer Strategic Commissioning Group (SCG) is in place to oversee commissioning activity, the group is attended by key commissioning specialists and key officers from business partner services. The SCG reviews all proposals for new strategic projects, including new contracts, scrutinising and managing Commissioning Gateway activity with a strong focus on financial savings, accountability, evidence led commissioning and delivery outcomes.

The Council values collaboration with service users, communities, businesses and key public sector partners in order to understand the needs and outcomes required through the commissioning process.

The Council recognises the value of considering different service delivery options in delivering our Council Plan. The effective commissioning and procurement of goods, works and services is therefore of strategic importance to our operations, while robust contract management helps to provide value for money and ensure that outcomes and outputs are delivered.

Our Commissioning Plans and Procurement Strategy set out the vision and direction for commissioning, procurement and contract management across the Council.

Operational procedures for tendering, contract letting, contract management and the use of consultants are included in the Contract Procedure Rules which form part of the Council's Constitution.

## Managing Information

In order to set a direction for the effective governance, efficient management and use of information and data under its control, the Council's Information Management Strategy explains how we will deal with the creation, storage, access, protection and lifecycle of information and data.

Information is central to the Council and its decision-making processes and it therefore needs to be accurate and accessible to those who need it at the time and place that is required. The Council also recognises that it has a responsibility to safeguard the information it holds and to manage it with care and accountability.

We have systems and assurance in place to ensure we meet our requirements in terms of Freedom of Information and the General Data Protection Regulations.

### Freedom of Information

Details of how to access information held by the Council and its Freedom of Information Policy are available on the [Council's website](#)

# Audit & Audit Assurances

The Council is externally audited by its External Auditors. Their annual audit includes examining and certifying whether the financial statements are 'true and fair', and assessing our arrangements for securing economy, efficiency and effectiveness in the use of resources. Our external auditors provide regular updates to the Audit Committee. In 2021 the External Auditor gave an unqualified audit opinion on the Council's Statement of Accounts.

The Internal Audit Service is a key means of assurance. It provides an independent and objective opinion on the Council's governance, risk management and internal control environment by evaluating its effectiveness. Work is managed and delivered in accordance with the Public Sector Internal Audit Standards (PSIAS).

Each year a risk-assessed work plan is produced and updated as the year progresses to ensure appropriate coverage of the Authority's key corporate objectives and risks. The Audit Committee approve the Internal Audit Plan and accompanying Charter which outlines the role and scope of internal audit. Our internal auditors provide regular updates to the Audit Committee.

The Head of Internal Audit's annual opinion as to the effectiveness of the Council's internal control environment for 2020-21 was:

**“On the balance of our 2020/21 audit work for Somerset County Council I am able to offer a Reasonable Assurance opinion in respect of the areas reviewed during the year.”**

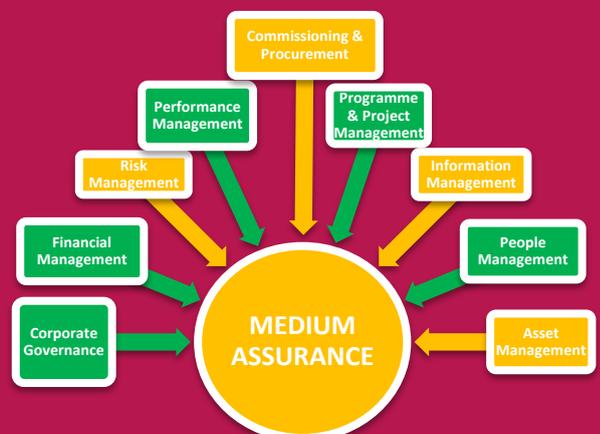
The Healthy Organisation review was a key source of assurance with an overall Medium rating given. This report states that there was no evidence of any significant adverse impact of the pandemic on the overarching control framework, with an improvement seen in Financial Management which moved from 'amber' to 'green'.

The **Audit Committee** provides independent assurance on the Council's internal control environment. It is a statutory requirement and consists of 8 Councillors appointed annually on a politically balanced basis by the Council.

Its main functions include:

- Agreeing the Annual Governance Statement and the Annual Statement of Accounts,
- Overseeing Internal Audit's independence, objectivity, performance and professionalism and supporting the effectiveness of Internal Audit
- Considering Internal Audit partial assurance reports and management responses
- Considering the effectiveness of Risk Management, including the risks of bribery, fraud and corruption
- Monitor the effectiveness of value for money arrangements
- Considering the reports of External Auditors and Inspectors.

The Audit Committee reports annually to the Council as part of its assurance.



# Conduct

Our [Codes of Conduct for Members](#) and for Employees set out the standards of conduct and behaviour that are required. They are regularly reviewed and updated as necessary and both groups are regularly reminded of the requirements. Both Codes are published on the Council's website for transparency and accountability. Our website tells you how you can report a conduct complaint.

These include the need for Members and Officers to register personal interests and the requirement for registering offers or acceptance of gifts and hospitality, outside commitments and personal interests.

# Whistleblowing

People who work for or with the Council are often the first to realise that there may be something wrong within the Council. However, they may feel unable to express their concerns for various reasons, including the fear of victimisation.

The Council has a Whistleblowing Policy that advises staff and others who work for the Council how to raise concerns about activities in the workplace. Full details are provided on the Council's website.

# Anti-Fraud and Corruption

We recognise that as well as causing financial loss, fraud and corruption also detrimentally impact service provision and morale and undermine confidence in the Council's governance and that of public bodies generally.

There is little evidence that the *incidence* of fraud is currently a major issue for the Council, but the *risk* is increasing nationally. We therefore regularly assess how vulnerable our services are to fraud and corruption risks and we update our counter fraud arrangements accordingly.

The Council reviews its Anti-Fraud and Corruption Policy on an annual basis and has adopted a 'zero tolerance' in relation to fraud and corruption. Our policy sets out what we will do to maintain this commitment in light of the risk

The results of our risk-based Anti-Fraud approach are reported annually to the Audit Committee, and the resources available for investigation are subject to ongoing review to ensure that they remain appropriate to the risk of fraud.

Our website tells you how you can report suspected fraud against the Council.

The Nolan Principles for conduct and behaviour:

- **Selflessness**
- **Integrity**
- **Objectivity**
- **Accountability**
- **Openness**
- **Honesty**
- **Leadership**

## 'zero tolerance'

Whenever the Council identifies instances of fraud, bribery or corruption against it, it will always take legal and / or disciplinary action against the perpetrator and seek recovery and redress.

# Improving Governance

The progress made during 2020- 21 on the significant issues identified in our 2019-20 Annual Governance Statement is shown below:

1.	<p><b>The Council's Financial Position</b> – the Council has continued to make strides in improving its financial position. There is more to be done to secure financial sustainability.</p> <p>Ongoing review and management actions to address the recommendations from the Value for Money external audit opinion</p>	<p>The Council set a balanced budget for 2021/22 and agreed a Medium-Term Financial Plan that included a budget gap over a three year period. There is a strategy to further build resilience in reserves.</p> <p>VfM tracker regular reviewed and actions progressed to deliver recommendations. Progress monitored by Audit Committee.</p>
2.	<p><b>Local Government Reorganisation</b> Development and potential submission of Business Case for unitary local government for Somerset.</p>	<p>The Council put in place programme management arrangements along with completing it development and submission of a final business case by Government deadline in December 2020. The Council developed and responded to the Government's formal consultation on Local Government Reorganisation that commenced in February 2021.</p>
3.	<p><b>Healthy Organisation</b> Recognition of the improvements required to improve upon medium level of assurance from Internal Auditors.</p>	<p>Governance Board maintaining oversight and review with Internal Audit support regarding the necessary improvements and actions required. Healthy Organisation Audit recognised improvements made even with the exceptional year of the pandemic emergency response.</p>
4.	<p><b>Covid 19</b></p> <p>Working with national and local agencies such as the Government, Police, NHS, district councils, voluntary organisations and service providers to ensure essential services continue to be delivered to support vulnerable children and adults, local communities and businesses throughout the Covid 19 emergency.</p>	<p>Avon and Somerset Local Resilience Forum and Somerset Tactical Group regularly reviewed and managed emergency response and service delivery by agencies.</p> <p>Emergency arrangements and management actions regularly reviewed by the Senior Leadership Team, Cabinet and Scrutiny Place throughout the pandemic response. Economic Recovery Plan developed and agreed by all five councils.</p>

**Based on our review of the governance framework, the following significant issues will be addressed in 2021-22:**

<p><b>1. Financial Position</b> (See previous page)</p>	<p>Development of a sustainable Medium Term Financial Plan for consideration by Council in February 2022.</p> <p>Recognise and plan for the financial implications of local government reform in Somerset.</p>
<p><b>2. Local Government Reorganisation</b></p> <p>Support the transition to unitary form of local government for unitary local government for Somerset.</p>	<p>Subject to Secretary of State’s decision during 2021, put in place the necessary resources, programme management, partnership and democratic arrangements to support the transition to unitary form of local government in partnership with district councils and other public sector partners including the 278 town and parish councils. Plan and prepare for the first unitary council elections currently scheduled for May 2022.</p>
<p><b>3. Covid 19</b></p> <p>Working with national and local agencies such as the Government, Police, NHS, district councils, voluntary organisations and service providers to ensure essential services continue to be delivered to support vulnerable children and adults, local communities and businesses throughout the Covid 19 emergency.</p> <p>Support the delivery of the Economic Recovery Plans.</p>	<p>As Coronavirus progresses more towards an endemic disease we will continue to work as part of the regional and national public health system, aiming to minimise infection rates and manage outbreaks and clusters. The needs of the Somerset population has changed following the pandemic and these will need to continue to be assessed and be central to the focus of the organisation.</p> <p>The recovery will be long and needs to focus on minimising the indirect impacts of COVID, in particular addressing the health and social inequalities that the pandemic has highlighted.</p>
<p><b>4. Integrated Care System</b></p>	<p>The work to develop the ICS system in line with the emerging changing legislation will require implementation by April 2022. As such we will actively engage with NHSE in the work to develop appropriate local governance of the partnership, joint working and joint funding elements of the ICS development and to ensure adequate transparency and scrutiny. All work currently captured within established programme of activity.</p>

## 5. SEND Improvement Plan

Complete delivery of the Written Statement of Action for SEND (Special Educational Needs and Disability). This action plan was prepared in response to the findings of inspectors from an Ofsted/CQC inspection of the Somerset local area in March 2020, in order to improve outcomes for children and young people with SEND.

Review current partnership arrangements to ensure these are effective in supporting joint decision making and joint commissioning.

Review local area governance to ensure alignment with emerging arrangements for Integrated Care Systems and Local Government Reform.

**These issues will be supported by an action plan, progress on which will be monitored during 2021-22 by the Governance Board and the Senior Leadership Team. Oversight, constructive challenge and review will be available from the Cabinet, Scrutiny Place and the Audit Committee.**

No other major changes to the Council's governance framework are planned for 2021-22, but we will continue to review and adapt it so that it continues to support the Council in meeting its challenge and in fulfilling its purpose and ensure that the framework remains proportionate to the risks that are faced.

We will also continue to raise awareness of the Governance Framework and its requirements with employees across the Council, in schools and with elected Members.

# Assurance

Subject to the above issues being resolved, we can provide an overall assurance that Somerset County Council’s governance arrangements are effective and remain fit for purpose.

We propose over the coming year to take steps to address the issues set out above to further enhance our governance arrangements.

We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.



Signed: \_\_\_\_\_ Date: 22<sup>nd</sup> July 2021  
(Patrick Flaherty, Chief Executive)



Signed: \_\_\_\_\_ Date: 22<sup>nd</sup> July 2021  
(Cllr David Fothergill, Leader of the Council)



Contact Officers: Scott Wooldridge, Monitoring Officer and Jason Vaughan, Director of Finance

# Statement of Accounting Policies

**This section summarises the accounting rules and conventions the Council has used in preparing these accounts.**

## **1 General**

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

The Accounts and Audit (Amendment) Regulations 2021 came into force on 31 March 21, extending the statutory audit deadline for the publication of accounts relating to the 2020/21 and 2021/22 financial years from 31 July to 30 September.

The Statement of Accounts has been prepared on a 'going concern' basis. 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.

## **2 The difference between Capital and Revenue**

Revenue spending is made up of payments to employees and other day-to-day running expenses whereas the Council classes spend to buy assets, for example buildings, equipment and vehicles, as capital spending.

## **3 Accruals of Income and Expenditure**

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

- Revenue from contracts with service recipients, whether for goods or the provision of services, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract. Where no performance obligations exist any fees, charges and rents due from customers are accounted for as income at the date the Council provides the goods or services.
- Supplies are recorded as expenditure when they are used. Where there is a gap between the date supplies are received and their use and the values are assessed as significant, they are carried as inventory on the Balance Sheet.

- Interest payable on borrowings or receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract.
- 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.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor entry for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and an impairment charge made for the income that might not be collected; and
- To ensure a timely closure of accounts, the Council has applied a minimum accrual limit of £5,000.

#### **4 Cash and Cash Equivalents**

Cash and cash equivalents include cash balances, bank overdrafts and short-term investments with an initial maturity period of less than 3 months. 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.

#### **5 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 if the change provides more reliable or relevant information about the effect of transactions, that impacts on the Council's financial position or 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.

#### **6 Presentation of Items in Other Comprehensive Income and Expenditure**

Items listed in Other Comprehensive Income and Expenditure must be grouped (if applicable) into those items that:

- a) Will not be reclassified subsequently to the Surplus or Deficit on the Provision of Services; and
- b) Will be reclassified subsequently to the Surplus or Deficit on the Provision of Services when specific conditions are met.

## 7 Charges to Revenue for Using Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation or impairment losses on assets used by the service with no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.
- Lease rentals directly 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. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (MRP or loans fund principal), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## 8 Employee Benefits

### Benefits Payable during Employment

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

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accrual's basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or makes an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for

pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### Post-Employment Benefits

Employees of the Council are eligible to be a member of either:

- 1) The Teachers' Pension Scheme, administered by Teachers Pensions on behalf of the Department for Education (DfE);
- 2) The Local Government Pension Scheme, administered by Somerset County Council; and
- 3) The NHS Pension Scheme administered by the NHS Business Service Authority.

These schemes provide defined benefits to members (retirement lump sums and pensions), earned through employment in the Council. However, the arrangements for the Teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Individual Schools Budget line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

Employees of the Council are also eligible to be a member of The National Employment Savings Trust (NEST), administered by the NEST Corporation. This scheme is accounted for as a defined contribution scheme with no liability for future payments of benefits recognised in the Balance Sheet. The members service area line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to NEST Pensions in the year.

### The Local Government Pension Scheme

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

- The liabilities of the Somerset County pension fund 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 2.00% (based on the annualised yield at the 21-year point on the Merrill Lynch AA-rated corporate bond yield curve);
- The assets of the Somerset 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's 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement;

On 7 February 2018, the International Accounting Standards Board (IASB) issued amendments to the IAS19 standard which now requires that when determining any past service cost or gain or loss on settlement that the net defined benefit liability is remeasured using current assumptions and the fair value of plan assets at the time of the event. This applies for all accounting periods starting on or after 1 January 2019 but only where the application of the remeasurement is material.

Having discussed this additional requirement with the pension fund Actuary, we have assumed that all events are material so have adopted the approach set out in the IAS19 amendment.

- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
  - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and

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

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

Further details on the Local Government Pension Scheme can be found in note 51.

## **9 Financial Instruments**

### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

This means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement (CIES) is the amount payable for the year according to the loan agreement.

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

### Financial Assets

There are three main classes of financial assets measured at:

- amortised cost;
- fair value through profit or loss (FVPL); and
- fair value through other comprehensive income (FVOCI).

The Council's business model is to 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.

- 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 Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

For most of the financial assets held by the Council, this means 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 derecognition 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 (where material) on all its financial assets held at amortised cost, either on a 12-month or lifetime basis. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. The Council carries out regular financial assessments of its significant contractors, to determine their financial position. 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.

To assess the potential collective credit loss for its trade receivables, the Council has used a provision matrix, based on historical observed and current default rates, to determine the possibility of default. No adjustment was made within the matrix for forward-looking estimates of expected credit loss as the Council's debt management process will help mitigate the impact of any future increase in credit risk. It would also have been difficult to determine a reasonable and supportable estimate of future risk without undue cost or effort, though the unprecedented impact of Covid-19 and subsequent lockdown has been considered.

The matrix confirmed that historically, a very small element of Council debt (in relation to trade receivables) has been written-off (0.2% of total debts raised). In recent years, the Council has implemented a robust impairment policy that has identified an average impairment in line with the amounts eventually written-off.

Given the historically low level of debt write-off within the Council, the presumption in paragraph 7.2.9.11 of the Code, that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has been rebutted.

The Council is satisfied the following impairment methodology (adjusted to include consideration of all debts irrespective of whether they are overdue) adequately covers the impairment requirement of IFRS9, though the methodology is reviewed annually:

<b>Age of Debt</b>	<b>Firm Recovery Arrangements in Place</b>	<b>Actively pursuing</b>	<b>Write Off</b>	<b>Impairment</b>
0 – 364 days	Service to make appropriate impairment based on knowledge and judgement of the debt			
365 days +	No	Yes	No	Yes - 100%
365 days +	No	No	Yes	No
365 days + (payment plans)	Yes	Service to make appropriate impairment based on knowledge and judgement of the debt		

Further details of the Council’s debt management process and Covid-19 assessment can be found in the Credit and Counterparty risk section of Note 35 and the Estimation Uncertainty Note 4.

For trade receivables, which are reported net, such losses are net off against the gross amortised cost of the asset to reduce its carrying amount in the Balance Sheet with the loss being recognised within the relevant service line of the continuing operations section of the Comprehensive Income and Expenditure Statement.

Impairment allowances for our lease receivables carried at amortised cost are recognised based on the general approach within IFRS9 using the probability of default approach.

Under this approach, the loss allowance has been calculated as [possibility of default (over next 12 months if no significant increase in credit risk has occurred; or lifetime, where significant increase in credit risk has occurred) x predicted % loss if a default takes place x carrying amount of loan]. Historically, there has never been a default on our lease receivables as the Council maintains a close relationship with the lessee. Regular reviews and meetings take place between both parties, as the lease arrangements are an integral part of the Council’s elderly care provision, so the possibility of any future material default is unlikely.

For lease receivables, which are reported net, such losses (where material) are net off against the gross amortised cost of the asset to reduce its carrying amount in the Balance Sheet with the loss being recognised within the relevant service line of the continuing operations section of the Comprehensive Income and Expenditure Statement.

On confirmation the trade/lease receivables will not be collectable, the gross carrying value of the asset is written off against the associated allowance.

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

The Council does not carry any Financial Assets at Fair Value through Other Comprehensive Income.

## **10 Fair Value Measurement**

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

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

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, 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 Council can access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; or

Level 3 – unobservable inputs for the asset or liability.

The Council will review, on an annual basis, the fair value of its non-financial assets. In doing so, it will consider the most accurate and appropriate inputs to determine the fair value of these assets. This may on occasions lead to a change in the overall hierarchy.

Details of these transfers are disclosed in Note 28.

## **11 Government Grants and Contributions (Including Donated Assets)**

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

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

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

Monies advanced as grants and contributions for which conditions have not yet been met are carried in the Balance Sheet as receipts in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (where grants can be identified to services) or Taxation and Non-specific Grant Income (where grants cannot be identified to particular service expenditure) in the Comprehensive Income and Expenditure Statement.

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

## **12 Leases**

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

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

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

## **The Council as Lessee**

### Finance Leases

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

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the Property, Plant or Equipment – applied to the write down of the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

### Operating Leases

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

## **The Council as Lessor**

### Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on

disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

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

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

### Operating Leases

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 appropriate service line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## **13 Property, Plant and Equipment (PPE)**

Property, plant and equipment are assets with a physical substance that are held for use in the provision of services; for rental to others; for administrative purposes; will be used during more than one financial year and meet the IAS16 recognition criteria. However, the Council charges certain lower value items that have an expected life of more than one year to revenue in the year they are purchased.

The types of assets the Council includes under Property, Plant and Equipment reflect the classifications identified in the Code:

- Land.
- Buildings.
- Vehicles and Equipment.
- Infrastructure (mainly road improvements).
- Assets under construction; and
- Surplus property, plant and equipment (not classified as held for sale).

### Recognition

The Council capitalises expenditure on Property, plant and equipment including the costs of acquisition and construction, and costs incurred subsequently to enhance, replace part of, or service the asset provided that it yields benefits or service potential for more than one year and the cost or fair value can be reliably measured.

Subsequent costs arising from day-to-day servicing of the assets, such as repairs and maintenance, are not capitalised. Where a component of an asset is replaced or restored (i.e. expenditure on enhancing the asset), the Council de-recognises the carrying amount of the old component if material.

### Measurement

Property, plant and equipment are initially measured at cost on an accrual's basis, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Donated assets are measured at fair value at the date of acquisition. Assets are then carried in the balance sheet using the following measurement basis:

<b>Group of assets</b>	<b>Measure</b>	<b>Basis</b>
Land	Current value	Existing Use Value (EUV)
Buildings – Non Schools	Current value	Existing Use Value (EUV)
Buildings – Schools	Current value	Depreciated Replacement Cost (DRC)
Vehicles and equipment	Historic cost	Depreciated Historic Cost
Infrastructure	Historic cost	Depreciated Historic Cost
Assets under construction	Historic cost	Cost
Surplus assets	Fair value	Highest and Best Use

If there is no market-based evidence of value because of the specialist nature of the asset, the Council estimates its current value using the cost of replacing the asset with its modern equivalent (i.e. at depreciated replacement cost).

Assets that are included in the Balance Sheet at current value are revalued on a rolling basis over 5 years. When an asset is revalued, any accumulated depreciation and impairment at the date of revaluation is eliminated against the gross carrying amount and the net amount

restated to the revalued amount of the asset. Where the value of the asset increases upon revaluation, the increase is recognised in the Revaluation Reserve, unless the increase is reversing any previous revaluation loss or impairment previously charged to the Surplus or Deficit on Provision of Services.

In such cases, the reversal of the previous decrease credits the Surplus or Deficit on Provision of Services to the extent that the reversal does not exceed the carrying amount that would have been determined had no previous decrease been recognised. Any increase in value above the reversal is treated as a revaluation gain and credited to the Revaluation Reserve.

Where the value of the asset decreases upon revaluation, the decrease is charged to the Revaluation Reserve up to the credit balance existing in respect of the asset, and thereafter to the Surplus or Deficit on Provision of Services. Under regulations and statutory guidance, revaluation gains and losses charged to the Surplus or Deficit on the Provision of Services are not proper charges to the General Fund. The Council therefore transfers such amounts to the Capital Adjustment Account in the Movement in Reserves Statement.

Consideration is also given each year of the possibility there may be a material change in value within the asset portfolio's that were not valued during the year. If a material movement is identified, the Council considers whether an adjustment is required in the accounts to ensure the assets are carried at current value (except for surplus assets which are carried at fair value).

Further details on how the Covid-19 pandemic has impacted on the Authorities asset portfolio can be found in Note 3 Critical Judgments.

### Depreciation

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. With the exception of freehold land that has an unlimited useful life the Council depreciates all property, plant and equipment assets that are available for use, on a straight-line basis over the period that the Council expects to use them, with the charge being allocated to the Surplus or Deficit on the Provision of Services. For assets with material components that have different useful lives, each component is depreciated separately (see Componentisation below). Typically, the Council uses the following useful lives for our assets for depreciation purposes:

<b>Type</b>	<b>Useful life</b>
Freehold land	Indefinite, so not depreciated
Leasehold land & buildings	Life is dependent on the lease terms
Operational buildings	20 to 50 years, depending on type of building and other operational factors
Infrastructure e.g. road improvements	64 years (based on the weighted average life of the separate infrastructure components)
Vehicles	5 to 15 years
Plant	10 years
Mobile classrooms	40 years

IT and other equipment	4-7 years
Software (SAP HCL)	6 years
Software licences	25 years

Under regulations and statutory guidance, depreciation charged to the Surplus or Deficit on the Provision of Services is not a proper charge to the General Fund. We therefore transfer such amounts to the Capital Adjustment Account in the Movement in Reserves Statement. Additionally, on revalued assets, we transfer from the Revaluation Reserve to the Capital Adjustment Account the difference in depreciation based on the revalued carrying amount and the depreciation based on the asset's historical cost.

### Componentisation

Where a high value asset, for example a building, includes a number of components with significantly different asset lives, the Council is required to identify and depreciate the components separately from the main asset. This additional analysis is only required for assets that we deem 'significant', so we are required to set a materiality threshold to assist with the identification of such assets. For 2020/21, the Council has set a materiality threshold of £1.5 million for individual assets and a significance level for separate components of 20% of the whole asset's original cost. Consideration of componentisation is only required for assets that meet these two criteria. This is the minimum requirement (as defined by the Code) but services may have chosen to apply componentisation for assets below this threshold if it assists with asset planning.

Under the International Financial Reporting Standards (IFRS), there is also a requirement to separately identify any elements of previously recognised revaluation gains (reported in the Revaluation Reserve) that relate to components identified during the componentisation process. In previous years, the Revaluation Reserve had been amortised in-line with the revalued land and buildings depreciation charge to off-set the additional charge taken to the General Fund as a result of the assets increased carrying value. Where a revaluation gain was identified for an item of property with land and buildings elements, the gain was amortised in line with the increased depreciation charge.

### Impairment

The Council recognises an impairment loss where the carrying amount of an asset exceeds its recoverable amount. At the end of each financial year, the Council assesses whether there is any indication that an asset may be impaired, for example there is evidence of physical damage or obsolescence of an asset. An assessment is also carried out to consider whether there is any indication that any impairment losses recognised in earlier periods for an asset may no longer exist or may have decreased, in the limited circumstances of a reversal of the event that caused the original impairment.

The Council accounts for impairment losses by initially allocating the loss against any credit balance held in the Revaluation Reserve relating to the impaired asset, and thereafter any residual impairment loss is allocated directly to the Surplus or Deficit on the Provision of Services. We account for the reversal of a previous impairment loss in the Surplus or Deficit on the Provision of Services to the extent that the carrying amount that would have been

determined, net of depreciation, had no impairment loss been recognised in prior years. Any reversal amount above this is accounted for as a revaluation gain and credited to the Revaluation Reserve.

Under regulations and statutory guidance impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services are not proper charges to the General Fund. We therefore transfer such amounts to the Capital Adjustment Account in the Movement in Reserves Statement.

## **14 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 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 asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an Intangible Asset is amortised over its useful life on a straight-line basis to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

## **15 Heritage Assets**

FRS102 defines a heritage asset as one with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. The Code offers further interpretation of this definition, stating that heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations and held by the reporting entity in pursuit of its overall objectives in relation to the maintenance of heritage.

The Council has interpreted this to mean that an asset is not classified as a heritage asset merely because it has certain qualities (e.g. a listed building). It is the intention to preserve the asset for future generations that is important, coupled with a demonstrable contribution to knowledge and culture. Operational heritage assets have always been shown in the Balance Sheet under their appropriate classifications. These assets continue to

be shown in this way and carried in accordance with the other asset accounting policies set out herein. FRS102 does not apply to such assets.

Heritage assets (other than operational heritage assets) are measured at a valuation in line with FRS102. The standard states that the valuation may be made by any method that is appropriate and relevant. For the majority of the Council's collection, neither cost nor valuation information can be obtained (as the cost of obtaining the valuations would be disproportionate in terms of the benefit derived). Where items have been purchased, cost information is available. The Council is of the opinion that it will be unable to revalue these purchased items with sufficient reliability (at a cost commensurate to users of the financial statements).

Subsequently, any newly purchased collections (where the purchase cost, either individually or collectively (if the artefact forms part of a collection), exceeds a de-minimis of £1,000) will be held at historic cost. Where the cost to acquire an artefact does not exceed this de-minimis, the purchase cost is expensed in the year of purchase as a cost of service to the Council's Museums Service through the Income and Expenditure account.

The Council also owns a number of collections and archive information. These are not included in the Balance Sheet, as the cost of valuation would not be commensurate with the benefits of the information and the valuations would not be readily ascertainable in many cases.

## **16 Disposals and Non-current Assets Held for Sale**

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

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

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

the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

## **17 Accounting for Schools**

There are four main types of state school that all receive funding from the Council (referred to as local Authority maintained):

- Community, including PRUs (of which there are 63 within our boundary);
- Voluntary controlled (49 within our boundary);
- Voluntary aided (30 within our boundary); and
- Foundation (4 within our boundary).

The remaining type of state school, an Academy, (of which there are 122 within our boundary) receives its funding direct from Central Government.

The Code confirms that the balance of control for local authority-maintained schools lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the group accounts). Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

As Academies are funded directly and operate outside the control of the Council, they are required to report their income and expenditure in their own accounts and therefore none of their transactions are reported within the Council's accounts.

### **Schools Non-Current Assets**

With regards to the recognition of Schools Non-Current Assets (such as land and buildings), The Code requires the Council to consider the asset recognition tests relevant to the specific arrangements that prevail for the property.

To assist local authorities, LAAP Bulletin 101 – Accounting for Non-Current Assets used by LA Maintained Schools, identifies three arrangements in existence that need to be considered:

- A freehold interest in the property.

For these arrangements, the Council considers Section 4.1 of the Code and adopts the rules set out in IAS16 Property, Plant and Equipment (see Accounting Policy 13 for more details)

- A leasehold interest in the property.

For these arrangements, the Council considers Section 4.2 of the Code and adopts the rules set out in IAS17 Leases (see Accounting Policy 12 for more details), and

- Occupation of the property under a mere licence.

Under these arrangements, neither the Council nor the schools governing body retain any substantive rights to the property.

Any subsequent expenditure incurred in relation to schools that have not been recognised is expensed through the Comprehensive Income and Expenditure Statement as revenue expenditure funded from capital under statute (REFCUS) in the year it is incurred (see Accounting Policy 21 for further details).

## **18 Provisions**

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

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

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

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

## **19 Contingent Liabilities**

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

Contingent liabilities are not recognised in the Balance Sheet but are disclosed in Note 49.

## **20 Reserves**

The Council sets aside specific amounts in reserves for future policy purposes or to cover contingencies. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to match against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then drawn down to fund the expenditure so there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, dedicated schools grant deficits, and retirement and employee benefits and do not represent usable resources for the Council – these unusable reserves are explained in the relevant policies.

## **21 Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

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

## **22 Private Finance Initiative (PFI) and Similar Contracts**

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is not deemed to control the services that are provided under its current PFI scheme, and as ownership of the property, plant and equipment passes to the Education Trust rather than the Council at the end of the contract, during the contract period the Council does not carry the asset used under the contract on its Balance Sheet as part of property, plant and equipment.

Prior to derecognising the asset through the Income and Expenditure account as part of the gain/loss on disposal, the asset used under the contract was recognised at the lower of its fair value or the present value of the minimum lease payments. The asset was then matched by a corresponding liability for making payments in relation to the acquisition of the asset used under the contract to the scheme operator to pay for the capital investment.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance cost – an interest charge of 9.6% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- Contingent rent – changes in the amount to be paid for the property arising during the contract, debited/credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease); and
- Life-cycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as REFCUS and written out to the Individual Schools Budget line in the Continuing Operations section of the Comprehensive Income & Expenditure Statement, when the relevant works are eventually carried out.

## **23 Value Added Tax**

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

## **24 Inventories**

Inventories are measured at the lower of cost and net realisable value unless where inventories are not held with the expectation of generating profit. Where inventories are held for distribution at no charge or for a nominal charge they are measured at the lower of cost and current replacement cost.

## **25 Foreign Currency Translation**

Where the Council has entered into a transaction in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## **26 Events after the Balance Sheet Date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts are 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 are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

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

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

### Accounting for Council Tax and NDR

The Council Tax and NDR income included in the Comprehensive Income and Expenditure Statement is our share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in our General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement. The Balance Sheet includes our share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

## **28 Joint Operations**

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

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

## **29 Local Enterprise Partnership (LEP)**

The Council is the single accountable body for the Heart of the South West Local Enterprise Partnership (HotSW LEP). During the Council's group accounts review, it was concluded that the HotSW LEP entity did not fall under the Council's control, so the Council has considered its relationship with the LEP to determine the accounting treatment for the different funding streams.

# Comprehensive Income and Expenditure Statement

This statement shows the cost of providing services in the year (based on the Councils internal management reporting structure) in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

31 March 2020			Comprehensive Income (-) and Expenditure Statement for the year ended 31 March	31 March 2021			Notes
Gross Expenditure £millions	Gross Income (-) £millions	Net Expenditure £millions		Gross Expenditure £millions	Gross Income (-) £millions	Net Expenditure £millions	
			<u>Continuing Operations</u>				
225.922	-94.674	131.248	Adult Services	274.018	-128.751	145.267	6
155.091	-61.388	93.703	Children's Services	166.069	-65.557	100.512	6
127.263	-46.080	81.183	Economic and Community Infrastructure Services	155.905	-52.535	103.370	6
22.437	-22.201	0.236	Public Health	30.127	-29.001	1.126	6
30.775	-7.975	22.800	Corporate & Support Services (inc Corporate Contingency/Non-Service)	36.606	-9.208	27.398	6
45.702	-45.748	-0.046	Accountable Bodies (LEP/SRA/CDS)	30.599	-29.402	1.197	6
213.177	-190.185	22.992	Individual Schools Budget	206.244	-184.107	22.137	6
<b>820.367</b>	<b>-468.251</b>	<b>352.116</b>	<b>Surplus (-) / Deficit on Continuing Operations</b>	<b>899.568</b>	<b>-498.561</b>	<b>401.007</b>	
45.273	-	45.273	Other operating expenditure	29.408	-	29.408	12
45.006	-8.582	36.424	Financing and investment income (-) and expenditure	44.366	-8.237	36.129	13
-	-425.477	-425.477	Taxation and non-specific grant income (-)	0.000	-425.611	-425.611	14
<b>910.646</b>	<b>-902.310</b>	<b>8.336</b>	<b>Surplus (-) or Deficit on Provision of Services</b>	<b>973.342</b>	<b>-932.409</b>	<b>40.933</b>	
			<u>Items that will not be reclassified to the Surplus (-) or Deficit on the Provision of Services</u>				
		-7.248	Surplus (-) or Deficit on revaluation of non-current assets			-31.674	15
		-73.786	Remeasurement gains (-) / losses on pension assets/liabilities			196.860	51
		<b>-81.034</b>	<b>Other Comprehensive Income (-) and Expenditure</b>			<b>165.186</b>	
		<b>-72.698</b>	<b>Total Comprehensive Income (-) and Expenditure</b>			<b>206.119</b>	

## Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end 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 movements in the year following those adjustments.

<b>Movement in Reserves Statement For the years ended 31 March 2020 &amp; 2021</b>		<b>Revenue Reserve</b>			<b>Capital Reserves</b>		<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Authority Reserves</b>	
		<b>General Fund (inc. Earmarked Reserves) Balance</b>	<b>S31 Local Tax Income Guarantee Grant Reserve</b>	<b>General Fund - Total</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants &amp; Contributions Unapplied</b>				
Note		£m	£m	£m	£m	£m	£m	£m	£m	
	<b>Balance as at 1 April 2019</b>	42/43	<b>61.651</b>	-	<b>61.651</b>	<b>6.066</b>	<b>6.990</b>	<b>74.707</b>	<b>-239.826</b>	<b>-165.119</b>
	<b>Movement in Reserves during 2019/20</b>									
	Surplus or deficit (-) on provision of services		-8.336	-	-8.336	-	-	-8.336	-	-8.336
	Other Comprehensive Income and Expenditure (-)	15/51	-	-	-	-	-	-	81.034	81.034
	<b>Total Comprehensive Income and Expenditure (-)</b>		<b>-8.336</b>	-	-	-	-	<b>-8.336</b>	<b>81.034</b>	<b>72.698</b>
	Adjustments between accounting basis & funding basis under regulations	10	48.333	-	48.333	-1.002	-2.982	44.349	-44.349	-
	<b>Increase/Decrease (-) in Year</b>		<b>39.997</b>	-	<b>39.997</b>	<b>-1.002</b>	<b>-2.982</b>	<b>36.013</b>	<b>36.685</b>	<b>72.698</b>
	<b>Balance as at 31 March 2020</b>	42/43	<b>101.648</b>	-	<b>101.648</b>	<b>5.064</b>	<b>4.008</b>	<b>110.720</b>	<b>-203.141</b>	<b>-92.421</b>
	Transfer of Schools Budget Deficit to new Adjustment Account at 1 April 2020	43	11.079	-	11.079	-	-	11.079	-11.079	-
	<b>Restated Balance as at 1 April 2020</b>		<b>112.727</b>	-	<b>112.727</b>	<b>5.064</b>	<b>4.008</b>	<b>121.799</b>	<b>-214.220</b>	<b>-92.421</b>
	<b>Movement in Reserves during 2020/21</b>									
	Surplus or deficit (-) on provision of services		-40.933	-	-40.933	-	-	-40.933	-	-40.933
	Other Comprehensive Income and Expenditure (-)	15/51	-	-	-	-	-	-	-165.186	-165.186
	<b>Total Comprehensive Income and Expenditure (-)</b>		<b>-40.933</b>	-	<b>-40.933</b>	-	-	<b>-40.933</b>	<b>-165.186</b>	<b>-206.119</b>
	Adjustments between accounting basis & funding basis under regulations	10	84.812	-	84.812	4.875	-0.334	89.353	-89.353	-
	<b>Net Increase/Decrease (-) before Transfers to Reserves</b>		<b>43.879</b>	-	<b>43.879</b>	<b>4.875</b>	<b>-0.334</b>	<b>48.420</b>	<b>-254.539</b>	<b>-206.119</b>
	Transfers to (-) / from Reserves	11	-10.138	10.138	-	-	-	-	-	-
	<b>Increase/Decrease (-) in Year</b>		<b>33.741</b>	<b>10.138</b>	<b>43.879</b>	<b>4.875</b>	<b>-0.334</b>	<b>48.420</b>	<b>-254.539</b>	<b>-206.119</b>
	<b>Balance as at 31 March 2021</b>	42/43	<b>146.468</b>	<b>10.138</b>	<b>156.606</b>	<b>9.939</b>	<b>3.674</b>	<b>170.219</b>	<b>-468.759</b>	<b>-298.540</b>

Further details on the new s31 Local Tax Income Guarantee Grant Reserve, and individual balances for the General Fund and Earmarked Reserves can be found in Note 42 Useable Reserves.

# Balance Sheet

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

31 March 2020	Balance Sheet	31 March 2021	Notes
£millions		£millions	
945.134	Property, Plant & Equipment	984.996	24
1.934	Heritage assets	1.934	31
1.940	Intangible Non-Current assets	1.481	25
14.077	Long term investments	38.843	34
20.779	Long term debtors	20.344	34
<b>983.864</b>	<b>Long term assets</b>	<b>1,047.598</b>	
127.346	Short term Investments	155.237	34
1.262	Assets held for sale	1.131	27
7.510	Inventories	7.667	36
48.046	Short term debtors	59.965	37
46.657	Cash and cash equivalents	83.743	44
<b>230.821</b>	<b>Current Assets</b>	<b>307.743</b>	
-75.525	Short term creditors	-100.321	38
-8.546	Revenue Grants/Contributions Receipts in Advance	-41.552	41
-38.925	Capital Grants/Contributions Receipts in Advance	-72.402	41
-5.825	Long term borrowing repayable < 1 year	-5.862	34
-7.895	Provisions	-7.425	40
-7.395	Short term borrowing	-7.220	34
-1.716	Overdraft	-6.605	44
<b>-145.827</b>	<b>Current Liabilities</b>	<b>-241.387</b>	
-0.300	Provisions	-0.259	40
-340.336	Long term borrowing repayable > 1 year	-338.441	34
-795.767	Other long term liabilities	-1,033.427	39
-11.211	Revenue Grants/Contributions Receipts in Advance	-13.206	41
-13.665	Capital Grants/Contributions Receipts in Advance	-27.161	41
<b>-1,161.279</b>	<b>Long term liabilities</b>	<b>-1,412.494</b>	
<b>-92.421</b>	<b>Net Assets</b>	<b>-298.540</b>	
110.720	Usable reserves	170.219	42
-203.141	Unusable Reserves	-468.759	43
<b>-92.421</b>	<b>Total Reserves</b>	<b>-298.540</b>	

*J. C. Vaughan*

**Jason Vaughan FCCA, CPFA, IRRV (Hons)**  
**Director of Finance**  
**(Chief Financial Officer)**  
 25th November 2021

If we refer to a note number in the right-hand column, there is a further explanation in the section 'Notes to the core financial statements'

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, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).

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

2019/20		2020/21	
£millions		£millions	Notes
8.336	Net surplus (-) or deficit on the provision of services	40.933	
-124.535	Adjustments to net surplus or deficit on the provision of services for non cash movements	-169.649	45
112.567	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	84.286	45
<b>-3.632</b>	<b>Net cash flows from Operating Activities</b>	<b>-44.430</b>	45
8.895	Investing Activities	9.170	46
-14.637	Financing Activities	3.063	47
<b>-9.374</b>	<b>Net increase (-) or decrease in cash and cash equivalents</b>	<b>-32.197</b>	
<b>35.567</b>	<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>44.941</b>	
<b>44.941</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>77.138</b>	44

# Notes to the core financial statements

## Note 1: COVID-19 Pandemic Response

The Council's response to Covid-19 has resulted in significantly increased expenditure during 2020/21. The pandemic has also had an adverse impact upon the Councils income during the year. The UK Government have recognised this and provided additional funding to support the Council in its pandemic response.

The following tables show the expenditure incurred by the Council in response to the Covid-19 pandemic, and the income received from Government and other partners (such as Somerset CCG and District Councils) to help fund the response. To ensure greater transparency, the expenditure and income has been analysed by service, expenditure type and source of funding.

Table 1: Total Covid-19 response expenditure/income by service

Impact of COVID-19 Reponse by Service For the year-ended 31st March 2021	Gross Expenditure £millions	Gross Income (-) £millions	Net Expenditure £millions
<u>Continuing Operations</u>			
Adult Services	37.343	-28.247	9.096
Children's Services	7.567	-2.342	5.225
Economic and Community Infrastructure Services	4.445	-3.377	1.068
Public Health	3.672	-5.985	-2.313
Corporate & Support Services (inc Corporate Contingencies)	12.014	-0.663	11.351
<b>Surplus (-) / Deficit on Continuing Operations</b>	<b>65.041</b>	<b>-40.614</b>	<b>24.427</b>
Financing and investment income and expenditure	-	-1.215	-1.215
Taxation and non-specific grant income	-	-14.769	-14.769
<b>Surplus (-) or Deficit on Provision of Services</b>	<b>65.041</b>	<b>-56.598</b>	<b>8.443</b>

Table 2: Total Covid-19 response expenditure by MHCLG category

<b>COVID-19 Impact as per MHCLG Costs                      Analysis Statement for the year ended                      31 March 2021</b>		<b>Gross                      Expenditure                      £millions</b>
<b><u>Adult Services</u></b>		
Adult Social Care – additional demand		6.434
Adult Social Care – supporting the market		23.655
Adult Social Care – workforce pressures		0.190
Adult Social Care - Personal protective equipment (PPE)		6.586
Adult Social Care - other		0.478
<b><u>Children's Services</u></b>		
Children's Social Care - residential care		1.599
Children's Social Care - care leavers		0.086
Children's Services - other		2.344
Education - Home to school transport		1.202
Education - other		2.336
<b><u>Public Health</u></b>		
Public Health - Testing, contact tracing and outbreak planning		3.672
<b><u>Corporate and Support Services</u></b>		
Cultural & related - Sports, leisure and community facilities		0.180
Finance & corporate - ICT & remote working		0.195
Finance & corporate - other		0.038
Housing - rough sleeping		0.675
Other - PPE (non-Adult Social Care)		0.015
Other - excluding service areas listed above		9.678
Other - unachieved savings/delayed projects		1.233
<b><u>Economic and Community Infrastructure Services</u></b>		
Environment and regulatory - waste management		2.515
Environment and regulatory - other		0.015
Planning & development		0.020
Highways and Transport		1.595
Other - Shielding		0.300
<b>Total Expenditure</b>		<b>65.041</b>

Table 3: Total Covid-19 income by funding type

<b>COVID-19 Source of Funding Analysis Statement for the year ended 31 March 2021</b>	<b>Gross Income (-) £millions</b>
<u>Grants Received</u>	
COVID-19 Support Grant	-16.235
Bus Service Support Grant	-0.442
Test and Trace Support Grant	-0.508
Additional School & College Transport Capacity Funding	-0.805
Emergency Active Travel Fund	-0.138
Infection Control Fund	-15.446
Income Compensation Scheme	-3.620
Emergency Assistant Grant for Food & Essential Supplies	-0.573
Winter Grant Scheme	-1.902
Contain Outbreak Management Fund	-5.093
Funding for Clinically Extremely Vulnerable	-0.693
Adult Social Care Rapid Testing Fund	-1.831
Workforce Capacity Fund	-0.957
Opportunity Area Grant	-0.392
Community Testing	-0.384
<u>Contributions Received</u>	
CCG	-10.236
District Partners	-2.305
<u>Less: Lost Income from Sales, Fee's and Charges (SFC)</u>	
Commercial Income	0.002
Cultural & Related SFC	0.195
Highways & Transport SFC	0.867
Planning & Development SFC	0.028
Other Income and SFC	3.870
<b>Total Funding</b>	<b>-56.598</b>

During 2020/21, the Council also received £2.146m of Covid-19 support funding for its local authority-maintained schools. This funding from the Education and Skills Funding Agency (which included £0.828m of Covid-19 catch-up premium and £0.747m of Schools Emergency Support) was passported directly to the schools delegated budget to help fund their pandemic response.

Further details of the Council's response to the Covid-19 pandemic can be found in the Narrative Report.

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

The Council has yet to adopt the following accounting standards:

- Definition of a Business: Amendments to IFRS 3 Business Combinations

The International Accounting Standards Board (IASB) issued Definition of a business (Amendments to IFRS 3) to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1 2020 and to asset acquisitions that occur on or after the beginning of that period. We do not expect these amendments to have a material impact on our accounts when they are applied from 1st April 2021.

- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7

The IASB published Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7), in response to the ongoing reform of interest rate benchmarks around the world. The amendments aim to provide relief for hedging relationships.

The amendments are effective for annual periods beginning on or after 1 January 2020. We do not expect these amendments to have a material impact on our accounts when they are applied retrospectively from 1st April 2021.

- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

The IASB published Interest Rate Benchmark Reform Amendments to IFRS 9, IAS 39 and IFRS 7 representing the finalisation of Phase II of the project on 27 August 2020 to address issues that might affect financial reporting when an existing interest rate benchmark is replaced with an alternative benchmark interest rate.

The amendments are effective for annual periods beginning on or after 1 January 2021. We do not expect these amendments to have a material impact on our accounts when they are applied retrospectively from 1st April 2022.

## **Note 3: Critical Judgements in Applying Accounting Policies & Changes in Accounting Estimates**

### Critical Judgements in Applying Accounting Policies

In applying the accounting policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in this Statement of Accounts are:

1. Where the Council have been able to evidence that it retains the freehold interest for a school's land and building it has recognised a non-current asset under the Property, Plant and Equipment (PPE) heading on the Council's balance sheet. As at 31 March 2021, the value of schools related land and buildings (including Pupil Referral Units - PRU) where freehold interest existed was £236.327m.

The Council has also recognised a non-current asset for any leasehold arrangements that meet the definition of a finance lease under IAS17. As at 31 March 2021, the value of schools related land and buildings where leasehold interest existed was £8.828m.

For those properties (including PRU's), where neither a freehold nor leasehold interest exists (76 schools as at 31<sup>st</sup> March 2021), the Council has deemed there to have been a mere licence granted by the legal owners (in most cases a religious body). As a mere licence passes no interest to the Council or the schools governing body and are terminable at any time without causal action (although Section 30 (11) of the School Standards and Framework Act 1998 provides that a reasonable period of notice, usually 2 years, be given), the Council is required to consider whether it holds any other substantive rights.

Under the CIPFA Code of Practice for Local Authorities, only a resource 'controlled' by the Council meets the definition of an asset, and as the mere license passes over no rights to the Council it is not possible to record a non-current asset on the Council's balance sheet for schools where such a licence exists. Any subsequent expenditure incurred in relation to schools that have not been recognised is expensed through the Comprehensive Income and Expenditure Statement as Revenue Expenditure Funded from Capital Under Statute (REFCUS) in the year it is incurred (see Accounting Policy 21 for further details).

2. The Council has provided a guarantee to the Somerset County Council Pension Fund for the South West Audit Partnership (SWAP) and Discovery in relation to the pension deficit of our ex-employees who transferred to SWAP and Dimensions Somerset SEV (the trading name for Discovery). The guarantee indemnifies the Fund should SWAP or Dimensions be unable to meet their employer obligations. The Council has also provided (for a charge) a number of pension bonds (totalling £1.304m) for outsourced functions where ex-employees have transferred to a new entity as part of the arrangement. These bonds will only be called should the new employers be unable to meet their pension obligations. Having reviewed these arrangements, the Council has determined that no liability has arisen during the financial year, as there has been no default and the assessed risk of future default is very low.
3. In 2015/16 the Better Care Fund was established by the Government to provide funds to local areas to support the integration of health and social care and to seek to achieve the National Conditions and Local Objectives. It is a requirement of the Better Care Fund that NHS Somerset Clinical Commissioning Group and Somerset County Council establish a pooled fund for this purpose, which was achieved through a signed agreement under Section 75 of the National Health Service Act 2006. Under this Section 75 agreement there are three funds administered by whichever body undertook the contracting arrangements. The arrangement has been accounted for as a joint operation - where each partner shows in its accounts its share of the expenditure, assets and liabilities of the

Better Care Fund. Having assessed the arrangement, the Council has determined that Funds 2 and 3 are administered by the Council and is therefore acting as principle for these funds. Details of the transactions the Council reports in its accounts can be found in Note 16.

4. The Council is the single accountable body for the Heart of the Southwest Local Enterprise Partnership (HotSW LEP). During the Council's group accounts review, it was concluded that the HotSW LEP entity did not fall under the Council's control, so the Council has considered its relationship with the LEP to determine the accounting treatment for the following funding streams.

#### **Growing Places Fund**

This funding (£6.691m) was transferred to the Council from Devon County Council, in August 2021, as part of strengthening the LEPs assurance framework and following directive from the Department for Business, Energy and Industrial Strategy (BEIS). This grant funding was awarded to Devon County Council in 2011 and was designed to create a sustainable revolving infrastructure fund for investment to unlock further economic development and leverage private investment.

All decision making on the use of this fund is made by the LEP with the Council acting in an agency role. As agent for this fund, the Council does not report any of the fund transactions in its accounts, with the exception of cash collected or expenditure incurred by the Council on behalf of the principal (the LEP), in which case there is a creditor position, and the net cash position is included in financing activities in the Cash Flow Statement.

#### **Growth Deal and Getting Building Fund**

Both grants have been awarded to the HotSW LEP and are payable to the Council as the accountable body. The Council received £197m of Growth Deal funding from the UK Government's Local Growth Fund during 2015 to 2021. This fund was fully spent by March 2021.

During 2020/21 the Council received £17.7m from the UK Government's Getting Building Fund, with a further £17.7m due in 2021/22. This fund will be fully spent by March 2022. The Council has a more active part in the decision making of these funds, having a veto vote on the use of the funds. As well as having to report spend and outputs to Treasury on a quarterly basis.

The Council retains the liability of grant claw-back and is acting as principle for both the Growth Deal and Getting Building Funds. All the transactions for these funds are therefore included in the Council's accounts.

5. Based on an assessment in accordance with IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements, and considering materiality, the Council has concluded that it does not have control, joint-control or significant influence over any other entities. Therefore, the Council has no material subsidiaries, joint ventures or associates and there is no requirement to prepare group accounts for 2020/21. Further details of the Council's non-material interest in Futures for Somerset, can be found in Note 52.

#### **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 Council about the future. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</b>
<b>Valuation of operational property</b>	<p>As at 31 March 2021, the value of operational property carried in the Council's balance sheet was £435.979m.</p> <p>Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets. The Council's internal valuers provided valuations as at 31 March 2021 for approximately 20% of its operational portfolio. The remaining balance of operational properties were also reviewed to ensure values reflect current values.</p> <p>The impact of COVID-19 on property valuations was considered by The Material Valuation Uncertainty Leaders Forum (UK), setup by the Royal institute of Chartered Surveyors (RICS) to consider the unique events relating to the global COVID-19 pandemic and its impact on valuation assignments, with a focus on financial reporting and measures for the accurate and consistent reporting of material uncertainty. It comprised a group of expert valuers covering a wide range of asset classes and specialisms.</p> <p>At their meeting of 11 May 2021, the</p>	<p>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. If the value of the Council's operational properties were to reduce by 10%, this would result in a charge to the Comprehensive Income and Expenditure Statement of up to £44m.</p> <p>An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p>

	<p>forum confirmed that material valuation uncertainty declarations were no longer required for all assets, and that discretion remained with the valuer.</p> <p>The Council's valuers have considered the property market and building industry specific indices as part of their assessment (as these are subject to a level of uncertainty) and confirmed there were no properties within the Council's portfolio during 2020/21 that required a material valuation uncertainty declaration.</p>	
<b>Depreciation</b>	<p>During 2020/21, the total amount of depreciation (including intangible asset amortisation) charged to the Comprehensive Income &amp; Expenditure Statement was £27.650m.</p> <p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it more difficult to sustain spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge would increase by approximately £3.008 million for every year that useful lives had to be reduced (based on asset values as at 31<sup>st</sup> March 2021)</p>
<b>Pensions Liability</b>	<p>As at 31 March 2021, the value of Local Government Pension Scheme IAS19 liability carried in the Council's balance sheet was £993.554m.</p> <p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The Council instructs Barnett Waddingham, a firm of actuaries, to make these sensitive</p>	<p>The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £44.375 million (see the sensitivity analysis in note 51 for other potential movements to the pensions liability as a result of changes in actuarial assumptions).</p> <p>Similarly, if the authorities share</p>

	<p>judgements on our behalf.</p>	<p>of pension fund assets (see note 51 for further details of the Council's asset share) was over-stated by 1%, this will result in an increase to the net pension liability of £11.946m.</p>
<p><b>Doubtful Debt Impairment and Expected Credit Losses</b></p>	<p>As at 31 March 2021, the Council had an outstanding balance of short-term debtors totalling £59.965m. Against this debtor balance there is an impairment allowance of £14.074m.</p> <p>It is not certain this impairment allowance would be sufficient as the Council cannot assess with certainty which debts will be collected or not.</p> <p>The economic impact of the COVID-19 pandemic has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and their ability to settle their debts.</p> <p>As at 31 March 2021, the Council also had an outstanding balance of long-term debtors and payment in advance totalling £20.344m. Included within this total was £14.282m relating to a long-term finance lease arrangement where the Council is acting as landlord.</p> <p>Having assessed the arrangement and considered past default rates; credit rating reports and customer payments received since 1 April 2021, the potential for credit loss has been estimated as immaterial, so no additional impairment allowance has been recognised.</p>	<p>An understatement of doubtful debts would lead to a future adjustment and impairment to be reflected.</p> <p>The impairment allowances held are based on policies adapted to historic experience and success rates experienced in collection.</p> <p>The nature of the debt and service area have been considered and further review has been carried out to reflect the uncertainty of the collection rates as a result of COVID-19.</p> <p>If collection rates were to deteriorate the Council would need to review its policies on the calculation of its impairment allowance for doubtful debts. Any increase to the impairment allowance would reduce the balance held in the General Fund.</p>

<p><b>Fair Value Measurement</b></p>	<p>As at 31 March 2021, the fair value of assets carried in the Council's balance sheet was £1,364.036m, whilst the fair value of liabilities was £1,854.633m.</p> <p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or on an investment basis). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values.</p> <p>These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value.</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the Council's financial assets and liabilities is disclosed in note 34.</p> <p>Further information about the valuation techniques used in determining the fair value of the Council's surplus assets is disclosed in note 28.</p>	<p>The Council uses an investment approach based on a derived market yields to measure the fair value of some of its surplus properties.</p> <p>The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, occupancy levels, bad debt levels, tenant covenant strength, etc</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value. Some of the key variables are described further in note 34.</p>
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**Note 5: Events after the Balance Sheet Date**

The Director of Finance authorised the Statement of Accounts on 23 July 2021. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing as at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There were no adjusting or non-adjusting events after the Balance Sheet date.

On 21 July 2021, the Secretary of State for the Ministry of Housing, Communities and Local Government approved the Council's One Somerset bid. It is planned that the shadow authority will be implemented by May 2022 and the new Council in place by April 2023. Further details on the approved Local Government Reorganisation can be found in Section 13 of the Narrative Report.

**Note 6: Expenditure & Funding Analysis**

This analysis shows how our annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes across our services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

The classification of some Corporate Support Services (reported at Outturn) are included in both Continuing Operations and the Provision of Services in the table below, so the total reported for resource management will be different from the figures reported in the Outturn report. There is a similar difference with the Individual Schools Budget (ISB) figures reported in the table below as the Outturn position for ISB is not reported at Outturn. This classification issue does not impact on the surplus reported at year-end (£9.016m).

2020/21

Expenditure & Funding Analysis for the year ended 31 March 2021	Directorate Total as reported for resource management £millions	Adjustment to arrive at the net amount chargeable to the General Fund balance £millions	Net Expenditure Chargeable to the General Fund £millions	Adjustments between Funding and Accounting basis £millions	Net Expenditure in the Comprehensive Income and Expenditure Statement £millions
Adult Services	142.250	-0.277	141.973	3.294	145.267
Children's Services	89.620	3.753	93.373	7.139	100.512
Economic and Community Infrastructure Services	68.625	-2.692	65.933	37.437	103.370
Public Health	1.781	-2.167	-0.386	1.512	1.126
Corporate & Support Services (inc Corporate Contingencies)	40.806	-9.920	30.886	-3.488	27.398
Accountable Bodies (LEP/SRA/CDS)	2.802	0.048	2.850	-1.653	1.197
Individual Schools Budget	0.000	-8.784	-8.784	30.921	22.137
<b>Surplus (-) / Deficit on Continuing Operations</b>	<b>345.884</b>	<b>-20.039</b>	<b>325.845</b>	<b>75.162</b>	<b>401.007</b>
Other Income & Expenditure	-354.900	-14.824	-369.724	9.650	-360.074
<b>Surplus (-) or Deficit on Provision of Services</b>	<b>-9.016</b>	<b>-34.863</b>	<b>-43.879</b>	<b>84.812</b>	<b>40.933</b>
Opening General Fund Balance at 31 March 2020			101.648		
Reclassification of Schools Budget Deficit to new Adjustment Account at 1 April 2020			11.079		
Restated General Fund Balance at 1 April 2020			112.727		
Add Surplus (-) on General Fund in Year			-43.879		
<b>Closing General Fund Balance at 31 March 2021</b>			<b>156.606</b>		

2019/20

Expenditure & Funding Analysis for the year ended 31 March 2020	Directorate Total as reported for resource management £millions	Adjustment to arrive at the net amount chargeable to the General Fund balance £millions	Net Expenditure Chargable to the General Fund £millions	Adjustments between Funding and Accounting basis £millions	Net Expenditure in the Comprehensive Income and Expenditure Statement £millions
Adult Services	127.889	0.813	128.702	2.546	131.248
Children's Services	83.751	4.477	88.228	5.475	93.703
Economic and Community Infrastructure Services	62.011	-0.252	61.759	19.424	81.183
Public Health	0.261	-0.238	0.023	0.213	0.236
Corporate & Support Services (inc Corporate Contingencies)	43.285	-19.799	23.486	-0.686	22.800
Accountable Bodies (LEP/SRA/CDS)	3.936	-4.091	-0.155	0.109	-0.046
Individual Schools Budget	-	0.493	0.493	22.499	22.992
<b>Surplus (-) / Deficit on Continuing Operations</b>	<b>321.133</b>	<b>-18.597</b>	<b>302.536</b>	<b>49.580</b>	<b>352.116</b>
Other Income & Expenditure	-343.119	0.586	-342.533	-1.247	-343.780
<b>Surplus (-) or Deficit on Provision of Services</b>	<b>-21.986</b>	<b>-18.011</b>	<b>-39.997</b>	<b>48.333</b>	<b>8.336</b>
Opening General Fund Balance at 31 March 2019			61.651		
Add Surplus (-) on General Fund in Year			-39.997		
<b>Closing General Fund Balance at 31 March 2020</b>			<b>101.648</b>		

## Note 7: Notes to the Expenditure & Funding Analysis

### Adjustments between Funding and Accounting Basis

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement. An explanation of the main adjustments identified in the tables below is also provided.

#### 2020/21

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
Adult Services	0.016	3.265	0.013	3.294
Children's Services	0.833	5.840	0.466	7.139
Economic and Community Infrastructure Services	33.024	4.190	0.223	37.437
Public Health	0.001	0.914	0.597	1.512
Corporate & Support Services (inc Corporate Contingencies)	3.226	-6.959	0.245	-3.488
Accountable Bodies (LEP/SRA/CDS)	-1.708	0.055	0.000	-1.653
Individual Schools Budget	14.178	16.181	0.562	30.921
<b>Net Cost of Services</b>	<b>49.570</b>	<b>23.486</b>	<b>2.106</b>	<b>75.162</b>
<u>Other Income &amp; Expenditure</u>				
Other operating expenditure	27.981	0.000	0.000	27.981
Financial and investment income and expenditure	-3.205	18.411	0.096	15.302
Taxation and non-specific grant income and expenditure	-47.559	0.000	13.926	-33.633
<b>General Fund (Surplus)/Deficit</b>	<b>26.787</b>	<b>41.897</b>	<b>16.128</b>	<b>84.812</b>

#### 2019/20

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
Adult Services	0.656	1.890	-	2.546
Children's Services	2.093	3.179	0.203	5.475
Economic and Community Infrastructure Services	17.022	2.402	-	19.424
Public Health	0.009	0.204	-	0.213
Corporate & Support Services (inc Corporate Contingencies)	6.046	-7.577	0.845	-0.686
Accountable Bodies (LEP/SRA)	0.066	0.043	-	0.109
Individual Schools Budget	14.192	7.295	1.012	22.499
<b>Net Cost of Services</b>	<b>40.084</b>	<b>7.436</b>	<b>2.060</b>	<b>49.580</b>
<u>Other Income &amp; Expenditure</u>				
Other operating expenditure	44.462	-	-	44.462
Financial and investment income and expenditure	-4.436	19.477	-0.123	14.918
Taxation and non-specific grant income and expenditure	-59.614	-	-1.013	-60.627
<b>General Fund (Surplus)/Deficit</b>	<b>20.496</b>	<b>26.913</b>	<b>0.924</b>	<b>48.333</b>

## Adjustments for Capital Purposes

These adjustments include:

- An adjustment for depreciation, impairment and revaluation gains/losses in the services line, to ensure the costs are not chargeable to the General Fund.
- An adjustment to the Other Operating Expenditure line for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- An adjustment to the Financing and investment income and expenditure line for the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions that are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- An adjustment to the Financing and investment income and expenditure line for loan premium payable in the year but charged to the General Fund over the life of the derecognised loan in line with statutory regulations.
- An adjustment to the Taxation and non-specific grant income and expenditure line for capital grants that represents income not chargeable under generally accepted accounting practices.

## Net Change for the Pensions Adjustments

These adjustments include:

- 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 Council as allowed by statute and the replacement with current service costs and past service costs; and
- An adjustment to the Financing and Investment income and expenditure line for the net interest on the defined benefit liability charged to the Comprehensive Income and Expenditure Statement.

## Other Differences

These adjustments include differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute, such as:

- The charge under Taxation and Non-specific grant income and expenditure for the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.
- The amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements; and
- An adjustment for the in-year deficit of Dedicated Schools Grant (DSG), to ensure the deficit is not chargeable to the General Fund or reported as a negative usable reserve.

### Adjustments to arrive at the net amount chargeable to the General Fund balance

These adjustments mostly relate to the service contributions to/from Earmarked reserves reported for resource management that need to be excluded when determining the Net Expenditure Chargeable to the General Fund.

The adjustments also include minor accounting adjustments not reported for resource management, and a late accrual for Business Rates Pooling Gain (£1.167m); s31 Business Rates Relief grant (£8.448m) and Tax Income Guarantee grant (£1.690m) that have been included in the 2020/21 accounts but whose details were received too late to include in the Outturn report. These amounts have not been spent, so only impact on the Council's reserves, and are being reported for resource management in the first quarter of 2021/22.

### **Note 8a: Expenditure and Income Analysed by Nature**

The Code requires us to provide a disclosure on the nature of expenses and income. The Council's expenditure and income (as reported in the Comprehensive Income and Expenditure Statement) is analysed as follows:

<b>2019/20</b>		<b>2020/21</b>
<b>£ millions</b>	<b>Expenditure and Income</b>	<b>£ millions</b>
272.267	Employee expenses	293.814
464.271	Other service expenses	530.320
91.033	Capital Charges (Depreciation/Amortisation/Impairment etc)	81.306
38.843	Interest payments (including pension interest cost)	39.089
0.812	Precepts & levies	0.833
43.420	Loss on disposal of fixed assets	27.980
<b>910.646</b>	<b>Total Expenditure</b>	<b>973.342</b>
-66.423	External fees & charges	-51.041
-75.084	Other service income	-99.370
-2.869	Interest and investment income	-2.450
-329.273	Income from Council Tax/ NNDR/ SRA	-317.581
-428.661	Government grants and contributions	-461.967
<b>-902.310</b>	<b>Total Income</b>	<b>-932.409</b>
<b>8.336</b>	<b>Surplus or deficit on the provision of services</b>	<b>40.933</b>

### **Note 8b: Revenue from Contracts with Service Recipients**

Amounts included in the Comprehensive Income and Expenditure Statement for contracts with service recipients are set out in the following table. There were no material contracts during 2020/21 with performance obligations, so the income has been recognised when the goods/services have been provided by the Council.

2019/20 £millions		2020/21 £millions
	<u>Continuing Operations</u>	
-33.249	Adult Services	-25.461
-2.221	Children's Services	-2.562
-11.518	Economic & Community Infrastructure Services	-11.018
-0.005	Public Health	-0.107
-3.064	Corporate & Support Services (inc Corporate Contingencies)	-2.769
-	Accountable Bodies (LEP/SRA/CDS)	-0.101
-5.961	Individual Schools Budget	-2.303
	<u>Provision of Services</u>	
-5.731	Financial and Investment Income and Expenditure - Trading Activities	-2.866
<b>-61.748</b>	<b>Total Income</b>	<b>-47.187</b>

Amounts included in the balance sheet for contracts with service recipients are as follows:

2019/20 £millions		2020/21 £millions
	<u>Receivables which are included in debtors</u>	
6.663	Adult Services	6.312
0.147	Children's Services	0.522
3.574	Economic & Community Infrastructure Services	2.245
0.533	Corporate & Support Services (inc Corporate Contingencies)	0.217
-	Public Health	0.019
0.062	Individual Schools Budget	0.023
0.410	Financial and Investment Income and Expenditure - Trading Activities	0.200
<b>11.389</b>	<b>Total Receivables from Service Users</b>	<b>9.538</b>

There were £0.036m of credit impairment losses recognised on receivables arising from the Council's contracts with service recipients during the year. There were no material Contract Assets or Liabilities included in the balance sheet for 2020/21 or 2019/20.

## Note 9: Segmental Reporting

### Segmental Assets

As we report outstanding debt internally to those charged with governance, the Code requires us to present an analysis of the outstanding debt at year-end on a segmental basis. There is a further requirement for us to present a reconciliation of the segmental debt to the total debt reported in the Balance Sheet.

2019/20 £million	Segmental Analysis - Outstanding Debt	2020/21 £million
5.641	Adult Services	6.178
0.906	Children's Services	1.217
6.045	Economic and Community Infrastructure Services	3.574
0.340	Public Health	0.110
0.720	Corporate & Support Services (inc Corporate Contingencies)	0.553
0.049	Individual Schools Budget	0.064
0.359	Financial and Investment Income and Expenditure - Trading Activities	0.146
<b>14.060</b>	<b>Total - as reported at Outturn</b>	<b>11.842</b>

2019/20 £million	Reconciliation of segmental debt to the total short term debtor reported in the Balance Sheet	2020/21 £million
14.060	Segmental Debt - as reported at Outturn	11.842
	<u>Debt - not reportable at Outturn:</u>	
15.400	Collection Fund Debtor	14.845
-	- Capital Debtors	-
4.002	Payments in Advance	4.188
5.517	VAT Debtor	5.473
9.067	Other year-end accrued debt	23.617
<b>48.046</b>	<b>Short-term debtor - as reported in Balance Sheet</b>	<b>59.965</b>

#### Material Items of Income and Expenditure

The Comprehensive Income & Expenditure Statement and the Expenditure & Funding Analysis both provide a measure of surplus or deficit. As the following material items are included in both, we are required to report them on a segmental basis (segmental analysis for Revenue Contracts from Service Recipients can be found in Note 8b).

## 2020/21

For the year ended 31 March 2021	<u>Income</u>	<u>Expenditure</u>	
	Govt Grants & Contributions £millions	IAS19 Employee Benefit costs £millions	Capital Charges (Depreciation etc) £millions
Adult Services	-42.450	3.265	0.054
Children's Services	-60.265	5.840	0.832
Economic and Community Infrastructure Services	-9.151	4.190	36.324
Public Health	-27.092	0.914	0.001
Corporate & Support Services (inc Corporate Contingencies)	-5.023	-6.959	3.671
Accountable Bodies (LEP/SRA/CDS)	-28.034	0.055	25.253
Individual Schools Budget	-179.265	16.181	14.376
<b>Total Continuing Operations</b>	<b>-351.280</b>	<b>23.486</b>	<b>80.511</b>
Financing and Investment Income & Expenditure (including Trading)	-2.657	18.411	0.199
Other Operating Expenditure	-	-	0.595
Taxation & Non-Specific Grant	-108.030	-	-
<b>Total - Provision of Services</b>	<b>-461.967</b>	<b>41.897</b>	<b>81.305</b>

## 2019/20

For the year ended 31 March 2020	<u>Income</u>	<u>Expenditure</u>	
	Govt Grants & Contributions £millions	IAS19 Employee Benefit costs £millions	Capital Charges (Depreciation etc) £millions
Adult Services	-24.455	1.890	0.314
Children's Services	-56.667	3.179	2.099
Economic and Community Infrastructure Services	-4.890	2.402	20.371
Public Health	-20.258	0.204	0.009
Corporate & Support Services (inc Corporate Contingencies)	-3.891	-7.577	5.089
Accountable Bodies (LEP/SRA/CDS)	-41.727	0.043	40.815
Individual Schools Budget	-180.569	7.295	21.133
<b>Total Continuing Operations</b>	<b>-332.457</b>	<b>7.436</b>	<b>89.830</b>
Financing and Investment Income & Expenditure (including Trading)	-	19.477	0.162
Other Operating Expenditure	-	-	1.042
Taxation & Non-Specific Grant	-96.204	-	-
<b>Total - Provision of Services</b>	<b>-428.661</b>	<b>26.913</b>	<b>91.033</b>

## Note 10: Adjustments between Accounting Basis and Funding Basis under Regulation

2020/21

	General Fund - Schools & Other	Capital Receipts Reserve	Capital Grants & Contributions Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
Adjustments between accounting basis and funding basis under regulations for the year ended 31 March 2021	£millions	£millions	£millions	£millions	£millions	£millions
<b>Adjustments involving the Capital Adjustment Account:</b>						
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>						
Charges for depreciation/impairment and reval loss of non current assets	42.471	-	-	42.471	-42.471	-
Impairment of current held for sale assets	0.595	-	-	0.595	-0.595	-
Amortisation of intangible assets	0.458	-	-	0.458	-0.458	-
Capital grants and contributions	-47.559	-	47.559	-	-	-
Revenue expenditure funded from capital under statute	7.070	-	30.711	37.781	-37.781	-
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	33.997	-	-	33.997	-33.997	-
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>						
Statutory provision for the financing of capital investment	-6.798	-	-	-6.798	6.798	-
Capital expenditure charged against the General Fund	-1.308	-	-	-1.308	1.308	-
<b>Adjustments involving the Capital Receipts Reserve:</b>						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-6.146	6.146	-	-	-	-
Use of the capital receipts reserve to finance new capital expenditure	-	-1.172	-	-1.172	1.172	-
Contribution from the capital receipts reserve towards administration costs of non current asset disposals	0.130	-0.130	-	-	-	-
Principal repayments transferred to the capital receipts reserve	-	0.031	-	0.031	-0.031	-
<b>Adjustments involving the Capital Grants Unapplied Reserve:</b>						
Use of the capital grants unapplied reserve to finance new capital expenditure	-	-	-78.604	-78.604	78.604	-
<b>Adjustments involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	77.756	-	-	77.756	-77.756	-
Employer's pension contributions and direct payments to pensioners payable in the year	-35.859	-	-	-35.859	35.859	-

2020/21 (Continued)

	General Fund - Schools & Other	Capital Receipts Reserve	Capital Grants & Contributions Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£millions	£millions	£millions	£millions	£millions	£millions
<b>Adjustments between accounting basis and funding basis under regulations for the year ended 31 March 2021</b>						
<b>Adjustments involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	0.802	-	-	0.802	-0.802	-
Amount by which NNDR income credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance with statutory requirements	13.124	-	-	13.124	-13.124	-
<b>Adjustments involving the Financial Instrument Adjustment Account:</b>						
Amount by which income and expenditure on financial instruments are charged/credited to the Comprehensive Income and Expenditure Statement is different from the amount calculated for the year in accordance with statutory requirements	-0.046	-	-	-0.046	0.046	-
<b>Adjustments involving the Pooled Investment Funds Adjustment Account:</b>						
Amount by which the fair value movement on pooled investment funds are charged/credited to the Comprehensive Income and Expenditure Statement is different from the amount calculated for the year in accordance with statutory requirements	0.267	-	-	0.267	-0.267	-
<b>Adjustments involving the Dedicated Schools Grant Adjustment Account:</b>						
Amount by which the Dedicated Schools Grant deficit charged to the Comprehensive Income and Expenditure Statement is different from the amount calculated as part of the statutory requirements	3.656	-	-	3.656	-3.656	-
<b>Adjustment involving the Accumulating Compensated Absences</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2.202	-	-	2.202	-2.202	-
<b>Total adjustments between accounting basis &amp; funding basis under regulations</b>	<b>84.812</b>	<b>4.875</b>	<b>-0.334</b>	<b>89.353</b>	<b>-89.353</b>	<b>-</b>

	General Fund - Schools & Other	Capital Receipts Reserve	Capital Grants & Contributions Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£millions	£millions	£millions	£millions	£millions	£millions
<b>Adjustments between accounting basis and funding basis under regulations for the year ended 31 March 2020</b>						
<b>Adjustments involving the Capital Adjustment Account:</b>						
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>						
Charges for depreciation/impairment and reval loss of non current assets	31.917	-	-	31.917	-31.917	-
Impairment of current held for sale assets	1.041	-	-	1.041	-1.041	-
Amortisation of intangible assets	1.206	-	-	1.206	-1.206	-
Capital grants and contributions	-59.614	-	59.614	-	-	-
Increased Icelandic Investment Impairment	0.027	-	-	0.027	-0.027	-
Revenue expenditure funded from capital under statute	7.092	-	49.775	56.867	-56.867	-
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	46.599	-	-	46.599	-46.599	-
Costs transferred to the Capital Adjustment Account under the Flexible Use of Capital receipts directive	2.163	-	-	2.163	-2.163	-
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>						
Statutory provision for the financing of capital investment	-4.547	-	-	-4.547	4.547	-
Capital expenditure charged against the General Fund	-2.138	-	-	-2.138	2.138	-
<b>Adjustments involving the Capital Receipts Reserve:</b>						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-3.281	3.281	-	-	-	-
Use of the capital receipts reserve to finance new capital expenditure	-	-4.209	-	-4.209	4.209	-
Contribution from the capital receipts reserve towards administration costs of non current asset disposals	0.103	-0.103	-	-	-	-
Principal repayments transferred to the capital receipts reserve	-	0.029	-	0.029	-0.029	-
<b>Adjustments involving the Capital Grants Unapplied Reserve:</b>						
Use of the capital grants unapplied reserve to finance new capital expenditure	-	-	-112.371	-112.371	112.371	-
<b>Adjustments involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	62.340	-	-	62.340	-62.340	-
Employer's pension contributions and direct payments to pensioners payable in the year	-35.427	-	-	-35.427	35.427	-

## 2019/20 (Continued)

	General Fund - Schools & Other	Capital Receipts Reserve	Capital Grants & Contributions Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£millions	£millions	£millions	£millions	£millions	£millions
<b>Adjustments between accounting basis and funding basis under regulations for the year ended 31 March 2020</b>						
<b>Adjustments involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	2.186	-	-	2.186	-2.186	-
Amount by which NNDR income credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance with statutory requirements	-3.199	-	-	-3.199	3.199	-
<b>Adjustments involving the Financial Instrument Adjustment Account:</b>						
Amount by which income and expenditure on financial instruments are charged/credited to the Comprehensive Income and Expenditure Statement is different from the amount calculated for the year in accordance with statutory requirements	-0.045	-	-	-0.045	0.045	-
<b>Adjustments involving the Pooled Investment Funds Adjustment Account:</b>						
Amount by which the fair value movement on pooled investment funds are charged/credited to the Comprehensive Income and Expenditure Statement is different from the amount calculated for the year in accordance with statutory requirements	0.822	-	-	0.822	-0.822	-
<b>Adjustment involving the Accumulating Compensated Absences</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1.088	-	-	1.088	-1.088	-
<b>Total adjustments between accounting basis &amp; funding basis under regulations</b>	<b>48.333</b>	<b>-1.002</b>	<b>-2.982</b>	<b>44.349</b>	<b>-44.349</b>	<b>-</b>

### Note 11: Transfers to/from Earmarked Reserves

This note shows the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund in 2020/21.

	Balance at 31 March 2019 £millions	Transfers Out 2019/20 £millions	Transfers In 2019/20 £millions	Net Movement 2019/20 £millions	Balance at 31 March 2020 £millions	Transfers Out 2020/21 £millions	Transfers In 2020/21 £millions	Net Movement 2020/21 £millions	Balance at 31 March 2021
<b>General Fund:</b>									
Operating Accounts	-0.529	-0.447	2.216	1.769	1.240	-0.342	-	-0.342	0.898
Economic Development Fund	0.479	-0.390	0.023	-0.367	0.112	-0.446	0.481	0.035	0.147
Reserves for capital purposes	2.548	-0.027	0.117	0.090	2.638	-	1.112	1.112	3.750
Invest to Save Fund	0.349	-0.084	0.151	0.067	0.416	-	0.063	0.063	0.479
Somerset Drug & Alcohol	0.176	-	-	-	0.176	-	-	-	0.176
Public Health Earmarked	1.556	-	1.188	1.188	2.744	-0.332	0.649	0.317	3.061
Public Health - Prevention Fund	-	-0.206	1.000	0.794	0.794	-0.418	0.127	-0.291	0.503
Repairs and Maintenance Fund (inc BMIS)	-2.936	0.000	2.982	2.982	0.046	-	0.085	0.085	0.131
Business Rates Retention - County Wide Pot	-	-0.032	4.015	3.983	3.983	-2.000	0.692	-1.308	2.675
Supply Mutual Fund Reserve	0.515	-0.515	-	-0.515	-	-	0.218	0.218	0.218
Somerset and South West Mutual Scheme	-	-	0.179	0.179	0.179	-	-	-	0.179
BSF Bridgwater Equalisation Reserve	5.630	-	0.934	0.934	6.564	-	1.016	1.016	7.580
Futures for Somerset	0.114	-	0.030	0.030	0.144	-0.002	0.030	0.028	0.172
Elections	0.295	-	0.253	0.253	0.548	-0.002	0.253	0.251	0.799
Somerset Rivers Authority	0.339	-0.014	0.003	-0.011	0.328	-0.059	0.051	-0.008	0.320
Flood Recovery & 20 year plan	0.166	-0.031	0.016	-0.015	0.151	-0.049	0.030	-0.019	0.132
Superfast Broadband	0.055	-0.055	0.955	0.900	0.955	-0.141	-	-0.141	0.814
Environment Commuted Sums Reserve	1.292	-0.027	0.600	0.573	1.865	-0.027	0.028	0.001	1.866
Local Enterprise Partnership (LEP)	2.020	-1.115	1.526	0.411	2.431	-0.750	0.476	-0.274	2.157
SRA Precept 2016/17	3.727	-0.323	1.783	1.460	5.187	-	1.878	1.878	7.065
Children & Learning Commissioning	-	-	0.102	0.102	0.102	-	-	-	0.102
S106 funds	0.471	-	0.182	0.182	0.653	-	0.026	0.026	0.679
Insurance Fund Reserve	4.086	-	1.190	1.190	5.276	-	3.094	3.094	8.370
Parking Services	0.333	-	0.102	0.102	0.435	-	0.509	0.509	0.944
West Somerset Opportunities Fund reserve	1.267	-0.204	-	-0.204	1.063	-0.317	0.105	-0.212	0.851
Permitting - Traffic	-	-	-	-	-	-	0.403	0.403	0.403
Supported Bus Service	-	-	-	-	-	-	0.443	0.443	0.443
Social Care Volatility	2.309	-0.840	2.511	1.671	3.980	-	2.588	2.588	6.568
Short Life Asset Fin	-	-	-	-	-	-	2.040	2.040	2.040
Budget Equalisation	-	-	-	-	-	-10.323	18.543	8.220	8.220
Budget Equalisation - COVID-19 Impact s31	-	-	-	-	-	-	9.500	9.500	9.500
Collection Fund Compensation Climate	-	-	-	-	-	-	10.138	10.138	10.138
Emergency	-	-	-	-	-	-0.026	1.000	0.974	0.974
COVID-19 Support	-	-	15.563	15.563	15.563	-15.563	5.051	-10.512	5.051
Workforce Resilience	-	-	1.168	1.168	1.168	-	0.086	0.086	1.254
Improving Lives Programme (ILP)	-	-0.605	2.853	2.248	2.248	-0.360	0.042	-0.318	1.930
Social Care Transformation	-	-	-	-	-	-0.759	4.472	3.713	3.713
VPCR Reserve	-	-	-	-	-	-	0.659	0.659	0.659
Corporate Priorities	-	-	5.946	5.946	5.946	-4.831	1.950	-2.881	3.065
Funding Volatility	-	-0.140	2.530	2.390	2.390	-	1.345	1.345	3.735
Other Service Reserves	8.934	-8.730	-	-8.730	0.204	-0.119	0.381	0.262	0.466
<b>Total excluding School Balances</b>	<b>33.196</b>	<b>-13.785</b>	<b>50.118</b>	<b>36.333</b>	<b>69.529</b>	<b>-36.866</b>	<b>69.564</b>	<b>32.698</b>	<b>102.227</b>
Balances held by schools under a scheme of delegation	17.468	-16.075	15.692	-0.383	17.085	-16.106	23.527	7.421	24.506
<b>Total</b>	<b>50.664</b>	<b>-29.860</b>	<b>65.810</b>	<b>35.950</b>	<b>86.614</b>	<b>-52.972</b>	<b>93.091</b>	<b>40.119</b>	<b>126.733</b>

The S31 Collection Fund Compensation (£10.138m) was new for 2020/21 and has been accrued by the Council in 20/21 to fund the Collection Fund deficit chargeable in 21/22.

## Note 12: Other Operating Expenditure

2019/20 £millions		2020/21 £millions
43.420	(Gain)/losses on the disposal of non-current assets	27.980
1.041	Loss on the revaluation of current assets held for sale	0.595
	Levies:	
0.697	- Environment Agencies	0.716
0.115	- Devon and Severn IFCA	0.117
<b>45.273</b>		<b>29.408</b>

The loss on disposal of non-current assets during 2020/21 was predominantly due to schools converting to academy status (£24.821m loss), where the full value of the asset is disposed for nil consideration. This loss was partially offset by the sale of various land and buildings.

## Note 13: Financing & Investment Income and Expenditure

This includes interest from temporarily investing the Council's revenue balances, interest received from our long-term investment in Pooled Property Funds the surplus/deficit on our trading activities and the financing income element of a finance lease agreement with Somerset Care Ltd.

2019/20 £millions		2020/21 £millions
19.366	Interest payable and similar charges	19.665
19.477	Net pensions interest cost (on the defined liability)	18.411
-2.869	Interest receivable and similar income	-2.450
0.450	Deficit from trading activities	0.503
<b>36.424</b>		<b>36.129</b>

## Note 14: Taxation and Non-Specific Grant Income

2019/20 £millions		2020/21 £millions
-244.023	Council Tax income	-254.906
-82.703	National Non-Domestic Rates	-60.112
-2.547	Somerset Rivers Authority Precept	-2.563
-36.590	Non-ringfenced government grants	-60.471
-59.614	Capital grants and contributions	-47.559
<u>-425.477</u>		<u>-425.611</u>

## Note 15: Surplus or deficit on revaluation of fixed assets

2019/20 £millions		2020/21 £millions
-13.454	Gains credited to the Revaluation Reserve	-41.499
6.206	Losses charged to the Revaluation Reserve	9.825
<u>-7.248</u>		<u>-31.674</u>

## Note 16: Pooled Budgets

The Council has several arrangements that meet the definition of a Pooled Budget. A pooled budget is a type of partnership arrangement whereby local authorities and NHS organisations contribute an agreed level of resource into a single pot (the 'pooled budget') that is then used to commission or deliver health and social care services. Section 75 of the NHS Act 2006 requires that one of the partners is nominated as the host of the pooled budget and this body is then responsible for the budget's overall accounts and audit.

In the following three areas, we provide the same service, and share our resources to get better value for money and service provision. As lead authority we are acting as principal (and therefore recognising the full income and expenditure in our accounts) in line with the requirements of IFRS15 for these arrangements.

The **Integrated Community Equipment Service's** pooled budget is used to provide community equipment to Council and Somerset CCG clients. Under the terms of this arrangement, the Council is responsible for contracting with the equipment provider but both parties can procure the equipment they require. Unanimous consent from both parties is not required, so no joint control exists.

Income and expenditure for the year are as follows:

2019/20 £millions	Integrated Community Equipment Service (previously known as the Joint Equipment Service)	2020/21 £millions
	Income from:	
-1.409	Adults and Health Service	-1.16
-1.240	Somerset Clinical Commissioning Group (Including Continuing Healthcare Income)	-1.469
-1.735	Other Grant Income	-1.563
-4.384	Total income	-4.760
	Less the following spending:	
4.353	Equipment, delivery costs, minor work	4.882
0.096	Management and administration	0.099
4.449	Total spending	4.981
<b>0.065</b>	<b>Overspending or underspending (-)</b>	<b>0.221</b>

The **Learning Disabilities Service's** pooled budget supports people with a learning disability to improve their quality of life. Under the terms of this arrangement, hosted by the Council, the Somerset Clinical Commissioning Group makes contributions to the pooled budget which are then used to purchase Learning Disability services. Funding decisions are made by the Council based on the eligibility criteria which is set nationally.

Income and expenditure for the year are as follows:

2019/20 £millions	Learning Disabilities Service	2020/21 £millions
	Income from:	
-60.626	Adults and Health Service	-63.813
-23.261	Somerset Clinical Commissioning Group Somerset Partnership	-22.179
-5.426	Income from charges and grant income	-5.801
-89.313	Total income	-91.793
	Less the following spending:	
29.204	Residential services	30.072
34.146	Supported housing	35.906
7.449	Day services	6.380
16.878	Domiciliary Care	17.727
1.924	Community teams	2.034
89.601	Total spending	92.119
<b>0.288</b>	<b>Overspending or underspending (-)</b>	<b>0.326</b>

The **Carers Pooled Budget** arrangement is used to jointly commission the provision of Carers Support Services. It is a joint operation with the Council and Somerset Clinical Commissioning Group. The Council acts as the lead body, so recognises the full income and expenditure for the arrangement.

Income and expenditure for the year are as follows:

2019/20 £millions	Carers	2020/21 £millions
	Income from:	
-0.225	Adults and Health Service	-0.224
<u>-0.231</u>	Somerset Clinical Commissioning Group	<u>-0.231</u>
-0.456	Total income	-0.455
	Less the following spending:	
0.377	Universal Carers Support Service	0.377
0.021	Carers Support Worker Salary/Running Costs	0.019
<u>0.047</u>	CAMHS Carers Assessment Workers	<u>0.048</u>
0.445	Total spending	0.444
<u><u>-0.011</u></u>	<b>Overspending or underspending (-)</b>	<u><u>-0.011</u></u>

Another area where the Council works with the Somerset Clinical Commissioning Group is the **Better Care Fund**, which was established by the Government to provide funds to local areas to support the integration of health and social care and to seek to achieve the National Conditions and Local Objectives. It is a requirement of the Better Care Fund that NHS Somerset Clinical Commissioning Group and Somerset County Council establish a pooled fund for this purpose, which has been achieved in 2020/21 through a signed agreement under Section 75 of the National Health Service Act 2006. Somerset County Council received additional funding in 2020/21 through the improved Better Care Fund, which has been pooled as part of the Section 75 agreement.

The Council accounts for its share of the assets, liabilities, income and expenditure of the pool as determined by the pooled budget agreement.

This table shows the total actual expenditure (excluding the CCG's contribution towards the Carers Pooled Budget already included in the table above) incurred by the Better Care Fund:

2019/20			2020/21	
Gross Expenditure £millions	Gross Income £millions	Better Care Fund	Gross Expenditure £millions	Gross Income £millions
27.051	-27.051	Somerset County Council	27.638	-27.638
<u>38.424</u>	<u>-38.424</u>	NHS Somerset Clinical Commissioning Group (CCG)	<u>40.619</u>	<u>-40.619</u>
<u><b>65.475</b></u>	<u><b>-65.475</b></u>	<b>Total</b>	<u><b>68.257</b></u>	<u><b>-68.257</b></u>

Any surplus or deficit generated from the arrangement is the responsibility of the respective partner to whom it is attributed and is shared in proportion to the funding. The partner authorities are responsible for managing the individual schemes for which they have lead responsibility.

## Note 17: Members' Allowances

The allowances paid to the Council's Members during the year are shown below.

2019/20 £millions		2020/21 £millions
0.617	Basic Allowance	0.634
0.251	Special Responsibility Allowance	0.277
0.048	Travel and Subsistence Expenses	0.004
0.010	Payments to Co-optees	0.003
<u>0.926</u>		<u>0.918</u>

## Note 18: Senior Officers' Remuneration

Under regulations, the Council must show the number of the Council's staff who are paid more than £50,000 a year. This is shown in the table below. Pay includes:

- Salary, not including employer's pension contributions;
- Taxable travel and other expenses; and
- Non-taxable payments when employment ends.

**Table 1 – Staff paid more than £50,000 (shown in £5,000 bands) for the financial year ended 31 March 2021**

2019/20		Employee pay bands	2020/21	
Number of employees			Number of employees	
Schools	Non-schools		Schools	Non-schools
54	43	£50,000 to £54,999	46	42
59	11	£55,000 to £59,999	50	33
24	8	£60,000 to £64,999	33	11
11	16	£65,000 to £69,999	16	2
8	8	£70,000 to £74,999	5	20
6	5	£75,000 to £79,999	10	6
2	2	£80,000 to £84,999	5	-
1	2	£85,000 to £89,999	3	4
-	5	£90,000 to £94,999	1	6
1	1	£95,000 to £99,999	1	1
1	1	£100,000 to £104,999	1	-
-	2	£105,000 to £109,999	1	2
-	2	£110,000 to £114,999	-	1
-	-	£115,000 to £119,999	-	1
-	2	£125,000 to £129,999	-	2
-	-	£130,000 to £134,999	-	3
-	1	£135,000 to £139,999	-	-
-	1	£160,000 to £164,999	-	-
-	-	£165,000 to £169,999	-	1
-	-	£175,000 to £179,999	-	1

Having met the criteria of the CIPFA guidance notes, the following tables set out the salaries and wages of the Council's senior officers earned during 2020/21 and 2019/20.

In line with guidance, officers whose salary is £150,000 or more have been named.

**Table 2 – Actual salary and benefits paid for the financial year ended 31 March 2021**

Post holder information (Post title and name)	Salary (including fees and allowances)	Compensation for loss of office	Benefits in kind	Total wages and benefits but not including pension contributions 2020/21	Employer's pension contributions	Total wages and benefits including pension contributions 2020/21
	£	£	£	£	£	£
<b>Head of paid service:</b>						
Patrick Flaherty	166,900	-	-	166,900	30,200	197,100
<b>Statutory chief officers or those who report directly to the head of paid service:</b>						
- Programme Director - Carlton Brand	178,300			178,300	4,300	182,600
- Director of Children's Services	130,100	-	-	130,100	23,600	153,700
- Lead Commissioner Adults & Health	129,600			129,600	23,500	153,100
- Director of Finance	119,000			119,000	21,500	140,500
- Director of Public Health	126,000	-	-	126,000	18,100	144,100
- Director and Lead Commissioner ECI	130,500	-	-	130,500	23,600	154,100
- Director of Corporate Affairs	105,800	-	-	105,800	19,200	125,000
- Director of HR & Organisational Development	94,600	-	-	94,600	17,100	111,700
<b>Non-statutory chief officers who are directly accountable to the local authority themselves</b>						
Group Manager Community Governance / Monitoring Officer	79,500	-	-	79,500	14,400	93,900
County Solicitor	79,500	-	-	79,500	14,400	93,900

**Table 3 – Actual salary and benefits paid for the financial year ended 31 March 2020**

Post holder information (Post title and name)	Salary (including fees and allowances)	Compensation for loss of office	Benefits in kind	Total wages and benefits but not including pension contributions 2019/20	Employer's pension contributions	Total wages and benefits including pension contributions 2019/20
	£	£	£	£	£	£
<b>Head of paid service:</b>						
Patrick Flaherty	162,400	-	-	162,400	25,200	187,600
<b>Statutory chief officers or those who report directly to the head of paid service:</b>						
- Director of Children's Services	136,000	-	-	136,000	21,100	157,100
- Lead Commissioner Adults & Health - <i>Note 1</i>						
- Previous post holder, April 2019 to August 2019	59,900	-	-	59,900	8,200	68,100
- Current post holder, August 2019 onwards	88,600	-	-	88,600	12,200	100,800
- Director and Lead Commissioner ECI	127,000	-	-	127,000	19,700	146,700
- Director of Public Health	113,700	-	-	113,700	16,300	130,000
- Interim Finance Director - <i>Note 2</i>	176,400	-	-	176,400	-	176,400
- Director of Finance - <i>Note 3</i>	9,200	-	-	9,200	1,400	10,600
- Director of Corporate Affairs	103,000	-	-	103,000	16,000	119,000
- Director of HR & Organisational Development	92,300	-	-	92,300	14,200	106,500
- Business Change Strategic Manager - <i>Note 4</i>						
- Previous post holder, April 2019 to July 2019	25,500	-	-	25,500	3,500	29,000
- Current post holder, August 2019 onwards	48,800	-	-	48,800	6,800	55,600
<b>Non-statutory chief officers who are directly accountable to the local authority themselves</b>						
Monitoring Officer - <i>Note 5</i>						
- Previous post holder, April 2019 to September 2019	39,100	-	-	39,100	5,400	44,500
- Current post holder, September 2019 onwards	47,100	-	-	47,100	6,500	53,600
County Solicitor	77,400	-	-	77,400	12,000	89,400

**Note 1** – There was a change in the permanent post holder to the Lead Commissioner Adults & Health. The annualised salary for this post was £0.135m.

**Note 2** – The Council appointed an Interim Director of Finance on a Consultancy for the period April 2019 to February 2020. The amount shown was the full cost for 2019/20.

**Note 3** – Director of Finance appointed to permanent post with effect March 2020. The annualised salary for this post was £0.110m.

**Note 4** – There was a change in the permanent post holder to the Business Change Strategic Manager. The annualised salary for this post was £0.077m

**Note 5** – There was a change in the permanent post holder to the Monitoring Officer. The annualised salary for this post was £0.087m

**Table 4 – Total number and value of exit packages for the financial year ended 31 March 2021**

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

Exit package cost band (inc. special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each cost band	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20 £millions	2020/21 £millions
£0 - £20,000	24	1	60	2	84	3	0.490	0.024
£20,001 - £40,000	1	-	13	3	14	3	0.397	0.081
£40,001 - £60,000	-	-	4	-	4	-	0.209	-
£60,001 - £80,000	-	-	-	1	-	1	-	0.063
£80,001 - £100,000	-	-	2	-	2	-	0.179	-
£100,001 - £150,000	-	-	-	1	-	1	-	0.111
£150,001 - £200,000	-	-	1	-	1	-	0.181	-

### Note 19: Termination Benefits

The Council terminated the contracts of 8 posts in 2020/21, incurring liabilities of £0.279 million. The redundancy total includes £0.278 million payable for 7 posts which were terminated by voluntary redundancy or early retirement. A further £0.001 million was paid for 1 post that was given compulsory redundancy. The £0.279 million can be split between teaching and non-teaching staff as follows:

#### Non-teaching

Terminations of £0.249 million, were due to organisation wide reduction within the Council (7).

#### Teaching

The Council terminated the contract of 1 teacher in 2020/21, incurring liabilities of £0.030 million. This termination was for other termination reasons rather than compulsory.

## Note 20: Fees for External Audit Services

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims, statutory inspections and to non-audit services provided by the Council's external auditors:

2019/20 Restated £millions		2020/21 £millions
	<u>Fees payable to Grant Thornton, appointed under the Local Audit &amp; Accountability Act 2014</u>	
0.098	– Main audit	0.127
0.005	– Grant claims	0.006
0.033	– Additional audit fees in relation to previous year	-
-0.009	– Public Sector Audit Appointments Refund	-
	<u>Other non-audit services provided by Grant Thornton</u>	
0.030	– Contract Reviews	-
<b>0.157</b>		<b>0.133</b>

The 19/20 comparative has been restated to include the audit costs (£0.005m) for the Teachers grant claim, that was omitted from the disclosure in error last year.

## Note 21: Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the Council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2020/21 are shown in the following table:

	Central spending £millions	Individual Schools Budget £millions	Total £millions
Final Dedicated Schools Grant for 2020/21 - before Academy Recoupment	-64.219	-342.156	-406.375
Academy figure recouped for 2020/21	-	200.989	200.989
Total Dedicated Schools Grant after Academy recoupment for 2020/21	-64.219	-141.167	-205.386
Plus: Brought Forward from 2019/20	11.079	-	11.079
	-	-	-
Less: Carry Forward to 2021/22 agreed in advance	-	-	-
Agreed initial budgeted distribution in 2020/21	-53.140	-141.167	-194.307
In year adjustments	-	-	-
<b>Final budgeted distribution for 2020/21</b>	<b>-53.140</b>	<b>-141.167</b>	<b>-194.307</b>
Less actual central expenditure	67.875	-	67.875
Less Actual ISB deployed to schools	-	141.167	141.167
Plus Local Authority contribution for 2020/21	-	-	-
<b>Carry-forward to 2021/22</b>	<b>14.735</b>	<b>-</b>	<b>14.735</b>

Under the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020, which came into effect on 29th November 2020, any local authority with a deficit on its school budget during the period of the regulation (1st April 2020 to 31st March 2023) must charge the amount of the deficit to an account established solely for the purpose of recognising deficits in its schools budget.

Further details of the Dedicated Schools Grant Adjustment Account can be found in Note 43: Unusable Reserves.

## Note 22: Grant Income

The Council credited the following grants, capital contributions and capital donations to the Comprehensive Income and Expenditure Statement in 2020/21:

2019/20 £millions		2020/21 £millions
	<b>Credited to Taxation and Non-Specific Grant Income</b>	
	<u>Revenue Grants</u>	
-	- Revenue Support Grant	-6.174
-0.076	- Lead Local Flood Authority Grant	-
-0.134	- Inshore Fisheries Grant	-0.134
-2.390	- New Homes Bonus	-2.039
-15.563	- COVID 19 Support Grant	-14.769
-8.978	- Business Rates Cap	-13.540
-0.611	- Rights to Free Travel	-0.687
-4.039	- Building Schools for the Future	-3.972
-0.175	- Transitional (Brexit) Grant	-
-4.268	- Adult Social Care Support Grant	-14.705
-0.356	- Local Reform and Community Voices Grant	-0.358
-	- Rural Services Delivery Grant	-2.403
-	- Council Tax Income Guarantee Scheme	-1.690
<b>-36.590</b>		<b>-60.471</b>
	<u>Capital Grants</u>	
-8.318	- Standards Fund Capital Grant	-3.172
-30.452	- Department for Transport Capital Grant	-27.169
-8.824	- LEP	-12.080
-3.366	- Dept. Housing, Communities and Local Govt.	-1.751
-0.400	- Dept. Digital, Culture, Media & Sport (Broadband)	-
-1.725	- Highways England (Junction 25)	-
-6.529	- Other capital grants / Contributions (including developer S106 income)	-3.387
<b>-59.614</b>		<b>-47.559</b>
<b>-96.204</b>	<b>Total</b>	<b>-108.030</b>

2019/20 £millions		2020/21 £millions
	<b>Credited to Services</b>	
	<u>Revenue Grants</u>	
-202.314	- Dedicated Schools Grant	-205.386
-6.844	- Standards Fund	-3.556
-8.782	- Pupil Premium Grant	-8.608
-0.675	- Music Education Grant	-0.675
-0.700	- LEP - Start Up Fund	-0.500
-40.997	- LEP - Growth Hub	-27.534
-0.093	- Adoption Support Grant	-0.095
-2.176	- Sixth Form Funding (S6F)	-1.893
-2.546	- Primary PE and Sports Grant	-2.401
-0.461	- Youth Justice	-0.473
-1.226	- Troubled Families	-1.102
-0.515	- Family Safeguarding	-
-0.390	- Step Up Social Work	-1.274
-0.588	- School Improvement Grant	-0.570
-0.093	- Year 7 Catch Up premium grant	-
-3.591	- Universal Infants Free School Meals	-3.283
-4.433	- Teachers Pay Grant	-6.728
-1.334	- Children and Young People services – other grants	-1.185
-1.193	- Independent Living Fund	-1.193
-20.176	- Public Health grant	-21.048
-20.187	- Care Act	-22.685
-2.769	- Winter Pressures Grant	-
-0.049	- Adult services – other grants	-0.302
-0.278	- DEFRA - AONB & LARC	-0.291
-0.773	- Triple C Project	-0.145
-0.911	- Grant from Broadband Delivery UK	-
-0.454	- Bus Service Operators Grant	-0.855
-2.800	- Building Schools for the Future contributions	-2.867
-1.730	- West Somerset Opportunities Area Fund (WSOA)	-0.588
-2.176	- Economic, Communities & Infrastructure services - other grants	-0.767
-1.098	- Other services grants	-1.538
	<u>COVID-19 Grants</u>	
-0.105	- COVID 19 Support Grant	-1.466
-	- Winter Grant Scheme	-1.902
-	- Funding for Clinically Extremely Vulnerable	-0.693
-	- Infection Control Grant	-15.446
-	- Outbreak Management Grant	-5.093
-	- Loss of Income Grant	-3.620
-	- Various Schools Grants	-2.146
-	- Rapid Testing Grant	-1.831
-	- Workforce Capacity Fund	-0.957
-	- Test, Track & Trace Grant	-0.508
-	- School and College Transport	-0.804
-	- Emergency Assistant Grant for Food & Essential Supplies	-0.573
-	- Other COVID-19 related grants	-1.356
<b>-332.457</b>	<b>Total</b>	<b>-353.937</b>

### Note 23: Partnerships and Related Party Transactions

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

## **UK Government**

The UK Government has the ability to control or exercise significant influence over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, it 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. The grants received from Central Government are disclosed in Note 22.

## **Officers**

Officers of the Council are bound by the rules and procedures of the Council's Constitution. Officers are required to register any personal interests which may affect their judgement as an employee of the Council. Senior officers were also required to declare transactions with the Council. No material transactions have been identified.

## **Members**

Elected Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2020/21 is shown in Note 17. The Members' Code of Conduct requires Members to declare interests in related parties in the Register of Members' Interests. The Register is available on the Council's website and is open to public inspection at County Hall during office hours. Members were also asked to declare separately transactions with the Council. No material transactions between the Council and businesses in which members have a controlling interest have been identified.

A number of Members are also members of other local public bodies, including district, parish and town councils, academies and NHS trusts. No other material transactions between the Council and these organisations (in which members have a controlling interest within the council) have been identified.

## **Other Related Parties**

The Council has significant influence over other parties due to the considerable proportion of business provided to them by the Council. These being:

- Discovery, a social enterprise formed from a ground-breaking partnership between Dimensions and Somerset County Council, together with customers, family carers and staff. In 2020/21 the Council paid £30.376 million to Discovery.
- Various local companies (14 in total) that provide transport on behalf of the Council. The total paid to these companies during 2020/21 was £8.742 million.
- Futures for Somerset, a long-term strategic partnership, is an associate of the Council, in which the Council has a 10% share by shareholding and influence over its long-term plans. In 2020/21 the Council paid £0.698 million to Futures for Somerset.

## Note 24: Property, Plant & Equipment

<b>Movements in 2020/21</b>						
	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total</b>
	<b>£millions</b>	<b>£millions</b>	<b>£millions</b>	<b>£millions</b>	<b>£millions</b>	<b>£millions</b>
<b>Cost or valuation</b>						
At 1 April 2020	435.672	61.283	764.154	3.117	29.972	1,294.198
Additions	19.469	5.590	38.981	0.000	21.082	85.121
Disposals	-34.593	-9.831	-0.024	-0.250	-	-44.698
Reclassifications	19.136	1.964	-0.002	-0.482	-20.512	0.105
Revaluation Increase/decrease (-):						
- to Revaluation Reserve	20.219	-	-	0.828	-	21.047
- to Surplus/Deficit on the provision of service	-15.292	-	-	0.012	-	-15.280
At 31 March 2021	<u>444.611</u>	<u>59.005</u>	<u>803.109</u>	<u>3.225</u>	<u>30.542</u>	<u>1,340.493</u>
<b>Depreciation and impairments</b>						
At 1 April 2020	-12.196	-34.167	-302.646	-0.054	-0.001	-349.064
Charge for 2020/21	-7.833	-8.263	-10.938	-0.122	-0.036	-27.192
Disposals	1.630	9.518	0.000	0.004	-	11.152
Reclassifications	-0.362	-0.286	0.002	0.077	-	-0.569
Revaluation Increase/decrease (-):						
- to Revaluation Reserve	10.129	-	-	0.048	-	10.177
- to Surplus/Deficit on the provision of service	-	-	-	-	-	-
At 31 March 2021	<u>-8.633</u>	<u>-33.198</u>	<u>-313.581</u>	<u>-0.047</u>	<u>-0.037</u>	<u>-355.497</u>
<b>Balance sheet amount at 1 April 2020</b>						
	<u>423.476</u>	<u>27.116</u>	<u>461.508</u>	<u>3.063</u>	<u>29.971</u>	<u>945.134</u>
<b>Balance sheet amount at 31 March 2021</b>						
	<u>435.978</u>	<u>25.807</u>	<u>489.528</u>	<u>3.178</u>	<u>30.505</u>	<u>984.996</u>
<b>Nature of asset holding at 31 March 2021</b>						
Owned	402.257	25.807	489.528	3.177	30.505	951.274
Finance lease	33.722	-	-	-	-	33.722
	<u>435.979</u>	<u>25.807</u>	<u>489.528</u>	<u>3.177</u>	<u>30.505</u>	<u>984.996</u>

None of the Council's assets were recognised under a PFI type arrangement, during 2020/21.

<b>Movements in 2019/20</b>						
	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total</b>
	<b>£millions</b>	<b>£millions</b>	<b>£millions</b>	<b>£millions</b>	<b>£millions</b>	<b>£millions</b>
<b>Cost or valuation</b>						
At 1 April 2019	458.145	45.110	712.091	5.083	22.077	1,242.506
Additions	17.981	18.655	52.063	-	19.211	107.910
Disposals	-48.232	-2.678	-	-0.225	-	-51.135
Reclassifications	9.028	0.196	-	0.306	-11.316	-1.785
Revaluation Increase/decrease (-):						
- to Revaluation Reserve	1.172	-	-	-1.900	-	-0.728
- to Surplus/Deficit on the provision of service	-2.422	-	-	-0.147	-	-2.569
At 31 March 2020	<u>435.672</u>	<u>61.283</u>	<u>764.154</u>	<u>3.117</u>	<u>29.972</u>	<u>1,294.198</u>
<b>Depreciation and impairments</b>						
At 1 April 2019	-13.169	-26.898	-292.342	-0.176	-0.001	-332.586
Charge for 2019/20	-8.051	-9.827	-10.304	-0.072	-	-28.254
Disposals	2.131	2.558	-	0.005	-	4.694
Reclassifications	0.029	-	-	-0.029	-	-
Revaluation Increase/decrease (-):						
- to Revaluation Reserve	7.887	-	-	0.089	-	7.976
- to Surplus/Deficit on the provision of service	0.073	-	-	0.129	-	0.202
Impairment Losses (-)/reversals:						
- to Surplus/Deficit on the provision of service	-1.096	-	-	-	-	-1.096
At 31 March 2020	<u>-12.196</u>	<u>-34.167</u>	<u>-302.646</u>	<u>-0.054</u>	<u>-0.001</u>	<u>-349.064</u>
<b>Balance sheet amount at 1 April 2019</b>	<b><u>444.976</u></b>	<b><u>18.212</u></b>	<b><u>419.749</u></b>	<b><u>4.907</u></b>	<b><u>22.076</u></b>	<b><u>909.920</u></b>
<b>Balance sheet amount at 31 March 2020</b>	<b><u>423.476</u></b>	<b><u>27.116</u></b>	<b><u>461.508</u></b>	<b><u>3.063</u></b>	<b><u>29.971</u></b>	<b><u>945.134</u></b>
<b>Nature of asset holding at 31 March 2020</b>						
Owned	398.522	27.116	461.508	3.063	29.971	920.180
Finance lease	24.954	-	-	-	-	24.954
	<u>423.476</u>	<u>27.116</u>	<u>461.508</u>	<u>3.063</u>	<u>29.971</u>	<u>945.134</u>

## Capital Commitments

As at 31 March 2021, the Council anticipated investing £335.590m (£357.881m at 31 March 2020) in the construction or enhancement of Property, Plant, Equipment and Infrastructure during 2021/22 and future years. Some of this will be for schemes that have not yet started.

Within the anticipated investment figure, we also have major contractual commitments for a number of schemes that are already in progress. These include:

- £30.515m for the Connecting Devon & Somerset Broadband Programme
- £3.813m for the Sky College expansion project
- £3.189m for the M5 Junction 25 Improvements project
- £2.891m for the Yeovil Fairmead School expansion project
- £2.484m for the Yeovil Fiveways School expansion project
- £2.458m for the new Polden Bower School in Bridgwater
- £2.107m for the Traffic Signals Recovery Programme
- £0.973m for the Holway Centre PRU expansion project

Similar commitments listed at 31 March 2020 were £46.423m.

In addition to the individual items above we have the following contracts:

1. An on-going contract for the procurement of the highways major resurfacing that will result in an estimated capital expenditure of between £25 million and £30 million in 2021/22 (£25-£30 million in 2020/21). These payments will relate to new projects in 2021/22 and are in addition to the specific project information shown above.

2. A framework contract to undertake capital works to maintain and extend the life of bridges with an estimated value of between £1.5 million and £2.0 million per annum.

Further details of the Council's Capital Programme for 2021/22 to 2023/24 can be found in the Medium-Term Financial Plan papers (Appendix 8) taken to Full Council in February 2021.

## Revaluations

The Council carries out annual valuations that allow it to consider the entire asset portfolio for all property required to be measured at current value, whilst retaining a rolling programme that ensures all assets are valued at least every five years. All valuations were carried out internally. 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). We do not revalue our vehicles, plant, infrastructure, furniture and equipment or assets under construction; depreciated historic cost is used as a proxy for fair value. The significant assumptions applied in estimating the fair values are:

- Specialist properties (such as Schools) have been valued using the Depreciated Replacement Cost (DRC) method.
- Other non-specialist properties have been valued on the basis of Existing Use Value (EUV), in accordance with UK VPGA 6 and UK VPGA 4 of the RICS Valuation – Global Standards 2017: UK national supplement.
- Surplus assets are revalued in accordance with the IFRS13 and UK VPGA 4.1 of the RICS Valuation – Global Standards 2017: UK national supplement; and

	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Surplus Assets</b>	<b>PPE Under Construction</b>	<b>Total</b>
	<b>£millions</b>	<b>£millions</b>	<b>£millions</b>	<b>£millions</b>	<b>£millions</b>	<b>£millions</b>
Carried at historical cost	13.515	25.807	489.528	-	30.505	<b>559.356</b>
Valued at current value as at:						
31 March 2021	297.371	0.000	0.000	3.177	0.000	<b>310.058</b>
31 March 2020	31.922	0.000	0.000	0.000	0.000	<b>31.922</b>
31 March 2019	58.728	0.000	0.000	0.000	0.000	<b>55.831</b>
31 March 2018	10.800	0.000	0.000	0.000	0.000	<b>7.150</b>
31 March 2017	23.643	0.000	0.000	0.000	0.000	<b>20.679</b>
<b>Total cost or valuation</b>	<b>435.979</b>	<b>25.807</b>	<b>489.528</b>	<b>3.177</b>	<b>30.505</b>	<b>984.996</b>

During 2020/21, there were 3 properties that became operational where a formal valuation was not possible due to pandemic related workload. As a result, these assets have been carried at their historic cost as at 31 March 2021 (£13.515m). These properties will be included in the 2021/22 valuation cycle to ensure they are carried at current value in accordance with the Council's accounting policy in future years.

## Note 25: Intangible Non-Current Assets

The Council classifies its software and software licences, where material, as intangible non-current assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation charge of £0.458 million for 2020/21 was charged to the following service areas:

- £0.322 million was charged to the SAP Transformation cost centre and then absorbed as an overhead across all the service headings in the cost of services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.
- The remaining amortisation of £0.136 million was charged to various services for use of specific IT systems.

The movement on intangible asset balances during the year is as follows:

2019/20 £millions		2020/21 £millions
	<b>Balance at start of year:</b>	
7.808	– Gross carrying amount	7.830
<u>-4.685</u>	– Accumulated amortisation	<u>-5.890</u>
<b>3.123</b>	<b>Net carrying amount at start of year</b>	<b>1.940</b>
	<b>Movement in year:</b>	
0.022	Purchases	-
<u>-1.205</u>	Amortisation for the period	<u>-0.459</u>
<b>1.940</b>	<b>Net carrying amount at end of year</b>	<b>1.481</b>

There are two items that are individually material to the financial statements:

	Carrying amount		Remaining Amortisation Period at 31 March 2021
	at 31 March 2020	at 31 March 2021	
	£millions	£millions	
HCL SAP system (Integrated finance and payroll system)	0.939	0.617	2 years
SAP system licences	0.926	0.854	12 years

## Note 26: Impairment Losses

During the valuation process for 2020/21, consideration was given to the Authorities entire asset portfolio. There were no material impairments identified during this review.

## Note 27: Assets Held For Sale

The carrying value of the Council's Assets Held for Sale at 31 March 2021, and the movement in the year, are reflected in the table below:

Current 2019/20 £millions		Current 2020/21 £millions
0.877	<b>Balance outstanding at start of year</b>	1.262
	<b>Assets newly classified as held for sale:</b>	
2.505	Property, plant and equipment	1.276
-	Revaluation gain to Revaluation Reserve	0.450
-1.243	Revaluation loss charged to Surplus/Deficit on the provision of service	-0.595
	<b>Assets declassified as held for sale:</b>	
-0.720	Property, plant and equipment	-0.812
-0.157	Assets sold	-0.450
<u>1.262</u>	<b>Balance outstanding at year end</b>	<u>1.131</u>

## Note 28: Surplus Assets – Fair Value Measurement

### Valuation Process for Surplus Properties

The fair value of the Council's surplus properties are measured annually at each reporting date. All valuations are carried out internally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

When measuring the fair value of non-financial assets (e.g. surplus properties), highest and best use is determined only from the perspective of market participants even if the Council intends a different use. The Council has a responsibility to use its assets for the provision of public services not for its perceived highest and best use value. The Council is also sometimes bound by various regulations that restricts use of those surplus assets.

## Fair Value Hierarchy

Details of the Council's surplus properties and information about the fair value hierarchy at the end of the financial year are as follows:

### Fair value hierarchy of surplus assets for the year ending 31 March 2021:

	Other significant observable inputs (level 2) £millions	Significant unobservable inputs (level 3) £millions	Fair value as at 31 March 2021 £millions
Office/specific use properties	-	0.070	0.070
Commercial units	0.054	-	0.054
Land	<u>0.712</u>	<u>2.341</u>	<u>3.053</u>
	<b>0.766</b>	<b>2.411</b>	<b>3.177</b>

None of the Council's surplus assets were valued using level 1 (quoted prices in an active market for identical assets) inputs.

### Fair value hierarchy of surplus assets for the year ending 31 March 2020:

	Other significant observable inputs (level 2) £millions	Significant unobservable inputs (level 3) £millions	Fair value as at 31 March 2020 £millions
Office/specific use properties	0.165	0.920	1.085
Commercial units	0.232	-	0.232
Land	<u>0.208</u>	<u>1.538</u>	<u>1.746</u>
	<b>0.605</b>	<b>2.458</b>	<b>3.063</b>

## Transfers between Levels of the Surplus Asset Fair Value Hierarchy

There were no transfers between levels of the surplus asset fair value hierarchy during 2020/21.

## Reconciliation of Surplus Asset Fair Value Measurements within Level 3

2020/21	01 April 2020 £millions	Transfers into level 3 £millions	Transfers out of Level 3 £millions	Transfers in/out of Surplus £millions	Purchases £millions	Sales £millions	Unrealised gains/ (losses) £millions	Realised gains/losses £millions	31 March 2021 £millions
Surplus assets	2.458	-	-	-0.292	-	-0.250	0.495	-	2.411

## Valuation Techniques used to Determine Level 2 and 3 Fair Values for Surplus Properties

### Significant Observable Inputs – Level 2

The fair value for some of the residential and commercial properties has been based on an approach using current market conditions, recent market prices and other relevant information for similar assets in the local authority and immediately surrounding areas. Market conditions are such that similar properties are actively purchased, sold and rented. Where the level of observable inputs is significant the valuations have been categorised at Level 2 in the fair value hierarchy.

### Significant Unobservable Inputs – Level 3

Some of the office and commercial units located in the local authority area are measured using an investment approach, by capitalising the rental income/value (using a market-derived yield). The approach has been developed using the Council's own data requiring it to factor in assumptions such as rent growth, occupancy levels, bad debt levels, tenant covenant strength, etc.

Some of the residential and commercial properties valued using a level 2 input of market rates also have a significant hope value applied. This is an amount over the existing use value but less than the value with planning consent for the proposed use. The hope value percentage has been calculated through valuer peer reviews and reflects the perceived chance of obtaining consent in a timely manner or at all. Any property making use of either of these assumptions are therefore categorised as Level 3 in the fair value hierarchy. The measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

### Quantitative Information about Fair Value Measurement of Surplus Assets using Significant Unobservable Inputs – Level 3

	As at 31/03/2021 £millions	Valuation technique used to measure fair value	Significant unobservable inputs	Range with (average used)	Sensitivity
Office/specific use properties	0.070	Investment income approach using market-derived yields	Yield Conversion costs	5% - 7% (6%) Variable (discounted at 6% per annum)	Fluctuations in current market conditions, and nature of tenant Current Market value and discount rate applied.
Land	2.341	Value of developed land with significant hope values applied	Hope values Yield Conversion costs Hectare price	10% - 80% (59%) 6% - 8.5% (7%) Variable (discounted at 6% per annum) Variable	Purchasers perceived risk of planning consent (20% based on peer review for specific properties). Fluctuations in current market conditions. Current Market value and discount rate applied. Variable by site according to circumstance, ie residential/brownfield/amenity, location and condition.

The effect of the fair value measurements using both significant observable (level 2) and unobservable inputs (level 3) on the surplus or deficit on the provision of services or other comprehensive income and expenditure for 2020/21 is as follows:

- Depreciation of £0.122m has been charged to non-distributed costs within the surplus or deficit on continuing operations.
- Reversal of previous revaluation losses (charged to surplus or deficit on continuing operations) of £0.012m. This went to the relevant service within the surplus or deficit on continuing operations.
- £0.876m as a gain to the Surplus or deficit on revaluation of fixed assets within other comprehensive income.

The surplus or deficits are directly affected by the assumptions used in the inputs and therefore influenced by any variations to the assumptions. For example, if the input valuation is too prudent, the depreciation charge and the revaluation gain will be too low.

## Note 29: Leases

### Council as Lessee

#### Finance Leases

The Council has a small number of libraries, the Museum of Somerset and Dillington House (the Council's residential centre for professional development, adult education and the arts). We also report a small number of Voluntary Controlled (VC) and Community schools as being held under a finance lease type arrangement.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2020 £millions	31 March 2021 £millions
Other Land and Buildings	24.954	33.722
	<u>24.954</u>	<u>33.722</u>

The Council is committed to making minimum payments under these leases. This is made up of the settlement of the long-term liability and the finance costs which will be payable in future years whilst the liability remains outstanding.

Included within the minimum lease payment commitments for 2020/21 (below) are the finance lease liability and finance costs for the BSF Bridgwater PFI scheme. Although the schools have been de-recognised from the Council's accounts (due to control lying with the Bridgwater Education Trust) the lease rental payments are still payable and are therefore included within the total minimum lease payments. See note 30 for further details.

The total minimum lease payments are made up of the following amounts:

2019/20 £millions		2020/21 £millions
	Finance lease liabilities (net present value of minimum lease payments):	
1.001	- Current	1.097
40.970	- Non Current	39.873
45.559	Finance costs payable in future years	41.916
<u>87.530</u>	Minimum lease payments	<u>82.886</u>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2020 £millions	31 March 2021 £millions	31 March 2020 £millions	31 March 2021 £millions
Not later than one year	4.971	4.990	1.001	1.097
Later than one year and not later than five years	19.882	19.961	5.060	5.545
Later than five years	62.677	57.935	35.910	34.328
	<b>87.530</b>	<b>82.886</b>	<b>41.971</b>	<b>40.970</b>

The minimum lease payments include rents that are reliant on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2020/21, £0.021m contingent rents were received by the Council (£0.040m received in 2019/20). There were no material sub-lease arrangements in place during 2020/21, for assets acquired under finance leases.

### Operating Leases

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

Operating Leases	31 March 2020		31 March 2021	
	Land & Buildings £millions	Vehicles & Equipment £millions	Land & Buildings £millions	Vehicles & Equipment £millions
Not later than one year	0.513	0.280	0.718	0.200
Later than one year and not later than five years	1.571	0.913	2.309	0.156
Later than five years	2.608	0.000	5.519	0.000
	<b>4.692</b>	<b>1.193</b>	<b>8.546</b>	<b>0.356</b>

There were no material sub-lease arrangements in place during 2020/21 for assets acquired under operating leases.

### **Council as Lessor**

#### Finance Leases

The Council has leased out a number of its elderly care home properties to Somerset Care Ltd on a finance lease with a remaining term of 80 years. The Council has also leased out (for a peppercorn rent) a section of Shire Hall to the Secretary of State on a finance lease with a remaining term of 95 years and the Rural Life Barn museum to the Somerset Preservation Trust with a remaining term of 72 years. We did not acquire any of these assets specifically for the purpose of letting under finance leases.

The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term. The minimum lease payments are comprised of the settlement of the long-term debtor (for the interest in the properties acquired by the lessee) and financing income that will be earned in future years whilst the debtor remains outstanding. There is no guaranteed residual interest in of any of the Authorities' finance lease arrangements.

The gross investment is made up of the following amounts:

	31 March 2020 £millions	31 March 2021 £millions
Finance lease debtor (net present value of minimum lease payments):		
- Current	0.030	0.032
- Non Current	14.314	14.282
Unearned Finance Income	47.916	47.157
Gross investment in the lease	<u><u>62.260</u></u>	<u><u>61.471</u></u>

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2020 £millions	31 March 2021 £millions	31 March 2020 £millions	31 March 2021 £millions
Not later than one year	0.790	0.790	0.790	0.790
Later than one year and not later than five years	3.159	3.160	3.159	3.160
Later than five years	58.311	57.521	58.311	57.521
	<u><u>62.260</u></u>	<u><u>61.471</u></u>	<u><u>62.260</u></u>	<u><u>61.471</u></u>

During 2020/21, the Council reviewed the long-term lease arrangement and is confident that the lease payments will continue to be received when they fall due. We have therefore not set aside an allowance for uncollectable amounts in our accounts for 2020/21. This will be reviewed again in 2020/21, and if necessary, an allowance for uncollectable amounts will be set aside.

The minimum lease payments include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2020/21, £0.087m contingent rents were receivable by the Council (£0.087m for 2019/20).

### Operating Leases

The Council leases out property under operating leases for the following purposes:

- For the provision of community services, such as sports facilities, tourism services and community centres.

- For economic development purposes to provide suitable affordable accommodation for local businesses.

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

Operating Leases	31 March 2020 £millions	31 March 2021 £millions
Not later than one year	0.691	0.747
Later than one year and not later than five years	2.680	2.813
Later than five years	2.466	1.900
	<b>5.837</b>	<b>5.460</b>

### Note 30: Private Finance Initiatives (PFI) & Similar Contracts

#### Building Schools for the Future (BSF)

Building Schools for the Future (BSF) was a national Government programme to rebuild or renew every secondary school in England. The Council, through its schools and partners, has the contractual right to occupy and use the PFI sites for the purpose of delivering education and related functions during 'core school hours' each weekday and any additional time outside this period the schools may require. Furthermore, outside of these times and on occasional periods of overlap, the rights of access and use are extended for the purpose of delivering Community and Leisure related services with relevant partners.

The contractor has taken on the obligation to maintain the constructed buildings to a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate them. The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Bridgwater Education Trust (BET), for nil consideration. The Council only has rights to terminate the contract if it compensates the contractor in full for any outstanding debt and other costs incurred.

#### Property, Plant and Equipment

The authority owned assets used to provide services under the PFI contract are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 24.

#### Contractual Payments

Payments for the scheme began in 2011/12 when the first of the assets, a leisure centre, was brought into use. During 2013/14, the payments were increased to include the costs associated with the car park that became operational in the year. These payments will be increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards identified in the contract.

The remaining payments due to be made under the contract for BSF include a facilities management charge (referred to as the service element) for the schools' premises costs, and capital financing payments that relate to the total capital and financing costs. The figures shown in the table below do not include any adjustments for inflation.

Payments to be made under the BSF contract for liabilities held on the Balance Sheet

	Repayments of Liability £m	Interest Charges £m	Service Charges £m	LifeCycle Replacement £m	Total Payments £m
Within 1 year	1.092	3.876	1.917	0.560	<b>7.445</b>
Within 2 - 5 years	5.520	14.350	7.669	2.241	<b>29.780</b>
Within 6 - 10 years	10.457	14.380	9.586	2.802	<b>37.225</b>
Within 11 - 15 years	16.539	8.298	9.586	2.802	<b>37.225</b>
Within 16 - 20 years	6.980	0.660	3.028	1.121	<b>11.789</b>
	<b>40.588</b>	<b>41.564</b>	<b>31.786</b>	<b>9.526</b>	<b>123.464</b>

Although the Council is committed to making these payments, the leisure centre and new schools will be under the control of the BET and therefore do not appear on the Council's balance sheet. This is also referred to in Note 29 (Leases).

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed.

The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

	2019/20	2020/21
	£millions	£millions
Balance outstanding at start of year	42.493	41.584
Payments made during the year	-0.909	-0.996
<b>Balance outstanding at year-end</b>	<b>41.584</b>	<b>40.588</b>

The total estimated indexed payments under the contract amount to £179.375 million. These payments are scheduled to be funded from the following revenue streams:

Source of Funding	Proportion of Costs
Central Govt. Grant (PFI Credits)	82.0%
Delegated School Budgets	15.8%
SCC Contribution	2.2%
	<b>100%</b>

### Note 31: Heritage Assets - Summary of Transactions

	2019/20 £millions	2020/21 £millions
<b>Collections</b>		
Numismatic collections	0.790	0.790
Art Collections	0.468	0.468
Archaeology	0.166	0.166
Archives	0.380	0.380
Metalwork collections	0.130	0.130
<b>Total Carrying Value - as at 31 March</b>	<b>1.934</b>	<b>1.934</b>

There have been no heritage assets acquired by donation or purchased during 2020/21 and no charges for impairment losses or revaluation gains/losses have been recognised. There have also been no heritage assets disposed of during this period.

### Note 32: Heritage Assets – Further information on the Council’s Museum and Archive Collections

In November 2014 a new entity called The South-West Heritage Trust was established taking over the responsibility of Somerset’s Museum and Heritage Service. As part of the operating of the service, the Council has transferred all land and buildings to the Trust on leases. The Trust has taken ownership of the ICT, plant and equipment. It is important that the Trust has true operational independence in order to meet the requirements of the Charity Commission, and to allow Trustees to develop the service in the most appropriate manner.

The Council will remain the owner of collections and other heritage assets (reported in Note 31 and 32) where that is presently the case, or the depositor body in the case of collections belonging to third parties.

The Trust’s museums service collects, preserves, interprets and exhibits the material evidence of humankind and the natural environment, with particular reference to the County of Somerset, for the purposes of inspiration, education and enjoyment. It manages the Museum of Somerset at Taunton Castle, Somerset Rural Life Museum, Glastonbury, and Somerset Brick and Tile Museum, Bridgwater.

The origins of the museum’s collections lie with the formation of Somerset Archaeological and Natural History Society in 1849. Among the aims of the Society was the creation of a museum and from the beginning it began collecting objects. In 1958 the Society leased the Castle and loaned the collections to Somerset County Council for 49 years, an arrangement that by mutual agreement was extended for a further 49 years in 2008.

It is estimated that in total the museum collections comprise 2.5 to 3 million objects. The pre-1958 collection is largely owned by Somerset Archaeological and Natural History Society and includes some objects originally loaned to the Society by third parties. Post-1958 acquisitions very largely

belong to Somerset County Council but also include some loans made by individuals, organisations and other museums. Among the loans are extensive collections belonging to Somerset Military Museum Trust and the Glastonbury Antiquarian Society.

Acquisitions continue to be made to the collection in the categories listed below. They come as donations, by purchase and, occasionally, on loan. The whole of the collection is publicly accessible as follows:

- A proportion of the collection can usually be seen by visitors to the Trust's three museums, namely the Museum of Somerset, Taunton, Somerset Rural Life Museum, Glastonbury, and Somerset Brick and Tile Museum, Bridgwater. The Museum of Somerset is normally open from 10.00–17.00 Tuesday to Saturday and the Brick and Tile Museum from 10.00–16.00 on Tuesday and Thursday.
- Elements of the collection not on display are stored at the Somerset Heritage Centre where material is available for viewing by prior appointment from 9.00 until 17.00 Monday to Friday. In addition, there are regular pre-booked public tours of the Heritage Centre which include the museum stores.

All South West Heritage Trust sites are now open following the easing of Covid-19 restrictions.

### **Heritage Assets of Particular Importance**

#### Geology

The geological collection contains about thirty thousand rocks, minerals and fossils collected mainly from the historic County of Somerset and from neighbouring areas in North and East Devon, West Dorset and West Wiltshire. It contains scientifically important specimens of national and international significance. The highlights are the Pleistocene mammals, Liassic marine vertebrates, Lower Greensand siliceous marine invertebrates, Liassic insects and the iron and copper minerals from West Somerset. Lower and Middle Jurassic fossil invertebrates form an important subsidiary collection. Many specimens derive from small, hand-operated quarries, such as those at Street and Ilminster that have long ceased to operate, or from the bone caves of the Mendip Hills. The collection documents the historical development of the science of geology in Somerset and most of the individual collections date from the mid-19th century to the early 20th century.

The collection of Ice Age mammals is the most scientifically important geological collection in the museum consisting of 18,000 specimens collected from the famous bone caves of the western Mendip Hills and the fluvio-marine deposits (Burtle Beds) of Greylake in the Somerset Levels. The collection consists of bones, tusks, antlers and teeth of fossil mammals and birds. It represents the most significant Late Pleistocene assemblage in southern England.

The Council has not reported the Geology collection in the Balance Sheet, as valuations are not available at a cost commensurate to users of the financial statements.

#### Biology

The collection consists of an irreplaceable source of local reference and voucher specimens. Apart from a few oddities and exotic additions the material largely derives from the area of pre-1974 Somerset. The collection comprises:

- Study skins and mounted specimens – these include a small collection of British mammals and a good range of British bird species from the county together with some great rarities such as the Great Bustard and the White-tailed Sea Eagle.
- Birds' Eggs – these include an egg and nest collection from historic Somerset made by W. Wigglesworth, an important ornithologist of the early twentieth century.
- Conchological collections – the collection has two components:
  - a large mid-19th century collection of foreign marine and terrestrial shells which includes interesting rarities and items of historical interest, e.g. a small collection of Japanese land snails given in 1951.
  - a good late-19th century collection of British land, freshwater and marine shells containing identified specimens of small and deep-water species, types usually missing from collections.
- Entomological collection – the large and diverse insect collection comprises lepidoptera, hymenoptera, diptera, coleoptera and orthoptera. Dominated by butterflies, moths and beetles, it provides the material evidence to support a historical understanding of their state and status within the county.
- The herbarium – the collection contains vascular plants, mosses, liverworts, lichens and seaweeds. Together with the insects the herbarium is the most scientifically important collection and is the best documented. There are in excess of 30,000 specimens.

The Council has not reported the biology collection in the Balance Sheet, as valuations are not available at a cost commensurate to users of the financial statements.

### Archaeology

Material ranges from the Palaeolithic to the 19th century and comprises both chance finds and excavation archives almost exclusively from historic Somerset and overwhelmingly from the area of the post-1974 county. There are some 75,000 small finds (artefacts of metal, bone, glass, stone, etc.) along with a large quantity of bulk finds of pottery, stone and animal bone.

Particular strengths of the collection lie in the following archaeological archives, some of which are of national importance:

- Brean Down Bronze Age settlement.
- Glastonbury and Meare Lake Villages – Iron Age sites of international importance excavated between 1892 and 1956.
- Ham Hill and Cadbury Castle – excavation archives and chance finds acquired over the past 150 years from two of Britain's most important hillforts.
- A nationally important collection of Bronze Age metalwork derived from chance finds and excavations.

The only item the Council reports in the balance sheet is a Roman Bronze Statue of Capricorn. The other items of the archaeology collection have not been reported in the Balance Sheet, as valuations are not available at a cost commensurate to users of the financial statements.

## Ceramics

The collection of Somerset-made ceramics includes earthenware from Donyatt, Wrangway, Nether Stowey and other centres, Brislington and Wincanton tin-glazed earthenware, Nailsea glass, Elton ware and examples of work of 20th- and 21st-century craft potters.

There is an extensive collection of non-British pottery from China, the Near East, Africa, America and North West and Mediterranean Europe. The Barton collection of vernacular ceramics is of particular significance in this context.

The Council has not reported the ceramics collection in the Balance Sheet, as valuations are not available at a cost commensurate to users of the financial statements.

## Metalwork

The Museums Service holds a collection of 185 bronze skillets, cauldrons, posnets and mortars, of which 179 pieces comprise the Butler Collection which was acquired in 2004. This is the largest collection of English bronze cooking vessels in public ownership in this country and constitutes the national reference collection. The collection derives from foundries across southern England together with a small number of pieces from Wales. Over 40% of the vessels are Somerset-made, largely from foundries at South Petherton and Montacute which operated in the 17th and early 18th centuries.

The Council's silver collection is of regional importance with a strong focus upon 17th century Somerset makers, including Thomas Dare senior and junior, Ellen Dare, Robert Wade and Samuel Dell, all of Taunton, the Sweet family of Crewkerne and Chard, Christopher Roberts of Bridgwater and John Elderton of Frome. The 50 pieces are predominantly spoons with a small number of cups and beakers. There are two hoards of spoons, from East Combe and Charlynch.

The Council has only reported in its Balance Sheet the metalwork artefacts where cost information (usually purchase price) is known. For the remainder of the metalwork collection, valuations are not available at a cost commensurate to users of the financial statements.

## Fine and decorative arts

The Service's collection contains a relatively small representation of art objects, of which paintings and drawings form the greater part. These mainly comprise illustrations of Somerset scenes and portraits of people associated with Somerset, together with works by artists connected with the County by birth or residence. The collection also includes art objects such as sculpture and art pottery whose connection with Somerset is through previous ownership (for example as part of a country house collection), or which are otherwise linked to the county and are illustrative of its history and creativity. The works by Schwarz and Piper listed in the Balance Sheet relate to this section of the policy.

## Numismatics

The 95,000 coins, medals and banknotes date from ancient Greek to the 20th century and many parts of the world are represented. The collection has developed through donations of single coins and collections (e.g. Norris in 1890, Tite early 20th century and Walter 1901), finds from archaeological excavations and by purchase. The focus has always been upon acquiring specimens made in, or for specific use in, the county and with a Somerset provenance e.g. material from

excavations and hoards. Of particular significance are silver pennies from the county's Anglo-Saxon and Norman mints, 17th–19th century trade tokens, trade checks and medallions issued for use in the county and coin hoards, notably the Shapwick hoard which is the largest hoard of Roman silver denarii to have been found in Britain and the Frome hoard, the largest hoard of coins ever found in a single container in Britain.

The Council has only reported in its Balance Sheet the numismatic artefacts where cost information (usually purchase price) is known. For the remainder of the numismatic collection, valuations are not available at a cost commensurate to users of the financial statements.

#### Archives

Included within the Council's archives is a collection comprising c. 240 boxes of papers relating to the Sanford family of Nynehead near Wellington and their estate. It includes internationally significant papers of the Somerset-born philosopher John Locke; papers concerning important national events including the Monmouth Rebellion; papers concerning British national politics; a detailed first-hand account of the Boer War; extensive and remarkable correspondence of a seventeenth century Somerset country gentlewoman; and a large estate archive important for the understanding of the development of West Somerset. Together with its own historic administrative archives, the Council owns many other significant collections, including those of the Luttrell, Dickinson, Wyndham and Walker-Heneage families.

#### Preservation and Management

Details of the Council's preservation and management policy can be found in the Heritage Services' *Museum Acquisition and Disposal Policy* which has been produced in accordance with national guidelines and is available on the SW Heritage website.

### **Note 33: Capital Expenditure & Capital Financing**

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

2019/20		2020/21
£millions		£millions
379.430	Opening Capital Financing Requirement	423.076
	<u>Capital Investment:</u>	
107.910	- Property, Plant and Equipment	85.121
0.022	- Intangible Assets	-
56.867	- Revenue Expenditure Funded from Capital Under Statute	37.780
-0.032	Reduction of capital debtors	-0.033
0.027	Capitalised Icelandic Investment Impairment/(Reversal)	-
2.163	Expenditure funded under the Capital Receipts Flexibility Directive	-
-0.045	Loan Premium (under the Capital Financing Regs (SI 2003 no.3146 as amended)	-0.046
	<u>Sources of Finance</u>	
-2.046	- Capital receipts	-1.172
-2.163	- Capital Receipts under the Flexibility Directive	-
-112.372	- Government grants and contributions	-78.604
	- Sums set aside from revenue:	
-2.138	- Direct revenue contributions	-1.308
-2.600	- Minimum Revenue Payments	-3.182
-1.947	- Other (including lease principal payments)	-3.616
<b><u>423.076</u></b>	<b>Closing Capital Financing Requirement</b>	<b><u>458.016</u></b>

2019/20		2020/21
£millions		£millions
	<u>Explanation of movements in year</u>	
-2.635	Increase/Decrease (-) in underlying need to borrow (supported by government financial assistance)	-3.643
46.281	Increase/Decrease (-) in underlying need to borrow (unsupported by government financial assistance)	38.583
<b><u>43.646</u></b>	<b>Increase/Decrease (-) in Capital Financing Requirement</b>	<b><u>34.940</u></b>

## Note 34: Financial Instruments

### Categories of Financial Instrument

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

31 March 2020			31 March 2021	
Non Current	Current		Non Current	Current
£millions	£millions		£millions	£millions
		<b><u>Investments</u></b>		
-	127.346	Financial assets at amortised cost	-	155.237
14.077	-	Pooled Funds at fair value through profit or loss	38.843	-
<b>14.077</b>	<b>127.346</b>	<b>Total Investments</b>	<b>38.843</b>	<b>155.237</b>
		<b><u>Receivables</u></b>		
18.875	23.123	Financial assets at amortised cost	18.557	35.465
1.904	24.923	Receivables that are not financial instruments	1.787	24.500
<b>20.779</b>	<b>48.046</b>	<b>Total Receivables</b>	<b>20.344</b>	<b>59.965</b>
		<b><u>Cash and cash equivalents</u></b>		
-	19.567	Cash and cash equivalents at amortised cost	-	58.113
-	27.090	Cash equivalents at fair value through profit or loss	-	25.630
-	-1.716	Overdraft	-	-6.605
<b>-</b>	<b>44.941</b>	<b>Total Cash and cash equivalents</b>	<b>-</b>	<b>77.138</b>
		<b><u>Other Assets</u></b>		
949.008	8.772	Other Assets that are not financial instruments	988.411	8.798
<b>949.008</b>	<b>8.772</b>	<b>Total Other Assets</b>	<b>988.411</b>	<b>8.798</b>
		<b><u>Borrowings</u></b>		
-340.336	-13.220	Financial liabilities at amortised cost	-338.441	-13.082
<b>-340.336</b>	<b>-13.220</b>	<b>Total Borrowings</b>	<b>-338.441</b>	<b>-13.082</b>
		<b><u>Payables</u></b>		
-0.300	-60.152	Financial liabilities at amortised cost	-0.259	-67.939
-	-22.267	Payables that are not financial instruments	-	-38.710
<b>-0.300</b>	<b>-82.419</b>	<b>Total Payables</b>	<b>-0.259</b>	<b>-106.649</b>
		<b><u>Other Liabilities</u></b>		
-40.970	-1.001	PFI and finance leases carried at amortised cost	-39.873	-1.097
-779.673	-47.471	Other Liabilities that are not financial instruments	-1,033.921	-113.954
<b>-820.643</b>	<b>-48.472</b>	<b>Total Other Liabilities</b>	<b>-1,073.794</b>	<b>-115.051</b>

## Categories of Financial Assets and Financial Liabilities

The following categories of financial assets and liabilities are carried in the Balance Sheet

31 March 2020			31 March 2021	
Non Current	Current		Non Current	Current
£millions	£millions		£millions	£millions
		<b><u>Financial Assets:</u></b>		
18.875	168.320	Measured at amortised cost	18.557	242.210
14.077	27.090	Measured at fair value through profit or loss	38.843	25.630
<b>32.952</b>	<b>195.410</b>		<b>57.400</b>	<b>267.840</b>
		<b><u>Financial Liabilities</u></b>		
-381.606	-74.373	Measured at amortised cost	-378.573	-82.118
<b>-381.606</b>	<b>-74.373</b>		<b>-378.573</b>	<b>-82.118</b>

The Council does not hold any financial liabilities measured at fair value though profit or loss.

## Items of Income, Expense, Gains and Losses

The following amounts have been reported in the Comprehensive Income and Expenditure Statement in relation to Financial Instruments:

31 March 2020			31 March 2021		
Financial Liabilities - measured at amortised cost	Financial Assets - measured at fair value through profit or loss	Financial Assets - measured at amortised cost	Financial Liabilities - measured at amortised cost	Financial Assets - measured at fair value through profit or loss	Financial Assets - measured at amortised cost
£millions	£millions	£millions	£millions	£millions	£millions
19.366	-	-	Interest expense	19.665	-
<b>19.366</b>	-	-	<b>Total Expense in Surplus/Deficit on the Provision of Service</b>	<b>19.665</b>	-
-	0.822	-	Decrease in Fair Value	-	0.267
-	<b>0.822</b>	-	<b>Total Expense in Other Comprehensive Income &amp; Expenditure</b>	<b>0.267</b>	-
-	-	-2.869	Interest Income	-	-2.450
-	-	<b>-2.869</b>	<b>Total Income in Surplus/Deficit on the Provision of Service</b>	-	<b>-2.450</b>
<b>19.366</b>	<b>0.822</b>	<b>-2.869</b>	<b>Net (Gain)/Loss for the Year</b>	<b>19.665</b>	<b>0.267</b>
				<b>-2.450</b>	

## Fair Values of Assets and Liabilities

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

- Prevailing swap rates for Lender Option Borrower Options (LOBOs) and market rate i.e. the rate that the Council would get should they take a loan of the same value for Public Work Loans Board (PWLB) at 31 March 2021;
- The fair value of the Council's PFI / lease deferred liability has been calculated using zero coupon rates derived from the Bloomberg GBP European composite AA corporate bond yield as indicative interest rates;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value; and
- The fair value of trade and other receivables is taken to be the invoiced or billed amount (an observable Level 2 input).
- Financial assets classified as Pooled Funds are carried in the Balance Sheet at fair value, based on the market price (an observable Level 2 input).

The fair values calculated are as follows:

31 March 2020			Fair Value Level	31 March 2021	
Carrying Amount	Fair value (Restated)			Carrying Amount	Fair Value
£millions	£millions			£millions	£millions
<u>Finance asset measured at amortised cost</u>					
17.851	17.851	- Cash and Cash Equivalents		51.508	51.508
27.654	27.654	- Receivables (non-Lease)		39.709	39.709
14.344	24.951	- Receivables (Lease)	3	14.313	29.613
127.346	127.346	- Investments (exc Pooled Fund)		155.237	155.237
<u>Finance asset measured at fair value through profit and loss</u>					
14.077	14.077	- Pooled Fund Investment	2	38.843	38.843
27.090	27.090	- Cash Equivalents	1	25.630	25.630
228.362	238.969	Total Financial Assets		325.240	340.540
984.607	984.607	Other assets that are not financial instruments		1,023.496	1,023.496
<b>1,212.969</b>	<b>1,223.576</b>	<b>Total Assets</b>		<b>1,348.736</b>	<b>1,364.036</b>
<u>Financial liabilities at amortised cost</u>					
-60.452	-60.452	Payables		-68.198	-68.198
-7.395	-7.395	Short Term Borrowing		-7.220	-7.220
-162.925	-211.525	PWLB	2	-160.273	-225.080
-183.236	-295.865	Other long term loan	2	-184.030	-295.027
-41.971	-69.975	PFI/Finance Lease liability	3	-40.970	-72.523
-455.979	-645.212	Total Financial Liabilities		-460.691	-668.048
-849.411	-849.411	Other liabilities that are not financial instruments		-1,186.585	-1,186.585
<b>-1,305.390</b>	<b>-1,494.623</b>	<b>Total Liabilities</b>		<b>-1,647.276</b>	<b>-1,854.633</b>
<b>-92.421</b>	<b>-271.047</b>	<b>Net Assets</b>		<b>-298.540</b>	<b>-490.597</b>

The Fair Value of our PWLB and LOBO's (within the 'other long-term loans' figure above) has been calculated using Level 2 valuation techniques. Level 2 techniques are based on observable inputs, in this instance reviewing market conditions for loans and observed interest rates to ascertain a fair value - further detail is provided within the above bullet points and in accounting policy 10.

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2021) arising from a commitment to pay interest to lenders above current market rates.

As the Council's long-term investments in Pooled Investment Funds have been adjusted in the accounts to reflect their market value, the fair value of the asset is the same as the carrying value. Short term receivables and payables are carried at cost as this is a fair approximation of their value.

### Short-term and long-term investments

These investments include money invested in an account known as the "Comfund", together with money from partner organisations. The aim is to gain the best income from the money jointly invested. The Council also shows the money we receive to invest for other organisations as temporary loans.

The total value of the Council's long-term and short-term investments is shown in the table below:

2019/20 Restated £millions		2020/21 Restated £millions
	<u>Fixed Interest Rate Deposits:</u>	
15.000	Santander UK 95-Day Notice A/c	15.000
10.000	Lloyds Bank Plc 175-Day Notice A/c	-
10.000	HSBC Evergreen Notice Account	10.000
10.000	Goldman Sachs International Bank 95-Day A/c	-
-	Police & Crime Commissioner for Lancashire	10.000
10.000	DZ Bank	-
71.962	Other Fixed Interest Rate Deposits	119.930
126.962		154.930
0.384	Interest due on temporary investments	0.307
<b>127.346</b>	<b>Total short-term investments</b>	<b>155.237</b>
14.077	CCLA Pooled Property Fund	14.010
-	RLAM Investment Grade Credit Fund	14.941
-	M&G Strategic Corporate Bond Fund	9.892
<b>14.077</b>	<b>Total long-term investments</b>	<b>38.843</b>

Although the total investments in the table above remain unchanged, the short term investments section has been reclassified to identify the material investments held at year-end.

### Long-term debtors

2019/20 £millions		2020/21 £millions
	<u>Loans to:</u>	
0.120	Central Government (Academy loans)	0.090
0.065	Other authorities (mostly for housing)	0.047
4.376	Other organisations/individuals	4.138
14.314	Leasing arrangements with Somerset Care Ltd	14.282
	<u>Payment in advance:</u>	
1.904	BSF Lifecycle costs	1.787
<b>20.779</b>		<b>20.344</b>

### Short-term borrowing

2019/20 £millions		2020/21 £millions
-7.395	Other organisations investing in the Comfund	-7.220
<b>-7.395</b>		<b>-7.220</b>

## Long-Term Borrowing

2019/20 £millions		2020/21 £millions
	Loans due to be repaid:	
-1.950	within one year	-1.959
-1.949	between one and two years	-2.016
-15.396	between two and five years	-25.086
-37.491	between five and 10 years	-25.839
-285.500	after more than 10 years	-285.500
-3.875	Interest due on long-term borrowing	-3.903
<u><u>-346.161</u></u>		<u><u>-344.303</u></u>

Long-term borrowing (including interest) that has become repayable within a year are reported as a current liability on the Balance Sheet.

### Note 35: Nature & Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks. The main risks to the Council's treasury activities are:

- Credit and Counterparty Risk (security of investments);
- Liquidity Risk / Refinancing Risk (inadequate cash resources / impact of debt maturing in future years);
- Market or Interest Rate Risk (fluctuations in interest rate levels);
- Inflation Risk (exposure to inflation);
- Legal and Regulatory Risk.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Treasury Management team, under policies approved by the Council. The annual Treasury Management Strategy Statement outlines the proposed Treasury Management strategy, policies, and activities for the coming year. It includes an Annual Investment Strategy that is required by the Local Authority Act 2003, as prescribed by guidance from the Ministry of Housing, Communities and Local Government (MHCLG). The Treasury Management Practices (TMPs) is a comprehensive document that sets out the nature of risks inherent to treasury management, and schedules provide details of how those risks are actively managed. They form a living document that is subject to ongoing review and updating.

#### Credit and Counterparty Risk

Credit and counter-party risk is the risk of failure (default) by a third party to meet its contractual obligations under an investment, loan or other commitment, especially one due to deterioration in its creditworthiness, which causes the Council an unexpected burden on its capital or revenue resources.

## Credit and Counterparty Risk - Investments

This risk is minimised through the Annual Investment Strategy, and more specifically by the Somerset County Council Lending Counterparty Criteria, which dictates the criteria with which potential counterparties' creditworthiness will be judged. The criteria require the Council to take account of counterparty ratings by the 3 major ratings agency, Fitch, S&P and Moody's, with the lowest rating of the three being used. The criteria also impose limits to be invested with a given financial institution based on ratings, group structure, duration, and country of domicile.

The Somerset County Council Lending Counterparty Criteria is proposed and approved annually to incorporate any changes in financial institutions or developments in the wider political, economic, or legal environment. The criteria in force during 2020/21, can be found under the reports for the County Council meeting 19 February 2020, agenda item 6, Paper B. The Treasury Management Strategy Statement is also available on the Council's website.

As had previously been the case with the Council and is now a requirement of the revised MHCLG guidance, the Council uses a range of indicators to assess counterparties' creditworthiness, not just credit ratings. Among other indicators to be taken into account are:

- Credit Default Swaps and Government Bond Spreads.
- GDP, and Net Debt as a percentage of GDP for sovereign countries.
- Likelihood and strength of parental support.
- Banking resolution mechanisms for the restructure of failing financial institutions i.e. bail-in.
- Share Price.
- Market information on corporate developments and market sentiment towards the counterparties and sovereigns.

Constant Net Asset Value (CNAV) and/or Low-Volatility Net Asset Value (LVNAV) Money Market Funds (MMFs) are used, and have their own criteria, namely;

- ratings,
- limits of the Council's funds as a nominal or percentage of the overall fund, and
- an overall limit on MMFs.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies is assessed generally. The risk of any institution failing to make interest payments or repay the principal sum will obviously be specific to each individual institution and will be subjectively assessed by various external credit experts. It is therefore deemed appropriate to take the opinion of the same credit rating agencies for likelihood of default, as when making investments.

The Council continuously monitors the creditworthiness of counterparties, in line with the credit risk management practices set out on Appendix B of the Treasury Management report.

All three credit rating agencies' websites (MHCLG guidance states that a credit rating agency is one of Standard & Poor's, Moody's Investor Services Ltd, and Fitch Ratings Ltd) are visited frequently, and all ratings of proposed counterparties will be subject to verification on the day of investment. All ratings of currently used counterparties are reported to the monthly treasury management

meeting, where proposals for any new counterparties will be discussed. New counterparties must be approved by the Section 151 Officer (Director of Finance) before they are used. Any changes to ratings that put the counterparty below the minimum acceptable credit quality whilst we have a deposit, or a marketable instrument will be brought to the attention of the Section 151 Officer immediately, and an appropriate response decided on a case-by-case basis. Sovereign credit ratings are monitored and acted on as for financial institution ratings. Investment limits are set by reference to the lowest published long-term credit rating from the three rating agencies mentioned above. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used.

The following analysis summarises the Council's potential maximum exposure to credit risk on investments (excluding the CCLA, RLAM and M&G pooled investment funds), based on reports of transition and default studies by the three major ratings agencies. In line with guidance on making investments, it is deemed appropriate to take the lowest rating of the three. The values are calculated by multiplying the likelihood of default by the value of deposits at risk. The table below shows the values calculated using each of the ratings agency's reports. The worst-case scenario has been used.

<b>Risk rating provider</b>	<b>Risk rating</b>	<b>Amount outstanding £millions</b>	<b>Potential at risk £millions</b>
<b>Fitch</b>	<b>Money-market funds</b>		
	AAA	25.630	0.031
	<b>Local Authorities</b>		
	AA-	130.000	0.104
	<b>UK banks</b>		
	AA	20.000	-
	AA-	10.000	0.008
	A+	30.000	-
	<b>Overseas Banks</b>		
	AA-	20.000	0.016
	<b>235.630</b>	<b>0.159</b>	
<b>S&amp;P</b>	<b>Money-market funds</b>		
	AAA	25.630	-
	<b>Local Authorities</b>		
	AA	130.000	0.026
	<b>UK banks</b>		
	AA-	20.000	0.006
	A+	10.000	0.005
	A	30.000	0.018
	<b>Overseas Banks</b>		
	AA-	20.000	0.006
	<b>235.630</b>	<b>0.061</b>	
<b>Moody's</b>	<b>Money-market funds</b>		
	AAA	25.630	-
	<b>Local Authorities</b>		
	Aa3	130.000	-
	<b>UK banks</b>		
	Aa3	20.000	0.008
	A1	40.000	0.024
	<b>Overseas Banks</b>		
Aa1	20.000	-	
	<b>235.630</b>	<b>0.032</b>	
	<b>235.630</b>	<b>0.159</b>	
	<b>169.090</b>	<b>0.070</b>	

As the maximum exposure to credit risk is immaterial, the investments in the Balance Sheet have not been reduced by the potential loss allowance.

As the crisis relating to Covid-19 evolves, the Credit Rating Agencies continue to update the Ratings of the Banks we lend to and these revised ratings are considered as we make deposits. As a general response to the crisis we have reduced the length of time to maturity on deposits we make to Banks to 35 days, this reduces the risk of deterioration in credit quality and default during the time of the deposit.

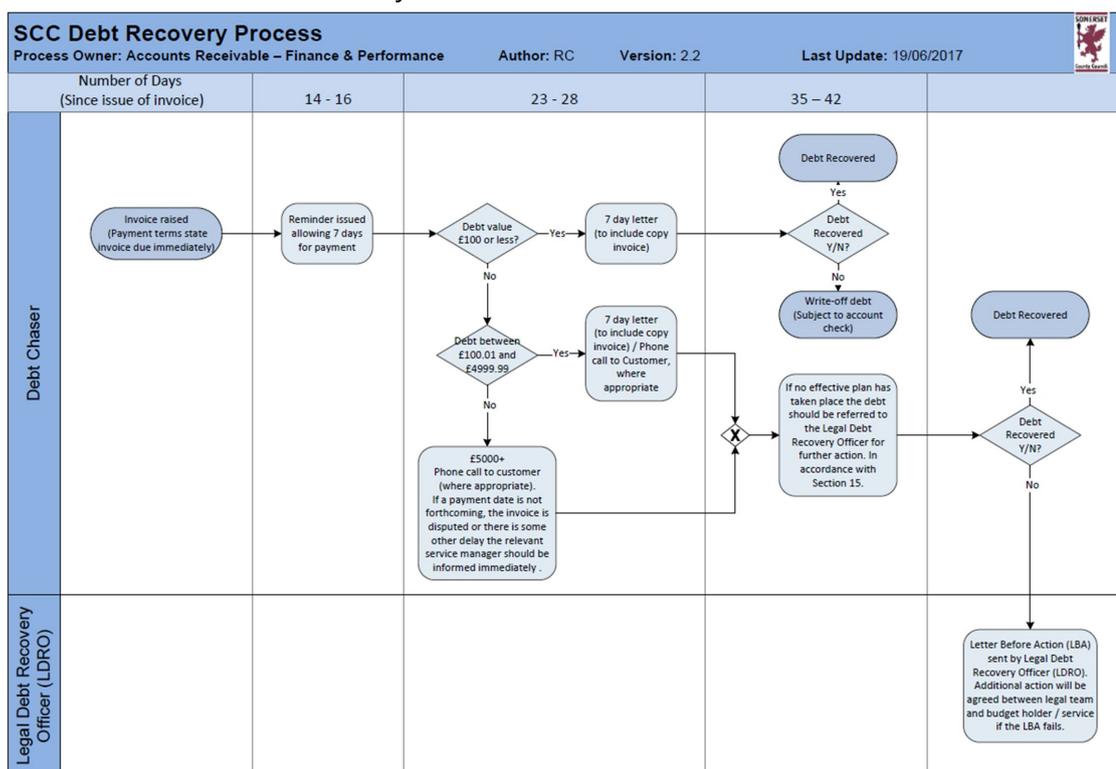
### Credit and Counterparty Risk – Trade and Lease Receivables

The standard position of the Council is that wherever possible payment must be obtained either prior to, or at the time of provision of goods or services and without recourse to raising invoices. If credit is to be extended, service teams ensure in advance that the customer is made aware of the Councils payment terms (payment due immediately on receipt of invoice to minimise any loss). Goods or services will only be supplied when the Council is satisfied of the customers’ ability to pay (the credit worthiness of new customers is assessed using a credit check service provider).

Other safeguards in place, before the Council extends credit to an organisation or individual include:

- Ensuring that the customer does not already have significant outstanding debts to the Council, or has had debts written off previously.
- If supplying goods or services over an extended period of time, stage or interim payments are agreed with the customer, preferably through the setting up of a direct debit (ensuring that written confirmation of the method of invoicing is received prior to provision of any goods or services).

In the event that a debt becomes overdue, the Council has a formal debt management timetable to minimise the time between the debt being raised and its collection. The flowchart below shows the authorities debt recovery in a schematic form:



In certain circumstances it may be appropriate for a customer to pay by instalments. Payment by instalments is only acceptable when the customer is genuinely unable to settle the debt in full immediately, (or where this is set out in national guidelines or local political decisions), or in the case of agreed schemes such as County Ticket for students.

The need for payment by instalments is much more likely to occur when the customer is an individual or sole trader, rather than a business. Where this is the case, the authorities Pre-Action Protocol encourages the Council to try and reach agreement for the debt to be paid by instalments, based on the debtor's income and expenditure. Under the protocol, if the Council agrees to the debtor's proposal for repayment of the debt, the Council must give the debtor reasons in writing (as this forms part of the evidence should Court proceedings be required).

If the recovery procedures have not resulted in a payment being received, the debt is referred to the authorities Legal Debt Recovery Officer who determines how (or if) to recover the debt. The Legal Debt Recovery Officer will review the paperwork to ascertain whether the debt is a) enforceable and b) if the paperwork provided is sufficient or if more information is required.

Where recovery is likely, any outstanding debt is reviewed at year-end and a loss allowance recognised (see details of the Council's impairment methodology in the Financial Asset section of the Financial Instrument accounting policy no. 9). Should the Legal Debt Recovery Officer consider a debt to be irrecoverable the debt is written off to the service area that raised the debt.

### **Impact of COVID-19 on debt collection and impairment**

To support individual residents and business during the Covid-19 pandemic, the Council suspended active debt recover for the first three months of 2020/21. The revised process approved for debt recovery was to continue sending out invoices, but the reminder notifications were temporarily suppressed.

The Council's Debt Recovery Team continued to liaise with residents/businesses who contacted the Council to agree a longer payment plan or a three-month payment holiday if severe difficulties were identified. This provided breathing space while ensuring the Council could continue to collect debts where possible.

### **Amounts Arising from Expected Credit Losses**

During the year, the Council wrote off financial assets with a contractual amount outstanding of £0.434m (£0.324m in 2019/20), with a further £0.309m still subject to enforcement activity.

There were no material changes in the loss allowance for any class of financial asset during the year.

### **Liquidity / Refinancing Risk**

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. The Council's cash flow investments are made with reference to the outlook for the UK Bank Rate and Money Market rates. Short-term deposits are made with suitable counterparties, and it has become more frequent under current market conditions that Call Accounts and CNAV/LVNAV MMFs have been used. MMFs offer an alternative high security, high liquidity investment into an extremely diversified portfolio. Many Call and MMF accounts offer more competitive rates than short-term time deposits up to 3-months, as well as instant access.

If unexpected cash movements happen, the Council has ready access to borrowings from the Money Markets and the Public Works Loans Board. Therefore, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council sets limits on the proportion of its fixed rate borrowing due to mature during specified periods. The strategy is to ensure where possible, that the maturity profile of loans does not mean that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates (Refinancing risk). The Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented. Also ensuring the maturity profile of the monies so raised are managed with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

The Council will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective and will avoid over reliance on any one source of funding if this might jeopardise achievement of the above. This can be managed through a combination of careful planning of new loans taken out and (where it is economic to do so) restructuring debt or making early repayments. The market loan portfolio can limit the control of early repayments, and a strategy is in place to minimise the impact should counterparties exercise their right to increase the interest rate charged. The LOBO maturity profile assumes that the lender will not exercise their option until maturity.

The LOBOs are of fixed rates ranging between 3.99% and 5.05%. Of the total amount, £25m have a break clause of every 5 years, £15m has a break clause every 1 year, whilst £65m have a break clause at every interest payment date twice a year. One loan of £5m has an option at any time with 1 months' notice. However, in the current low interest rate environment, it is unlikely that the lender will exercise their option to request early repayment of these LOBOs.

The maturity analysis of financial liabilities can be found in Note 34 – Long-term Borrowing.

The Covid-19 crisis has not materially altered our liquidity and refinancing risk profile. We continue to hold plenty of liquid investments to meet our spending needs and the PWLB remains available for us to take new debt if required.

### **Market Risk – Interest Rate Risk**

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates can have a complex impact on the Council. A rise in interest rates would have the following effects:

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

Investments carried at historic cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be recognised through the Surplus and Deficit on the Provision of Services.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on the authorities' exposure to fixed and variable interest rates.

If interest rates had been 0.1% lower during 2020/21 with all other variables held constant, there would have been a reduction in interest receivable on investments of approximately £0.152m.

The Covid-19 crisis has seen interest rates fall, specifically the BoE base rate and the yields on UK Government Gilts. This doesn't materially change the level of risk in the treasury holdings to future changes in interest rates.

### **Market Risk – Price Risk**

The Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests and will accordingly seek to protect itself from the effects of such fluctuations. The Council is exposed to the risk of falling commercial property prices on its CCLA pooled property fund. This risk is limited by the Authorities maximum exposure to pooled property funds of £15m. A 5% fall in commercial property prices would result in a £0.750m charge to the Other Comprehensive Income & Expenditure section of the Comprehensive Income & Expenditure Statement – under current accounting regulations this would only impact on the General Fund when the investment was sold, as a statutory override exists (until 31<sup>st</sup> March 2023) that allows the Council to carry any fair value movements in an unusable reserve until the asset is sold.

The Council is also exposed to the risk of a fall in listed bond prices on its RLAM and M&G Pooled Investment Funds. A 5% fall in the listed price of Sterling Corporate Bonds would result in a £1.250m charge to the Other Comprehensive Income & Expenditure section of the Comprehensive Income & Expenditure Statement - under current accounting regulations this would only impact on the General Fund when the investment was sold, as a statutory override exists (until 31<sup>st</sup> March 2023) that allows the Council to carry any fair value movements in an unusable reserve until the asset is sold.

### **Legal and Regulatory Risk**

The Council ensures that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy, it will ensure that there is evidence of counterparties powers, Council and compliance in respect of the transactions they may affect with the organisation. Particular notice is given with regards to duty of care and fees charged.

The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

## Foreign Exchange Risk

The Council has few financial assets and liabilities denominated in foreign currencies other than a few invoices in major currencies, namely Euros and US Dollars. Therefore, there is little exposure to loss arising from exchange rates. To mitigate the minimal risk in movements in the Euro exchange rate, the Council maintains an interest-bearing Euro account.

## Note 36: Inventories

	Consumable Stores		Musical Instruments		Book Stocks		Total	Total
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
	£millions	£millions	£millions	£millions	£millions	£millions	£millions	£millions
<b>Balance outstanding at start of year</b>	<b>0.294</b>	<b>0.250</b>	<b>0.862</b>	<b>0.855</b>	<b>6.728</b>	<b>6.405</b>	<b>7.884</b>	<b>7.510</b>
Purchases	0.270	0.908	0.006	0.049	0.580	0.591	<b>0.856</b>	<b>1.548</b>
Recognised as an expense in the year	-0.314	-0.432	-0.013	-0.019	-0.903	-0.940	<b>-1.230</b>	<b>-1.391</b>
<b>Balance outstanding at year-end</b>	<b>0.250</b>	<b>0.726</b>	<b>0.855</b>	<b>0.885</b>	<b>6.405</b>	<b>6.056</b>	<b>7.510</b>	<b>7.667</b>

## Note 37: Short term debtors and payments in advance

2019/20		2020/21
£millions		£millions
	Money owed to us by:	
7.540	Central Government	18.241
	Local Government:	
22.377	- Council Tax/NDR owed by local residents/businesses	28.810
7.830	- Other	4.818
8.516	NHS	10.592
0.010	Public Corporations	0.007
10.096	Other organisations/individuals	7.383
	Loss Allowance:	
-11.980	- Council Tax/NDR related	-13.966
-0.345	- Other trade debtors	-0.108
<u>44.044</u>		<u>55.777</u>
4.002	Payments made in advance	4.188
<u><b>48.046</b></u>		<u><b>59.965</b></u>

The Council Tax and NDR loss allowance has been provided by the district billing authorities and is not an allowance calculated by the Council. See the Council Tax and Business rate accounting policy no.27 for further details.

### Note 38: Short term creditors

2019/20 £millions		2020/21 £millions
	Money we owe to:	
	Government Departments:	
-0.924	- Central Government	-0.376
-14.688	- Local Government	-29.086
-1.790	- NHS	-1.654
-	- Public Corporations	-0.026
-47.669	Other organisations	-55.729
-6.990	Employees (under IAS19)	-9.193
<u>-72.061</u>		<u>-96.064</u>
-3.464	Receipts in advance	-4.257
<u><b>-75.525</b></u>		<u><b>-100.321</b></u>

The COVID-19 pandemic has had a significant impact on the collection of Council Tax and Non-Domestic Rates, as the income received from council tax/ratepayers was less than originally estimated. This has resulted in a significant deficit position (£10.193m) owed to the district billing authorities as at 31 March 2021, that the Council will need to fund over the next three years. This deficit is the main reason for the increased creditor with Local Government during 2020/21 in the table above.

### Note 39: Other long-term liabilities

2019/20 £millions		2020/21 £millions
-40.970	Finance Lease Liability - due in more than 1 year	-39.873
-754.797	Pensions liability	-993.554
<u><b>-795.767</b></u>		<u><b>-1,033.427</b></u>

### Note 40: Provisions

Provisions are recognised where the Council has a legal or constructive obligation arising from a past event that will probably require settlement by a transfer of economic benefits 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 line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

The table below sets out the provisions for 2020/21.

2019/20 £millions		2020/21 £millions
-5.325	Total insurance provision (excl. MMI) set aside on 1 April	-3.257
	Add:	
-2.048	- premiums received from services	-2.135
	Less:	
0.960	- insurance premiums paid	0.921
2.548	- net claims paid	0.470
0.608	- professional and administrative costs	0.491
<b>-3.257</b>	<b>Total insurance provision set aside on 31 March</b>	<b>-3.510</b>
	<u>Non-Service</u>	
-2.539	NDR Collection Fund - Provision for appeals	-0.843
	<u>Children's Services</u>	
-0.514	Care Leavers Grant	-0.525
	<u>Other Services</u>	
-1.575	Highways Network	-1.072
-	ECI Service	-1.356
-0.010	Bishop Lydeard School House Delapidation	-
-	County Hall NNDR	-0.119
<b>-7.895</b>	<b>Total Provisions due in less than 1 year</b>	<b>-7.425</b>
	<u>Municipal Mutual Insurance (MMI) Provision</u>	
-0.300	Relating to asbestos claims paid by MMI	-0.259
<b>-0.300</b>	<b>Total Provisions due in more than 1 year</b>	<b>-0.259</b>

## Insurance provision

The Council's own Insurance Fund directly covers a wide range of insurance risks. However, there are a very limited range of risks which are not covered by insurance and the Council charges any loss which arises directly to the service concerned. At the end of the year we have £3.769m of claims not yet finally agreed (£3.557m in 2019/20) which we have not yet charged to the Fund but have set aside this amount as a provision. The Council also has an earmarked reserve for the Insurance Fund, which currently contains £8.370m. As the Council self-insures, we must put aside funds for any future claims as well as the current claims we must still pay.

## Note 41: Revenue & Capital Grants/Contributions Receipt In Advance

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 will require the monies or property to be returned to the provider if not met. The balances at the year-end are as follows:

## Capital grants/contributions

2019/20 £millions		2020/21 £millions
<b><u>Capital Grant Receipts in Advance</u></b>		
Where the conditions are likely to be met within 1 year:		
-13.186	- Standards Fund (Schools Department for Education)	-14.698
-4.531	- Department for Transport	-26.203
-16.409	- Local Enterprise Partnership - Local Growth Fund (MHCLG)	-21.810
-0.749	- Other	-4.959
<b>-34.875</b>		<b>-67.670</b>
Where the conditions are likely to be met in more than 1 year:		
-1.946	- Standards Fund (Schools Department for Education)	-0.589
-0.265	- Department for Transport	-0.128
0.000	- Local Enterprise Partnership - Getting Building (MHCLG)	-13.725
-0.168	- Other	-0.121
<b>-2.379</b>		<b>-14.563</b>
<b><u>Capital Contribution Receipts in Advance (RIA)</u></b>		
Where the conditions are likely to be met within 1 year:		
-3.424	- Section 106 Contributions	-3.686
-0.626	- Other Contributions to our Capital Schemes	-1.046
<b>-4.050</b>		<b>-4.732</b>
Where the conditions are likely to be met in more than 1 year:		
-10.789	- Section 106 Contributions	-12.128
-0.497	- Other Contributions to our Capital Schemes	-0.470
<b>-11.286</b>		<b>-12.598</b>
-38.925	Total Capital Grant/Contributions RIA's, where conditions are likely to be met within 1 year	-72.402
-13.665	Total Capital Grant/Contributions RIA's, where conditions are likely to be met in more than 1 year	-27.161
<b>-52.590</b>	<b>Total</b>	<b>-99.563</b>

## Revenue grants/contributions

2019/20 £millions		2020/21 £millions
<b><u>Revenue Grant/Contributions Receipts in Advance</u></b>		
Where the conditions are likely to be met within 1 year:		
-4.973	- Central Government	-10.600
-0.617	- NHS	-28.830
-	- Other Local Authorities	-0.086
<u>-2.956</u>	- Other organisations	<u>-2.036</u>
<b><u>-8.546</u></b>		<b><u>-41.552</u></b>
Where the conditions are likely to be met in more than 1 year:		
-	- Central Government	-7.584
-1.335	- NHS	-2.787
<u>-9.876</u>	- Other organisations	<u>-2.835</u>
<b><u>-11.211</u></b>		<b><u>-13.206</u></b>
<b><u><u>-19.757</u></u></b>		<b><u><u>-54.758</u></u></b>

## Note 42: Usable Reserves

The table below summarises the opening and closing balances for the usable reserves:

2019/20 £millions		2020/21 £millions
<b><u>General Fund - Revenue</u></b>		
<b><u>Schools</u></b>		
17.085	General Fund - Schools	24.506
-11.079	Dedicated Schools Grant Reserve	-
<b><u>Local Authority</u></b>		
26.113	General Fund - Other	29.873
69.529	Earmarked Reserves - set aside for revenue purposes	92.089
-	S31 Local Tax Income Guarantee Grant Reserve	10.138
<u>101.648</u>		<u>156.606</u>
<b><u>Other Usable Capital Reserves</u></b>		
5.064	Capital Receipts Reserve	9.939
0.971	Capital Grants Unapplied Reserve	0.867
3.037	Capital Contributions Unapplied Reserve	2.807
<u>9.072</u>		<u>13.613</u>
<b><u>110.720</u></b>	<b>Total Usable Reserves</b>	<b><u>170.219</u></b>

These reserves can be used by the Council to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). A brief description of each of the usable reserves is provided below:

### General Fund – Schools

This balance represents the cumulative surplus available to Schools to support their revenue and capital spending. Although this reserve is reported within our accounts, the Council has no control over what the reserve can be spent on.

The Dedicated Schools Grant reserve (deficit) has been reclassified from 1<sup>st</sup> April 2020 (in line with new regulations), as an Unusable reserve. See Note 43 – Dedicated Schools Grant Adjustment Account for further details.

### General Fund – Other

This balance represents the cumulative surplus available to the Council to support revenue spending and which has not been earmarked for a specific purpose.

### Earmarked Reserves – set aside for revenue purposes

This balance represents monies available to support revenue spending but which the Council has earmarked for specific purposes.

### S31 Local Tax Income Guarantee Grant Reserve

The Spending Review on 25 November 2020 announced that the Government would compensate local authorities for 75% of irrecoverable losses in Council Tax and Business Rates income expected in 2020-21 (the 'local tax income guarantee') due to the Covid-19 pandemic. This balance represents an estimation of the Authority's lost income payable under this guarantee, that was accrued at year-end. This grant is un-ringfenced and will be paid to the Council through Section 31 (S31) grant in 2021/22.

Under current collection fund accounting rules, the S31 grant receivable during 2020/21 will not be discharged against the Collection Fund deficit until 2021/22, This reserve is therefore not actually available but earmarked against the following year's collection fund deficit that will be charged to the Council when it's transferred from the Collection Fund Adjustment Account in 2021/22.

This reserve has been disclosed separately from the other Earmarked reserves to avoid overstating the Council's available General Fund position.

### Capital Receipts Reserve

This reserve contains amounts raised through the sale of capital assets such as land and buildings. Capital reserves are not allowed to be used for revenue purposes and in certain cases can only be used for specific statutory purposes. The Usable Capital Receipts Reserve is a reserve established for specific statutory purposes.

### Capital Grants & Contributions Unapplied Reserves

These reserves represent the balance of capital grants and contributions that have been recognised as income but have yet to be used to finance capital expenditure.

The movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

### Note 43: Unusable Reserves

The table below summarises the opening and closing balances for the unusable reserves.

2019/20 £millions		2020/21 £millions
174.443	Revaluation Reserve	192.344
368.215	Capital Adjustment Account	354.568
14.344	Deferred Capital Receipts Reserve	14.314
-754.797	Pensions Reserve	-993.554
3.733	Collection Fund Adjustment Account	-10.193
-6.990	Accumulated Compensated Absences Adjustment Account	-9.193
0.000	Dedicated Schools Grant Adjustment Account	-14.735
-1.051	Financial Instruments Adjustment Account	-1.005
-1.038	Pooled Investment Funds Adjustment Account	-1.305
<b>-203.141</b>	<b>Total Unusable Reserves</b>	<b>-468.759</b>

The following text gives a brief description of each of the unusable reserves and shows the in-year movement of each reserve to support the opening and closing amounts shown in the table above.

#### Revaluation Reserve

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

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

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

2019/20 £millions		2020/21 £millions	2020/21 £millions
<b>179.774</b>	<b>Balance at 1 April</b>		<b>174.443</b>
13.454	Upward revaluation of assets	41.499	
-6.206	Revaluation/Impairment (losses) not charged to the Surplus/Deficit on the Provision of Services	-9.825	
		<hr/>	
<b>7.248</b>	<b>Surplus/(Deficit) on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services</b>		<b>31.674</b>
-3.642	Difference between fair value depreciation and historical cost dep'n	-3.562	
-8.937	Accumulated gains on asset disposals	-10.211	
<b>-12.579</b>	<b>Amount written off to the Capital Adjustment Account</b>		<b>-13.773</b>
		<hr/>	
<b><u>174.443</u></b>	<b>Balance at 31 March</b>		<b><u>192.344</u></b>

### Capital Adjustment Account

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

The Account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 10 provides details of the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2019/20 £millions		2020/21 £millions
<b>372.191</b>	<b>Balance at 1 April</b>	<b>368.215</b>
	<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u>	
-29.294	- Charges for depreciation and impairment of non current assets/assets held for sale	-27.787
-3.665	- Revaluation losses on Property, Plant and Equipment	-15.280
-1.206	- Amortisation of intangible assets	-0.458
-0.027	- Reversal/(Increase) of Icelandic impairment	-
-56.867	- Revenue expenditure funded from capital under statute	-37.780
-2.163	- Flexible use of capital receipts	-
-46.599	- Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-33.997
-139.821		-115.302
12.579	Adjusting amounts written out of the Revaluation Reserve	13.773
-127.242	Net written out amount of the cost of non current assets consumed in the year	-101.529
	<u>Capital Financing applied in the year:</u>	
2.046	- use of the Capital Receipts Reserve to finance new capital expenditure	1.172
112.372	- Capital grants and contributions that have been applied to capital financing	78.604
4.547	- Statutory provision for the financing of capital investment charged against the General Fund balance	6.798
2.138	- Capital expenditure charged against the General Fund balance	1.308
2.163	- Flexible use of capital receipts	-
123.266		87.882
<b><u>368.215</u></b>	<b>Balance at 31 March</b>	<b><u>354.568</u></b>

### Deferred Capital Receipts Reserve

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

2019/20 £millions		2020/21 £millions
<b>14.373</b>	<b>Balance at 1 April</b>	<b>14.344</b>
-0.029	Amounts transferred to the Capital Receipts Reserve during the year	-0.030
<b><u>14.344</u></b>	<b>Balance at 31 March</b>	<b><u>14.314</u></b>

### Pensions Reserve

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

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

2019/20 £millions		2020/21 £millions
<b>-801.670</b>	<b>Balance at 1 April</b>	<b>-754.797</b>
73.786	Remeasurement gains / losses (-) on pension assets/liabilities	-196.860
-62.340	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	-77.756
35.427	Employer's pensions contributions and direct payments to pensioners payable in the year	35.859
<b><u>-754.797</u></b>	<b>Balance at 31 March</b>	<b><u>-993.554</u></b>

#### Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Non-Domestic Rates (NDR) income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax/Business Rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2019/20 £millions		2020/21 £millions
<b>2.720</b>	<b>Balance at 1 April</b>	<b>3.733</b>
-2.186	Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	-0.802
3.199	Amount by which NDR income credited to the Comprehensive Income and Expenditure Statement is different from NDR income calculated for the year in accordance with statutory requirements	-13.124
<b><u>3.733</u></b>	<b>Balance at 31 March</b>	<b><u>-10.193</u></b>

The Covid-19 pandemic has had a significant impact on the collection of Council Tax and Non-Domestic Rates, as the income received from council tax/ratepayers was less than originally estimated. This has resulted in a significant deficit position (£10.193m) as at 31 March 2021, that the Council will need to fund over the next three years.

These exceptional costs will be partially offset by the UK Governments 'Local Tax Income Guarantee scheme' scheme. Details of the accrued balance due to the Council under this scheme can be found in Note 42 Useable Reserves.

#### Accumulated Compensated Absences Adjustment Account

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

2019/20 £millions		2020/21 £millions
-5.902	<b>Balance at 1 April</b>	-6.990
5.902	Settlement or cancellation of accrual made at the end of the preceding year	6.990
-6.990	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-9.193
<u>-6.990</u>	<b>Balance at 31 March</b>	<u>-9.193</u>

#### Dedicated Schools Grant Adjustment Account (New for 2020/21)

Under the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020, which came into force on 29th November 2020, any local authority with a deficit on its school budget during the period of the regulation (1st April 2020 to 31st March 2023) must charge the amount of the deficit to an account established solely for the purpose of recognising deficits in its schools budget.

The new regulations confirms the existence of a deficit on the school's budget when the amount of expenditure incurred on the schools budget for the financial year beginning on 1st April 2020 (adjusted for any accumulated deficit from the previous financial year) exceeds the amount of the authority's Dedicated Schools Grant (and Sixth Form grant) in that financial year. Any subsequent in-year deficits, during the period of the regulation are transferred to this adjustment account to neutralise the impact on the General Fund.

Any in-year surplus (where Dedicated Schools Grant and Sixth Form grant income recognised in the year exceeds expenditure incurred on the schools budget) is recognised as an earmarked reserve (see Note 11 for further details) and not netted off the deficit balance in this adjustment account whilst the regulations are in effect. At the end of the effective period of the regulation, the deficit position will be offset by whatever surplus has accumulated. Government will review the position as at the end of the current regulation period to determine the need for any further extension of the regulations.

As of 31 March 2021, there was no accumulated Dedicated Schools grant accumulated surplus.

2019/20 £millions	2020/21 £millions
- <b>Balance as at 1 April</b>	-
- Transfer of Schools Budget Deficit to new Adjustment Account at 1 April 2020	-11.079
<b>- Restated Balance as at 1 April</b>	<b>-11.079</b>
- In year Schools budget deficit debited to the Comprehensive Income and Expenditure Statement and transferred to the DSG Adjustment Accounts in accordance with statutory requirements	-3.656
<b>- Balance at 31 March</b>	<b>-14.735</b>

### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred but reversed out of the General Fund Balance to the account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the account as at 31 March 2021 will be charged to the General Fund over the next 22 years.

2019/20 £millions	2020/21 £millions
<b>-1.096</b> <b>Balance at 1 April</b>	<b>-1.051</b>
- Premiums incurred in year and charged to the Comprehensive Income and Expenditure Statement	-
0.045 Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	0.046
<b>-1.051</b> <b>Balance at 31 March</b>	<b>-1.005</b>

### Pooled Investment Funds Adjustment Account

From 1 April 2018, the Government introduced a mandatory statutory override requiring local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds to the newly-formed Pooled Investment Funds Adjustment Account throughout the duration of the override (currently 5 years until 31 March 2023 – though under review). The Council currently has three pooled fund investments, with the CCLA (Property); RLAM (Bonds) and M&G (Bonds). Any movements in fair value (previously reported in the Available-for-Sale Financial

Instruments Adjustment Account) of this investment are posted to this unusable reserve through profit or loss.

2019/20 £millions		2020/21 £millions
-0.216	Balance at 1 April	-1.038
-0.822	Revaluation gains/(losses) on Pooled Investment Funds	-0.267
<u>-1.038</u>	Balance at 31 March	<u>-1.305</u>

#### Note 44: Cash and Cash Equivalents

The Council has several bank accounts for various purposes. Its main banking contract is with National Westminster Bank Plc.

The Council group together deposits or overdrafts with the same bank. This gives the following balance of cash and cash equivalents along with the bank overdraft.

2019/20 £millions		2020/21 £millions
4.567	Net Cash in hand	3.113
42.090	Short term Investment (initial maturity term less than 3 months)	80.630
<u>46.657</u>	<b>Cash and cash equivalents sub total</b>	<u>83.743</u>
-1.716	Bank overdraft	-6.605
<u>44.941</u>	<b>Cash and cash equivalents at the end of the reporting period</b>	<u>77.138</u>

#### Note 45: Cash Flow Statement – Operating Activities

Adjustments to the net surplus or deficit on the provision of services for non-cash movements:

2019/20 £millions		2020/21 £millions
<u>8.336</u>	Net surplus(-)/deficit on the provision of services	<u>40.933</u>
-30.500	Depreciation and amortisation	-28.245
-5.248	Impairment and other non-cash adjustments	-15.083
-26.913	IAS 19 - Pension Liability	-41.897
-46.599	Carrying amount of non-current assets sold	-33.997
<u>-15.275</u>	Movement in working capital	<u>-50.427</u>
<b>-124.535</b>		<b>-169.649</b>
<u>112.567</u>	Adjustment for items that are investing or financing activities	<u>84.286</u>
<u><b>-3.632</b></u>		<u><b>-44.430</b></u>

The cash flows for operating activities include the following items:

2019/20 £millions		2020/21 £millions
-2.936	Interest received	-2.489
19.385	Interest paid	19.636

#### Note 46: Cash Flow Statement – Investing Activities

2019/20 Restated £millions		2020/21 £millions
105.329	Purchase of property, plant and equipment and intangible assets	87.865
127.000	Purchase of short term and long term investments	180.000
7.569	Other payments for investing activities	2.818
-3.207	Proceeds from the sale of property, plant and equipment and intangible assets	-6.047
-145.000	Proceeds from short term and long term investments	-127.000
-82.667	Capital grants received	-128.061
-0.129	Other receipts from investing activities	-0.405
<u>8.895</u>	<b>Net cash flows from investing activities</b>	<u>9.170</u>

The 'Other receipts from investing activities' 19/20 comparative has been restated to disclose the capital grant receipts separately.

#### Note 47: Cash Flow Statement – Financing Activities

2019/20 £millions		2020/21 £millions
-16.501	Receipts from new long-term borrowing	-0.066
0.949	Repayments of short term and long term borrowing	2.128
0.915	Other payments for financing activities	1.001
<u>-14.637</u>	<b>Net cash flows from financing activities</b>	<u>3.063</u>

## Note 48: Reconciliation of Liabilities Arising from Financing Activities

2020/21

	Liabilities			
	Long Term Borrowing	Short Term Borrowing	Finance Leases	PFI
Balance at 1st April 2020	-346.161	-7.395	-0.387	-41.584
<b><u>Changes from financing cash flows</u></b>				
New borrowings taken out	-0.066	-	-	-
Repayment of borrowings	5.828	0.175	-	-
Payment of finance lease liabilities	-	-	0.005	0.996
Total changes from financing cash flows	5.762	0.175	0.005	0.996
<b><u>Non-cash changes</u></b>				
Interest accrued at year-end	-3.904	-	-	-
<b>Balance at 31st March 2021</b>	<b>-344.303</b>	<b>-7.220</b>	<b>-0.382</b>	<b>-40.588</b>

2019/20

	Liabilities			
	Long Term Borrowing	Short Term Borrowing	Finance Leases	PFI
Balance at 1st April 2019	-330.544	-7.480	-0.392	-42.493
<b><u>Changes from financing cash flows</u></b>				
New borrowings taken out	-16.501	-	-	-
Repayment of borrowings	4.759	0.085	-	-
Payment of finance lease liabilities	-	-	0.005	0.909
Total changes from financing cash flows	-11.742	0.085	0.005	0.909
<b><u>Non-cash changes</u></b>				
Interest accrued at year-end	-3.875	-	-	-
<b>Balance at 31st March 2020</b>	<b>-346.161</b>	<b>-7.395</b>	<b>-0.387</b>	<b>-41.584</b>

## Note 49: Contingent Liabilities

There are a number on-going legal cases against the Council with no certainty regarding the percentage of success or the value of the claim:

- The Council continues to have a statutory obligation in relation to its closed landfill sites and aftercare of these facilities. There are mitigation actions in place, with regular inspection for minor leachate or gas outbreaks and minor remediation works undertaken as necessary. These make the possibility of a major incident remote, but do not altogether negate the risk. It is not possible to estimate the costs for such an incident with any accuracy, because it would be dependent on a large number of highly variable factors such as the individual site concerned, the exact nature of the incident and the necessary actions to remedy (such as compensation and fines, volume of waste to be transported, nature of the waste involved and degree of reconstruction needed at the site).

- The Council is subject to compensation claims in respect to land acquired with some highway network improvements. Timing of valid claims is under review and the value is not expected to be material.

## Note 50: Trust Funds

The Council has not included the funds, which it manages on behalf of trusts, on its consolidated balance sheet because the money does not belong to us. As of 31 March 2021, the only trust managed by the Council was the Fieldhouse Trust. The Council is the only trustee of the Field House Trust. We can only use this money for helping the elderly people of Somerset, with preference for the elderly of Shepton Mallet. There is an extract from the Field House Trust accounts below:

2019/20 £millions		2020/21 £millions
-0.054	Total income	-0.054
0.055	Total spending	0.055
<u>0.001</u>	<b>(Surplus)/ Deficit</b>	<u>0.001</u>
0.523	Value of fund - brought forward	0.522
-0.001	Movement in year	-0.001
<u>0.522</u>	<b>Total value of the fund</b>	<u>0.521</u>

## Note 51: Pension Schemes

### Participation in Pension Schemes

As part of the terms and conditions of 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 needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in four different pension schemes depending on their job:

- The Local Government Pension Scheme (LGPS), administered locally by the Council, is a defined benefit statutory scheme where benefits accrued up to 31 March 2021 are based on final salary and length of service on retirement. Changes to the LGPS came into effect from 1 April 2014 and any benefits accrued from this date will be based on career average re-valued salary.
- The Teachers' Pension Scheme is a notionally funded, defined-contribution scheme that is administered by Teachers' Pensions on behalf of the Department for Education. This means the Council pays contributions as if it was a funded scheme, when, in fact, it is not.
- The National Employment Savings Trust (NEST) is a defined contribution scheme, set up as part of the government's workplace pension reforms. As a trust-based plan, run by the NEST Corporation (a non-departmental public body that is accountable to Parliament

through the Department for Work and Pensions), the Council pays contributions based on a percentage of pensionable pay.

- The NHS Pension Scheme is an unfunded multi-employer defined benefit scheme, administered by the NHS Business Service Authority and backed by the Exchequer. Pension benefits are based on final salary or career average earnings dependant on the time employees joined the scheme (there are three different sections – the 1995, 2008 and 2015 section). The Council pays contributions based on a percentage of pensionable pay, with the contribution rate reviewed every four years by the Government Actuary. We account for this scheme as a defined contribution plan, in-line with the NHS Manual.

### **Defined Contribution Schemes:**

#### **Teachers’ Pension Scheme**

This scheme is technically a defined benefit scheme but is accounted for as a defined contribution scheme as its not possible to identify the authorities share of the liabilities.

The table below shows the costs in millions, and as a percentage of total pensionable pay:

2019/20			2020/21	
£millions	%		£millions	%
		<u>Pension costs charged to the accounts</u>		
4.390	16.48	- 1st April19 to 31st August19	-	-
8.669	23.68	- 1st September19 to 31st March20	-	-
-	-	- 1st April20 to 31st March21	14.426	23.68
<b><u>13.059</u></b>		<b>Total for the Year</b>	<b><u>14.426</u></b>	

There were no discretionary payments made during 2020/21.

#### **National Employment Savings Trust**

The table below shows the costs in millions, and as a percentage of total pensionable pay:

2019/20			2020/21	
£millions	%		£millions	%
0.026	3.00	Pension costs charged to the accounts	0.033	3.00

### **Defined Benefit Schemes:**

#### **Unfunded Teachers Pensions**

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers’ scheme. These costs are accounted for on a defined benefit basis and included within the tables below.

## **Local Government Pension Scheme**

### **Characteristics and Associated Risks**

The day to day management of the Fund is overseen by the Pension Fund Committee, whilst the day to day Fund administration is undertaken by Peninsula Pensions (a shared service arrangement provided by Devon County Council). Where appropriate some functions are delegated to the Fund's professional advisers.

As Administering Body to the Fund, the Council, after consultation with the Fund Actuary and other relevant parties, is responsible for the preparation and maintenance of the Funding Strategy Statement and the Statement of Investment Principles. These are amended when appropriate based on the Fund's performance and funding.

Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by the LGPS Regulations 2013.

The most recent actuarial valuation of the Fund was carried out as at 31 March 2019, which set contributions for the period from 1 April 2020 to 31 March 2023. There are no minimum funding requirements in the LGPS, but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

In general, participating in a defined benefit pension scheme means that the Council is exposed to a number of risks:

- Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.
- Inflation risk. All the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the Somerset County Council Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

All of the risks above may also benefit the Council e.g. higher than expected investment returns or employers leaving the Fund with excess assets which eventually get inherited by the remaining employers. At the 2019 valuation, the deficit for the whole pool was calculated and allocated to each employer in proportion to their active payroll. The next re-allocation will be carried out at the 2022 valuation, however, the charge required to be made against the Council Tax is based on the cash payable in the year, so the real cost of retirement benefit is reversed out in the Statement of Movement in Reserves.

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

**Local Government  
Pension Scheme &  
Unfunded Benefit  
Arrangements -  
Liabilities**

**2019/20    2020/21  
£millions   £millions**

**Comprehensive Income and Expenditure Statement**

Net Cost of Services:

- current service cost	47.255	63.053
- past service cost and gains/losses arising from settlements	-4.392	-3.708

Financing and Investment Income and Expenditure:

- net interest expense	19.477	18.411
------------------------	--------	--------

**Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services**

**62.340      77.756**

**Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement**

Remeasurement of the net defined benefit liability comprising:

- return on plan assets (excluding the amount included in the net interest expense)	85.010	-238.972
- actuarial (gains) and losses arising on changes in demographic assumptions	4.738	-18.387
- actuarial (gains) and losses arising on changes in financial assumptions	-174.060	478.012
- other actuarial (gains)/losses on plan assets	10.098	-
- experience (gain)/loss on defined benefit obligation	0.428	-23.793

**-73.786      196.860**

**Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement**

**-11.446      274.616**

**Movement in Reserves Statement**

Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code

**-62.340      -77.756**

Actual amount charged against the General Fund Balance for pensions in the year:

- employers' contributions payable to the scheme

**35.427      35.859**

## Pensions Assets and Liabilities Recognised in the Balance Sheet

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

<b>Local Government Pension Scheme &amp; Unfunded Benefit Arrangements - Liabilities</b>			
	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>£millions</b>	<b>£millions</b>	<b>£millions</b>
Present value of the defined benefit obligation:			
- Funded obligation	-1,789.792	-1,661.739	-2,148.658
- Unfunded obligation	-43.281	-39.316	-39.449
	<u>-1,833.073</u>	<u>-1,701.055</u>	<u>-2,188.107</u>
Fair value of plan assets	1,031.403	946.258	1,194.553
<b>Net liability arising from defined benefit obligation</b>	<b><u>-801.670</u></b>	<b><u>-754.797</u></b>	<b><u>-993.554</u></b>

The net liability shows the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £993.554 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet.

The total liability includes an allowance to reflect the Court of Appeal judgement in respect of the McCloud and Sargeant cases which relate to age discrimination within the Judicial and Fire Pension schemes, respectively. 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.

On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases. The consultation closed on 8 October 2020 and the final remedy will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published. The Pension Fund Actuary does not believe there are any material differences between the approach underlying their estimated allowance and the proposed remedy. A more detailed analysis at this stage would require a significant volume of member data which is not yet available. Therefore, no further adjustment has been made considering the ongoing consultation.

The pension fund deficit at 31 March 2021 has increased by £238.757 million from 31 March 2020. It is important to note that the deficit figure reported above is prepared only for the accounting requirements of IAS19, and as LGPS Funds are usually invested in a range of asset classes, the performance of the assets may be quite different from that of the accounting liabilities (which are linked to corporate bonds) so the results can be very volatile from year to year. They are not relevant for funding purposes or for other statutory purposes under UK pensions legislation.

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, as assessed by the scheme actuary.

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets:	2019/20	2020/21
	£millions	£millions
<b>Opening balance at 1 April</b>	<b>1,031.403</b>	<b>946.258</b>
Interest income	23.831	15.972
<u>Remeasurement gain/(loss):</u>		
- return on plan assets (excluding the amount included in the net interest expense)	-85.010	238.972
Other actuarial gains/(losses)	-10.098	-
Employer contributions - funded	32.242	32.599
Employer contributions - unfunded	3.185	3.260
Contributions by scheme participants	9.731	9.171
Benefits paid (including unfunded)	-56.021	-50.573
Other	-3.005	-1.106
<b>Closing balance at 31 March</b>	<b>946.258</b>	<b>1,194.553</b>

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2021 is estimated to be 27.10%. The actual return on Fund assets over the year may be different.

The fair value of the Local Government Pension Scheme assets comprised:

Fair Value of Scheme Assets	2020/21		
	Quoted in an active market £millions	Unquoted £millions	Total £millions
Cash and cash equivalents	-	71.673	71.673
Equities:			
- Brunel UK equity fund	-	206.658	206.658
- Standard Life Smaller Companies Fund	-	5.973	5.973
Private Equity:			
- Private Equity	-	33.447	33.447
Overseas Equities:			
- Brunel passive global equity fund	-	311.778	311.778
- Brunel global high alpha equity fund	-	164.848	164.848
- Brunel emerging market equity fund	-	56.144	56.144
- Brunel global smaller market equity fund	-	84.813	84.813
	-	<b>863.662</b>	<b>863.662</b>
Bonds:			
- UK Fixed Interest - Public Sector	31.058	-	31.058
- UK Fixed Interest - Corporate Sector Investment Grade	50.171	-	50.171
- UK Fixed Interest - Corporate Sector High Yield	4.778	-	4.778
- Overseas - Corporate Sector Investment Grade	39.420	-	39.420
- Overseas - Corporate Sector High Yield	17.918	-	17.918
- Overseas - index linked - public sector	1.195	-	1.195
	<b>144.541</b>	-	<b>144.541</b>
Gilts:			
- UK Index-Linked - Corporate Sector	-	-	-
- UK Index-Linked - Public Sector	34.642	-	34.642
	<b>34.642</b>	-	<b>34.642</b>
Property:			
- Overseas Property Funds	-	-	-
- UK Property Funds	-	80.035	80.035
	-	<b>80.035</b>	<b>80.035</b>
<b>Total assets</b>	<b>179.183</b>	<b>1,015.370</b>	<b>1,194.553</b>

## Reconciliation of Present Value of the Scheme Liabilities

<b>Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation):</b>		
	<b>2019/20</b>	<b>2020/21</b>
	<b>£millions</b>	<b>£millions</b>
<b>Opening balance at 1 April</b>	<b>-1,833.073</b>	<b>-1,701.055</b>
Current service cost	-47.255	-63.053
Interest cost	-43.308	-34.383
Contributions by scheme participants	-9.731	-9.171
Past service costs, including curtailments	-1.897	-0.312
Settlements	9.294	5.126
Benefits paid (including unfunded)	56.021	50.573
<u>Remeasurement gains and (losses):</u>		
- actuarial gains/(losses) arising from changes in demographic assumptions	-4.738	18.387
- actuarial gains/(losses) arising from changes in financial assumptions	174.060	-478.012
- experience gain/(loss) on defined benefit obligation	-0.428	23.793
<b>Closing balance at 31 March</b>	<b>-1,701.055</b>	<b>-2,188.107</b>

There was a total of £0.312m of capitalised redundancy costs included within the Past service costs in the table above during 2020/21.

As a result of some members transferring into / out of the Council over the year liabilities have been settled at a cost different to the accounting reserve. During 2020/21, there were 10 transfers mostly in relation to Academy schools, where £5.220m of liabilities and £1.146m of assets were transferred to the new employer, resulting in a capitalised gain to the Council on settlements of £4.074m.

The value of the transferred defined benefit obligation for each settlement was calculated using assumptions derived based on market conditions the date of transfer.

### Impact on the Council's Cashflows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 25 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2022. The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants. It is estimated the Council will pay £31.260m contributions to the scheme in 2021/22.

The weighted average duration of the defined benefit obligation for scheme members is 21 years for 2020/21 (21 years in 2019/20).

## Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the 'projected unit method', an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc. With this method, the current service cost of the Local Government Scheme will increase as members of the scheme approach retirement.

Barnett Waddingham (public sector consulting actuary) assessed the value of the County Council Fund liabilities as at 31 March 2021, by rolling forward the value of the liabilities calculated for the Triennial valuation as at 31 March 2019 allowing for the different financial assumptions required under IAS19. A similar roll-forward approach was taken for the report as at 31 March 2020.

The principal assumptions used by the actuary have been:

2019/20		2020/21
<b>Mortality Assumptions:</b>		
<i>Longevity (in years) at 65 for current pensioners:</i>		
23.3	- Men	23.1
24.7	- Women	24.6
<i>Longevity (in years) at 65 for future pensioners:</i>		
24.7	- Men	24.4
26.2	- Women	26.0
1.9%	Rate of Inflation (CPI)	2.85%
2.9%	Rate of increase in salaries	3.85%
1.9%	Rate of increase in pensions	2.85%
2.35%	Rate of discounting scheme liabilities	2.0%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has 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 estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Sensitivity Analysis	£000's	£000's	£000's
<b>Adjustment to discount rate</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	2,143,732	2,188,107	2,233,445
Projected service cost	67,998	70,386	72,853
<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	2,191,146	2,188,107	2,185,094
Projected service cost	70,425	70,386	70,349
<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	2,229,983	2,188,107	2,147,065
Projected service cost	72,827	70,386	68,020
<b>Adjustment to mortality age rating assumption</b>	<b>+1 Year</b>	<b>None</b>	<b>-1 Year</b>
Present value of total obligation	2,288,503	2,188,107	2,092,313
Projected service cost	73,353	70,386	67,529

## NHS Pension Scheme

In line with the NHS Manual, the Council is required to account for this scheme as a defined contribution plan. Any additional benefits awarded upon early retirement outside of the terms of this scheme are accounted for on a defined benefit basis and included within the tables above

The table below shows the costs in millions, and as a percentage of total pensionable pay:

2019/20			2020/21	
£millions	%		£millions	%
0.829	14.38	Pension costs charged to the accounts	0.773	14.38

There were no discretionary payments made during 2020/21.

## Note 52: Group Accounts

Group accounts bring together the accounts of Somerset County Council and other parties in which the Council has a stakeholding.

### Futures for Somerset

The Council has an associate interest in Futures for Somerset, a long-term strategic partnership established as part of the Building Schools for the Future initiative. Although the Council is deemed to have significant influence on Futures for Somerset our share of the assets and liabilities are not material and therefore Group Accounts are not produced.

The company's accounts can be obtained from:

Futures for Somerset

The Rollercoaster

Parkway

Bridgwater

Somerset

TA6 4RL





# Net Asset Statement

On 31 March 2020 £ millions		On 31 March 2021 £ millions	Notes
	<b>Investment assets and liabilities</b>		
2,046.977	Investment assets	2,608.459	11
-0.271	Investment liabilities	-0.011	11
3.760	Other investment balances	3.937	15
	<b>Current assets</b>		
5.865	Contributions due from employers	4.432	
0.254	Cash at bank	0.501	
1.152	Other debtors	3.755	
	<b>Current liabilities</b>		
0.000	Unpaid benefits	0.000	
0.000	Bank overdraft	0.000	
-1.927	Other creditors	-2.001	
<b>2,055.810</b>	<b>Net assets of the scheme available to fund benefits at end of year</b>	<b>2,619.072</b>	
	<b>Actuarial present value of promised retirement benefits</b>		
-3,583.169	Vested benefits	-4,848.897	14
-87.958	Non-vested benefits	-83.739	14
<b>-1,615.317</b>	<b>Net liabilities at end of year</b>	<b>-2,313.564</b>	

# Notes to the Accounts

## Note 1: Description of the fund

The Somerset County Council pension fund is a defined benefit pension plan for the employees of the County Council and other employers in Somerset. The fund is part of the Local Government Pension Scheme (LGPS). The LGPS is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended);
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended); and
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The fund receives contributions and investment income to meet pension benefits and other liabilities related to the majority of the County Council's employees. It does not cover teachers (whose pensions are managed through the Government's Department for Education). The fund also extends to cover employees of district councils, civilian employees of the Avon and Somerset Police (police officers have a separate scheme) and employees of other member bodies. A full list of employers who paid into the fund during the financial year is contained in note 4 of the accounts.

Contributions by employees are based on nine-tiered contribution bands dependent on the individual employee's pay, the nine contribution bands range from 5.5% to 12.5%. Nationally the Government estimate the average employee contribution is 6.3%.

All employers' contribution rates are decided by the fund's actuary every three years as part of this valuation of the fund. The rates for the 2020-2021 financial year were the first year covered by the valuation of the fund as at 31 March 2019. For Somerset County Council, for example, the employer's contribution rate for the three years covered by this valuation is 18.1% for each of the years from 2020 to 2023 plus a fixed sum of £9.33m for 2020/2021, £9.67m for 2021/2022 and £10.03m for 2022/2023. This compares with a rate of 15.5% and a lump sum of £12.81m for the 2019/2020 year set under the 2016 valuation. A common contribution rate will, in the long term, be enough to meet the liabilities of the fund assessed on a full-funding basis – this was 24.3% at the 2019 valuation (22.9% at the 2016 valuation). This common contribution rate can be split into amounts that meet new service and an amount needed to make up the deficit in the fund, the common rate of 24.3% is made up of a rate of 17.8% for new service and 6.5% for deficit funding. As part of the 2019 valuation all employers except academy schools have agreed to meet the deficit funding portion by paying a fixed monetary amount rather than a percentage of pensionable pay (as demonstrated by the example of Somerset County Council above). The aim of this is to remove the volatility caused by changing staff levels. At the valuation the actuary estimated that the fund's assets covered 86% of the fund's liabilities.

The pension and lump-sum payments that employees receive when they retire are linked to their final year's salary for pre-31 March 2014 service and to career average re-valued earnings (CARE) for service since 1<sup>st</sup> April 2014, along with how long they have worked for an employer within the fund. Increases in pension payments linked to inflation come out of the fund.

## **Note 2: Basis of preparation**

The statement of accounts summarises the fund's transactions for the 2020/21 financial year and its financial position at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts have been prepared on a going concern basis.

## **Note 3: Accounting policies**

The Fund account is prepared on a full accrual basis, with the exception of transfer values. As a result the following apply:

- investments and financial assets are included at fair value;
- the majority of listed investments are stated at the bid price or the last traded price, depending on the convention of the stock exchange on which they are quoted, at the date of the net assets statement;
- fixed interest securities are valued excluding accrued income;
- pooled investment vehicles are stated at bid price for funds with bid/offer spreads, or single price (typically net asset value) where there are no bid/offer spreads, as provided by the investment manager of the respective pooled investment vehicle;
- forward foreign exchange contracts are valued using the foreign exchange rate at the date of the net asset statement;
- The Neuberger Berman Crossroads 2010 fund, Neuberger Berman Crossroads XX fund, Neuberger Berman Crossroads XXI fund and Neuberger Berman Crossroads XXII fund are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (2018). Investments are not publicly listed and as such there is a degree of estimation involved in the valuation. Quarterly valuation statements for private equity investments are produced a significant length of time after the quarter end, and consequently the value we use for each unit of the private equity funds in the accounts is the audited value of the private equity funds at 31 December;
- the South West Regional Venture Fund is valued at cost;
- the fund's holding in the shares of Brunel Pension Partnership Ltd is valued at cost;
- contributions and benefits are accounted for in the period in which they fall due;
- interest on deposits and fixed interest securities are accrued if they are not received by the end of the financial year;

- interest on investments are accrued if they are not received by the end of the financial year;
- all dividends and interest on investments are accounted for on 'ex-dividend' dates;
- all settlements for buying and selling of investments are accrued on the day of trading;
- transfer values are accounted for when money is received or paid;
- the fund has significant investments overseas. The value of these investments in the net asset statement is converted into sterling at the exchange rates on 31 March. Income receipts, and purchases and sales of overseas investments, are normally converted into sterling at or about the date of each transaction and are accounted for using the actual exchange rate received. Where the transaction is not linked to a foreign exchange transaction to convert to sterling the exchange rate on the day of transaction is used to convert the transaction into sterling for accounting purposes; and
- Cash and cash equivalents on the Net Asset statement are restricted to 'cash at bank' and 'bank overdraft'. All cash (overdraft) not in the pensions fund's standard bank account with NatWest is treated as an Investment asset and is shown in note 11.

## Note 4: Contributions and benefits

2020/2021	Somerset County Council £ millions	Other scheduled employers £ millions	Admitted employers £ millions	Total £ millions
Employees' contributions				
- Normal	7.625	13.329	1.421	<b>22.375</b>
- Additional	0.092	0.109	0.009	<b>0.210</b>
Total	<u>7.717</u>	<u>13.438</u>	<u>1.430</u>	<b>22.585</b>
Employers' contributions				
- Normal	22.004	36.250	3.968	<b>62.222</b>
- Augmentation	0.143	0.529	0.030	<b>0.702</b>
- Deficit funding	9.330	13.218	3.460	<b>26.008</b>
Total	<u>31.477</u>	<u>49.997</u>	<u>7.458</u>	<b>88.932</b>
Recurring pension and lump sum payments	-45.845	-41.203	-10.040	<b>-97.088</b>
Money recovered from member organisations	1.523	1.505	0.015	<b>3.043</b>
	<u><b>-5.128</b></u>	<u><b>23.737</b></u>	<u><b>-1.137</b></u>	<u><b>17.472</b></u>

2019/2020	Somerset County Council £ millions	Other scheduled employers £ millions	Admitted employers £ millions	Total £ millions
Employees' contributions				
- Normal	7.127	12.030	1.583	<b>20.740</b>
- Additional	0.198	0.226	0.022	<b>0.446</b>
Total	<u>7.325</u>	<u>12.256</u>	<u>1.605</u>	<b>21.186</b>
Employers' contributions				
- Normal	17.853	27.948	4.225	<b>50.026</b>
- Augmentation	0.635	1.020	0.610	<b>2.265</b>
- Deficit funding	12.806	14.295	2.740	<b>29.841</b>
Total	<u>31.294</u>	<u>43.263</u>	<u>7.575</u>	<b>82.132</b>
Recurring pension and lump sum payments	-47.493	-42.092	-10.241	<b>-99.826</b>
Money recovered from member organisations	1.848	1.385	0.068	<b>3.301</b>
	<u><b>-7.026</b></u>	<u><b>14.812</b></u>	<u><b>-0.993</b></u>	<u><b>6.793</b></u>

**Note 4: Contributions and benefits (continued)**

	<b>Employees' contributions £ millions</b>	<b>Employers' contributions £ millions</b>	<b>Total £ millions</b>
<b>County council</b>			
Somerset	7.717	31.477	39.194
<b>Police &amp; Crime Commissioner</b>			
Avon & Somerset	5.541	16.185	21.726
<b>District councils</b>			
Mendip	0.352	1.682	2.034
Sedgemoor	0.683	3.364	4.047
South Somerset	0.734	3.518	4.252
Somerset West & Taunton	1.165	5.309	6.474
<b>Other bodies</b>			
Avon and Somerset Magistrates Courts	0.000	1.123	1.123
Exmoor National Park	0.131	0.502	0.633

Table continued on next page

#### Note 4: Contributions and benefits (continued)

	Employees' contributions £ millions	Employers' contributions £ millions	Total £ millions
<b>Parish and town councils</b>			
Axbridge Town Council	0.001	0.006	0.007
Berrow Parish Council	0.001	0.003	0.004
Bishop Hull Parish Council	0.001	0.003	0.004
Bridgwater Town Council	0.009	0.034	0.043
Burnham & Highbridge Town Council	0.018	0.063	0.081
Castle Cary Town Council	0.002	0.009	0.011
Chard Town Council	0.017	0.060	0.077
Cheddar Parish Council	0.002	0.007	0.009
Coleford Parish Council	0.001	0.003	0.004
Comeytrove Parish Council	0.001	0.003	0.004
Creech St Michael Parish Council	0.001	0.003	0.004
Crewkerne Town Council & Burial Board	0.009	0.033	0.042
Frome Town Council	0.043	0.151	0.194
Glastonbury Town Council	0.013	0.048	0.061
Ilminster Town Council	0.007	0.022	0.029
Langport Town Council	0.004	0.007	0.011
Lower Brue Drainage Board	0.042	0.145	0.187
Minehead Town Council	0.008	0.031	0.039
Nether Stowey Parish Council	0.001	0.005	0.006
North Petherton Town Council	0.000	0.000	0.000
Parret Drainage Board	0.004	0.016	0.020
Shepton Mallet Town Council	0.009	0.029	0.038
Somerton Town Council	0.004	0.014	0.018
Street Parish Council	0.005	0.018	0.023
Watchet Town Council	0.004	0.006	0.010
Wellington Town Council	0.005	0.016	0.021
Wells Burial Board & Parish Council	0.022	0.075	0.097
West Coker Parish Council	0.001	0.002	0.003
Williton Parish Council	0.001	0.006	0.007
Wincanton Town Council	0.006	0.023	0.029
Yeovil Town Council	0.013	0.044	0.057

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## Note 4: Contributions and benefits (continued)

	Employees' contributions £ millions	Employers' contributions £ millions	Total £ millions
<b>Further-education colleges</b>			
Bridgwater College	0.793	2.601	3.394
Richard Huish Sixth Form College	0.151	0.474	0.625
Strode College	0.164	0.581	0.745
Yeovil College	0.205	0.576	0.781
<b>Academies</b>			
Ansford Academy	0.036	0.141	0.177
Ashill Primary Academy	0.003	0.012	0.015
Avishayes Academy	0.018	0.076	0.094
Axbridge Academy	0.013	0.056	0.069
Barwick and Stoford School	0.000	0.001	0.001
Bath & Wells Academy Trust	0.321	1.288	1.609
Bishop Fox's Academy	0.057	0.232	0.289
Blackbrook Primary School	0.015	0.062	0.077
Brent Knoll Primary School	0.008	0.034	0.042
Bridgwater College Academy	0.152	0.561	0.713
Brookside Academy	0.062	0.255	0.317
Bruton Sexseys Academy	0.054	0.212	0.266
Brymore Academy	0.062	0.250	0.312
Buckland St. Mary Church of England School	0.003	0.015	0.018
Buckler's Mead Academy	0.055	0.199	0.254
Castle Academy	0.078	0.304	0.382
Castle Primary School	0.009	0.040	0.049
Charlton Horethorn School	0.003	0.015	0.018
Cheddar First School	0.020	0.083	0.103
Chilton Trinity Academy	0.041	0.163	0.204
Countess Gytha Primary School	0.013	0.055	0.068
Courtfields Academy	0.048	0.195	0.243

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#### Note 4: Contributions and benefits (continued)

	Employees' contributions £ millions	Employers' contributions £ millions	Total £ millions
<b>Academies (continued)</b>			
Crispin Academy	0.053	0.205	0.258
Critchill School	0.026	0.114	0.140
Danesfield Academy	0.022	0.091	0.113
Draycott and Rodney Stoke First School	0.006	0.022	0.028
East Brent School	0.007	0.030	0.037
Enmore Academy	0.006	0.027	0.033
Fairlands Middle School	0.022	0.094	0.116
Hambridge Primary School	0.011	0.045	0.056
Hamp Academy	0.021	0.089	0.110
Hatch Beauchamp Primary School	0.002	0.009	0.011
Hayesdown Academy	0.017	0.074	0.091
Haygrove Academy	0.064	0.248	0.312
Hemington Primary School	0.003	0.015	0.018
Holy Trinity Church of England School	0.029	0.124	0.153
Holyrood Academy	0.069	0.284	0.353
Horrington Primary School	0.008	0.032	0.040
Hugh Sexey's School	0.030	0.125	0.155
Huish Academy	0.028	0.119	0.147
Huish Episcopi Academy	0.086	0.341	0.427
Huish Episcopi Primary Academy	0.011	0.048	0.059
Isambard Kingdom Brunel School	0.003	0.013	0.016
King Alfred School	0.064	0.281	0.345
King Arthur's School	0.021	0.085	0.106
King Edward Road Nursery	0.009	0.038	0.047
King Ina (Monteclefe)	0.022	0.092	0.114
Kings of Wessex Academy	0.070	0.260	0.330
Kings of Wessex Leisure	0.020	0.042	0.062
Kingsmead Academy	0.062	0.249	0.311

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**Note 4: Contributions and benefits (continued)**

	<b>Employees' contributions £ millions</b>	<b>Employers' contributions £ millions</b>	<b>Total £ millions</b>
<b>Academies (continued)</b>			
Leigh On Mendip First School	0.007	0.028	0.035
Lympsham School	0.009	0.038	0.047
Maiden Beech Academy	0.021	0.084	0.105
Manor Court Primary School	0.025	0.113	0.138
Mark Academy	0.012	0.053	0.065
Mendip School	0.046	0.194	0.240
Middlezoy Primary School	0.006	0.021	0.027
Milford Junior School	0.030	0.120	0.150
Minehead First School	0.030	0.127	0.157
Minehead Middle School	0.056	0.217	0.273
Minerva Primary School	0.020	0.084	0.104
Neroche Primary School	0.003	0.013	0.016
North Cadbury School	0.007	0.029	0.036
Northgate Primary School	0.020	0.085	0.105
Nunney First School	0.004	0.015	0.019
Oakfield Academy	0.040	0.161	0.201
Old Cleeve Academy	0.011	0.048	0.059
Othery Primary School	0.004	0.017	0.021
Otterhampton Primary School	0.009	0.037	0.046
Pawlett Primary School	0.004	0.016	0.020
Pen Mill Academy	0.013	0.055	0.068
Preston Academy	0.057	0.233	0.290
Preston C of E Primary School	0.059	0.219	0.278
Primrose Lane Primary School	0.017	0.073	0.090
Priorswood Academy	0.013	0.055	0.068
Puriton Primary School	0.009	0.038	0.047
Redstart Academy	0.039	0.155	0.194
Ruishton Primary School	0.015	0.065	0.080

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#### Note 4: Contributions and benefits (continued)

	Employees' contributions £ millions	Employers' contributions £ millions	Total £ millions
<b>Academies (continued)</b>			
Selwood Academy	0.033	0.135	0.168
Selworthy School	0.071	0.305	0.376
Shipham Church of England First School	0.006	0.027	0.033
Spaxton Primary School	0.005	0.023	0.028
St. Dunstan's Academy	0.018	0.076	0.094
St. Cuthbert's Academy	0.012	0.048	0.060
St. Michael's Academy	0.025	0.105	0.130
St. Michael's Church of England School	0.010	0.044	0.054
St. Peter's Academy	0.011	0.047	0.058
St Peters Nursery	0.008	0.032	0.040
Stanchester Academy	0.042	0.167	0.209
Steiner Academy, Frome	0.022	0.093	0.115
Stogursey Primary School	0.006	0.027	0.033
Tatworth Academy	0.009	0.037	0.046
Taunton Academy	0.116	0.479	0.595
The Blue School, Wells	0.102	0.408	0.510
Weare Academy	0.012	0.051	0.063
Wedmore Academy	0.018	0.078	0.096
Wellesley Park Primary School	0.017	0.074	0.091
West Monkton Primary School	0.051	0.204	0.255
West Somerset Community College	0.040	0.169	0.209
Westfield Academy	0.065	0.249	0.314
Westover Green Academy	0.037	0.158	0.195
Whitstone Academy	0.037	0.148	0.185
Willowdown Academy	0.022	0.093	0.115
Winsham Primary School	0.005	0.019	0.024
Woolavington Academy	0.015	0.063	0.078
<b>Total other scheduled employers</b>	13.438	49.997	63.435

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## Note 4: Contributions and benefits (continued)

	Employees' contributions £ millions	Employers' contributions £ millions	Total £ millions
<b>Admitted bodies</b>			
Aster Communities Ltd	0.032	2.295	2.327
BAM FM	0.004	0.015	0.019
Capita	0.004	0.015	0.019
Dimensions	0.428	1.027	1.455
Edward and Ward Ltd	0.005	0.004	0.009
Glen Cleaning Company Ltd	0.002	0.012	0.014
Homes in Sedgemoor	0.137	0.398	0.535
Idverde Ltd	0.012	0.047	0.059
Imperial Cleaning	0.001	0.003	0.004
KGB South West	0.012	0.058	0.070
Learning South West	0.000	0.000	0.000
Leisure East Devon	0.013	0.027	0.040
Magna West Somerset Housing Association	0.058	0.251	0.309
Mama Bear's	0.002	0.007	0.009
May Gurney Ltd	0.000	0.158	0.158
MD Building Services	0.025	0.078	0.103
MITIE	0.001	0.000	0.001
National Autistic Society	0.009	0.048	0.057
NSL Ltd	0.019	0.072	0.091
Pabulum	0.004	0.018	0.022
RM Education	0.002	0.004	0.006
SASP	0.010	0.006	0.016
Shared Lives South West	0.004	0.014	0.018
Society of Local Council Clerks	0.036	0.121	0.157
Somerset Care Ltd	0.024	0.265	0.289
Somerset Skills & Learning	0.073	0.222	0.295
South West Audit Partnership	0.126	0.528	0.654
South West Heritage	0.054	0.161	0.215
South West Provincial Councils	0.039	0.318	0.357
Suez Recycling	0.022	0.083	0.105
Yarlington Housing Group	0.272	1.203	1.475
<b>Total admitted employers</b>	1.430	7.458	8.888
<b>Total</b>	22.585	88.932	111.517

## Note 5: Transfer values

2019/2020 £ millions		2020/2021 £ millions
9.000	Group transfer values received	0.000
7.017	Individual transfer values received	8.408
<b>16.017</b>		<b>8.408</b>
0.000	Group transfer values paid	-7.955
-11.386	Individual transfer values paid	-9.076
<b>-11.386</b>		<b>-17.031</b>

## Note 6: Refunds

2019/2020 £ millions		2020/2021 £ millions
-0.294	Contributions refunded to members who leave service	-0.377
-0.017	Interest accumulated on refunds agreed in the past	-0.014
<b>-0.311</b>		<b>-0.391</b>
-0.003	Deductions from contributions equivalent premium	0.000
0.010	Less payments to Department for Work and Pensions contributions equivalent premium	0.014
<b>-0.304</b>		<b>-0.377</b>

## Note 7: Administrative expenses

2019/2020 £ millions		2020/2021 £ millions
0.000	Benefits administration costs charged by Somerset CC	0.000
<u>-1.273</u>	Benefits administration costs charged by Devon CC	<u>-1.262</u>
<b><u>-1.273</u></b>		<b><u>-1.262</u></b>
0.000	Legal advice costs charged by Somerset CC	0.000
<u>-0.012</u>	External legal advice	<u>-0.008</u>
<b><u>-0.012</u></b>		<b><u>-0.008</u></b>
0.000	Other expenses	0.000
<b><u><u>-1.285</u></u></b>		<b><u><u>-1.270</u></u></b>

## Note 8: Investment management expenses

2019/2020 £ millions		2020/2021 £ millions
	<b>Fund manager fees</b>	
-0.339	LaSalle	-0.184
-1.102	Jupiter*	0.000
-0.171	Maple-Brown Abbott*	-0.049
-0.135	Amundi	0.000
-0.041	Somerset County Council	-0.043
-0.590	Aberdeen Standard	-0.634
-0.855	Other fund managers	-0.558
<b>-3.233</b>		<b>-1.468</b>
	<b>Other expenses</b>	
-0.094	Transaction costs	-0.073
-0.039	Custody fees	-0.035
-0.402	Property unit trust managers' fees	0.000
<b>-0.535</b>		<b>-0.108</b>
	<b>Pooling</b>	
-0.979	Brunel Fees	-0.991
-1.429	3rd Party Fund Manager Fees	-3.143
0.000	Property unit trust managers' fees	-1.086
-0.048	Custody fees	-0.164
-0.004	Other costs	-0.223
<b>-2.460</b>		<b>-5.607</b>
<b>-6.228</b>		<b>-7.183</b>

The "other fund manager" fees identified above is an estimate of fund management fees that are deducted from within investments held by the pension fund but not invoiced to the fund.

\*The fund manager fees for these managers may include performance related fees. The total performance related fees attributable to the 2020/2021 financial year are £0 (£739,000 in 2019/2020).

The pooling category above includes fees directly invoiced by Brunel as well as costs deducted directly from pooled investments provided by Brunel. Property unit trust manager fees has moved under Brunel's management during the year and the full year cost is shown here. The increase in costs in this respect is due to improvements in transparency achieved by Brunel rather than an increase in the actual amounts of fees deducted from pooled property funds.

The transaction costs shown above are broken down as follows:

2019/2020				2020/2021	
£ millions	£ millions			£ millions	£ millions
Broker				Broker	
comm-	Taxes and	Manager	Asset Class	comm-	Taxes and
issions	Fees			issions	Fees
<b>Purchase Costs</b>					
0.001	0.002	Somerset County Council	Passive global equity	0.002	0.002
0.000	0.000	Aberdeen Standard	UK equity	0.000	0.000
0.002	0.000	Somerset County Council	Passive US equity	0.000	0.000
0.005	0.007	Jupiter	European equity	0.000	0.000
0.017	0.004	Maple-Brown Abbott	Far East equity	0.005	0.002
0.000	0.000	Aberdeen Standard	Bonds	0.000	0.000
0.000	0.000	LaSalle	Property	0.000	0.000
0.000	0.000	Neuberger Berman	Global private equity	0.000	0.000
0.000	0.000	TVP	UK venture capital	0.000	0.000
0.000	0.000	Somerset County Council	Cash	0.000	0.000
<u>0.025</u>	<u>0.013</u>			<u>0.007</u>	<u>0.004</u>
<b>Sales Costs</b>					
0.002	0.001	Somerset County Council	Passive global equity	0.010	0.003
0.000	0.000	Aberdeen Standard	UK equity	0.000	0.000
0.002	0.000	Somerset County Council	Passive US equity	0.000	0.000
0.007	0.000	Jupiter	European equity	0.000	0.000
0.022	0.022	Maple-Brown Abbott	Far East equity	0.023	0.026
0.000	0.000	Aberdeen Standard	Bonds	0.000	0.000
0.000	0.000	LaSalle	Property	0.000	0.000
0.000	0.000	Neuberger Berman	Global private equity	0.000	0.000
0.000	0.000	TVP	UK venture capital	0.000	0.000
0.000	0.000	Somerset County Council	Cash	0.000	0.000
<u>0.033</u>	<u>0.023</u>			<u>0.033</u>	<u>0.029</u>
<u><b>0.058</b></u>	<u><b>0.036</b></u>			<u><b>0.040</b></u>	<u><b>0.033</b></u>
	<u><b>0.094</b></u>				<u><b>0.073</b></u>

In addition to these costs, indirect costs are incurred through bid/offer spread on investment purchases. No attempt has been made to quantify these amounts.

No attempt has been made to estimate transaction costs incurred within pooled funds.

## Note 9: Oversight and governance expenses

2019/2020 £ millions		2020/2021 £ millions
-0.010	Committee services costs charged by Somerset CC	-0.010
-0.223	Investments administration costs charged by Somerset CC	-0.232
<b>-0.233</b>		<b>-0.242</b>
-0.177	Actuary's fees	-0.142
0.067	Recharge of Actuary's fees to employers	0.057
<b>-0.110</b>		<b>-0.085</b>
-0.027	External audit fees	-0.022
0.002	Refund	0.000
0.007	Recharge of audit fees to employers	0.000
<b>-0.018</b>		<b>-0.022</b>
0.000	Internal audit costs charged by South West Audit Partnership	0.000
-0.081	Professional services and subscriptions	-0.078
-0.171	IT systems	-0.209
0.000	Performance measurement fees	0.000
0.000	External legal advice	0.000
-0.026	Voting advice fees	-0.022
-0.018	Pooling costs	-0.018
-0.005	Other expenses	-0.005
<b>-0.662</b>		<b>-0.681</b>

The pooling costs referred to in this note are costs that are related to pooling but not paid to Brunel or regarding anything that Brunel provides. Typically this is legal and other consulting work regarding pooling.

The external audit fees disclosed in the auditor's formal audit plan to the Fund for the 2020/2021 financial year are £37,121. The discrepancy relates to an invoice that was not accrued for, which will appear in the 2021/2022 accounts, and an estimate of an additional fee that our auditors are yet to agree with the PSAA. Similar discrepancies appear in the 2020/2021 audit plan relating to the 2019/20 fee, shown as £35,521.

## Note 10: Investment income

<b>2019/2020</b>		<b>2020/2021</b>
<b>£ millions</b>		<b>£ millions</b>
10.448	Bonds	10.106
0.473	Index linked bonds	0.382
0.879	UK equities	0.132
7.760	Overseas equities	2.062
12.942	Property unit trusts	5.753
1.163	Cash invested internally	0.651
0.000	Private equity	0.000
0.137	Stock lending	0.059
<b><u>33.802</u></b>		<b><u>19.145</u></b>

## Note 11: Investment assets and liabilities

31 March 2020				31 March 2021			
£ millions	£ millions	%	%	£ millions	£ millions	%	%
<b>UK equities</b>							
1.490		0.1	Quoted	0.000		0.0	
353.367		17.2	Brunel UK equity fund	450.502		17.3	
7.995		0.4	Standard Life smaller companies fund	12.994		0.5	
<b>362.852</b>		<b>17.7</b>		<b>463.496</b>		<b>17.8</b>	
<b>Overseas equities</b>							
91.714		4.5	North America	0.000		0.0	
4.683		0.2	Europe	0.375		0.0	
2.321		0.1	Japan	0.000		0.0	
24.466		1.2	Pacific (not including Japan)	0.000		0.0	
2.331		0.1	Emerging market	0.000		0.0	
489.305		23.9	Brunel passive global equity fund	681.900		26.1	
240.564		11.7	Brunel global high alpha equity fund	360.872		13.8	
0.000		0.0	Brunel global smaller companies fund	184.984		7.1	
69.184		3.4	Brunel emerging market equity fund	122.078		4.7	
31.933		1.6	Nomura Japan fund	0.000		0.0	
<b>956.501</b>		<b>46.7</b>		<b>1,350.209</b>		<b>51.7</b>	
<b>Bonds</b>							
58.398		2.9	UK fixed-interest - public sector	67.294		2.6	
89.507		4.4	- corporate sector investment grade	108.801		4.2	
7.828		0.4	- corporate sector high yield	9.003		0.4	
1.193		0.1	Overseas - public sector	0.557		0.0	
80.741		3.9	- corporate sector investment grade	86.920		3.3	
26.239		1.3	- corporate sector high yield	39.441		1.5	
70.027		3.4	UK index-linked - public sector	74.302		2.9	
0.798		0.0	- corporate sector	0.795		0.0	
4.530		0.2	Overseas index-linked - public sector	3.314		0.1	
<b>339.261</b>		<b>16.6</b>		<b>390.427</b>		<b>15.0</b>	
<b>Property</b>							
194.042		9.5	UK property funds	174.870		6.7	
0.023		0.0	Overseas property funds	0.020		0.0	
<b>194.065</b>		<b>9.5</b>		<b>174.890</b>		<b>6.7</b>	
<b>Private equity</b>							
6.219		0.3	Neuberger Berman Crossroads 2010 fund	10.399		0.4	
15.483		0.7	Neuberger Berman Crossroads XX fund	14.982		0.6	
22.145		1.1	Neuberger Berman Crossroads XXI fund	22.313		0.9	
13.614		0.7	Neuberger Berman Crossroads XXII fund	21.711		0.8	
0.000		0.0	Brunel private equity funds	0.574		0.0	
1.640		0.1	South West regional venture fund	1.640		0.1	
0.840		0.0	Brunel	0.840		0.0	
<b>59.941</b>		<b>2.9</b>		<b>72.459</b>		<b>2.8</b>	

Table continued on next page

## Note 11: Investment assets and liabilities (continued)

31 March 2020				31 March 2021			
£ millions	£ millions	%	%	£ millions	£ millions	%	%
				<b>Derivatives</b>			
1.415		0.1		0.529		0.0	
0.000		0.0		0.000		0.0	
0.000		0.0		0.000		0.0	
	<b>1.415</b>		<b>0.1</b>		<b>0.529</b>		<b>0.0</b>
				<b>Cash and others</b>			
132.942		6.5		156.449		6.0	
	<b>132.942</b>		<b>6.5</b>		<b>156.449</b>		<b>6.0</b>
	<u><b>2,046.977</b></u>		<u><b>100.0</b></u>		<u><b>2,608.459</b></u>		<u><b>100.0</b></u>
				<b>Investment assets</b>			
				<b>Derivatives</b>			
-0.271		0.0		-0.011		0.0	
0.000		0.0		0.000		0.0	
0.000		0.0		0.000		0.0	
	<b>-0.271</b>		<b>0.0</b>		<b>-0.011</b>		<b>0.0</b>
	<u><b>-0.271</b></u>		<u><b>0.0</b></u>		<u><b>-0.011</b></u>		<u><b>0.0</b></u>
	<u><b>-0.271</b></u>		<u><b>0.0</b></u>		<u><b>-0.011</b></u>		<u><b>0.0</b></u>
	<u><b>2,046.706</b></u>		<u><b>100.0</b></u>		<u><b>2,608.448</b></u>		<u><b>100.0</b></u>
				<b>Investment liabilities</b>			
				<b>Net investment assets</b>			
				<b>Made up of</b>			
	2,051.729				2,174.397		
	-5.023				434.051		
	<u><b>2,046.706</b></u>				<u><b>2,608.448</b></u>		
	<u><b>2,046.706</b></u>				<u><b>2,608.448</b></u>		

In response to the requirements of the investment regulations for LGPS funds to pool investment assets, Brunel Pension Partnership Ltd (BPP Ltd) has been formed to oversee the investment assets for the Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire LGPS funds. Each of the ten funds own an equal share of Brunel Ltd, with share capital invested by each fund of £840,000. The £840,000 investment shown as Brunel within private equity above refers to this value of the shares the fund holds in Brunel Pension Partnership Ltd. (BPP Ltd.). As disclosed in the accounting policies section of these accounts this investment is valued at cost. This value is not the value of assets managed by BPP Ltd, which as at 31 March 2021 was £1,975,780,000. This investment is also disclosed separately from any other investment in note 13, note 16 and note 30 and a written disclosure is made in note 24 with regard to related parties.

## Note 12: Analysis of pooled fund investments

31 March 2020 £ millions		31 March 2021 £ millions
	<b>Unit trusts</b>	
128.341	UK property funds	128.972
	<b>Unitised insurance policies</b>	
489.305	Brunel passive global equity fund	681.900
7.995	Standard Life smaller companies fund	12.994
<b>497.300</b>		<b>694.894</b>
	<b>Limited liability partnerships</b>	
0.000	UK property funds	0.000
0.000	Overseas property funds	0.000
6.219	Neuberger Berman Crossroads 2010 fund	10.399
15.483	Neuberger Berman Crossroads XX fund	14.982
22.145	Neuberger Berman Crossroads XXI fund	22.313
13.614	Neuberger Berman Crossroads XXII fund	21.711
0.000	Brunel private equity funds	0.574
1.640	South West regional venture fund	1.640
<b>59.101</b>		<b>71.619</b>
	<b>UK authorised contractual scheme</b>	
353.367	Brunel UK equity fund	450.502
240.564	Brunel global high alpha equity fund	360.872
0.000	Brunel global smaller companies fund	184.984
69.184	Brunel emerging market equity fund	122.078
<b>663.115</b>		<b>1,118.436</b>
	<b>Other managed funds</b>	
31.933	Nomura Japan fund	0.000
65.701	UK property funds	45.898
0.023	Overseas property funds	0.020
<b>97.657</b>		<b>45.918</b>
<b>1,445.514</b>	<b>Total</b>	<b>2,059.839</b>

### Note 13: Movement in investment assets

Manager	Asset class	Investment assets as at 1 April £ millions	Change in cash invested internally £ millions	Purchases £ millions	Sales proceeds £ millions	Realised profit or loss £ millions	Unrealised profit or loss £ millions	Investment assets as at 31 March £ millions
2019/2020	Total	2,168.202	-69.939	1,610.774	-1,502.618	161.409	-321.122	2,046.706
Somerset County Council	Global equity	28.552	0.000	7.022	-43.689	15.465	-6.975	0.375
Aberdeen Standard	UK equity	7.995	0.000	0.000	0.000	0.000	4.999	12.994
Somerset County Council	US equity	73.111	0.000	0.414	-92.374	49.076	-30.227	0.000
Nomura	Japanese equity	31.933	0.000	0.000	-37.828	19.312	-13.417	0.000
Maple-Brown Abbott	Far East equity	25.342	0.000	3.295	-33.795	-0.735	5.893	0.000
Aberdeen Standard	Bonds	339.261	0.000	220.386	-174.032	3.993	0.819	390.427
Aberdeen Standard	Derivatives	1.144	0.000	1,315.804	-1,316.405	0.377	-0.402	0.518
LaSalle / Brunel	Property	194.065	0.000	8.120	-20.470	2.606	-9.431	174.890
Neuberger Berman	Global private equity	57.461	0.000	5.436	-6.104	1.608	11.004	69.405
TVP	UK venture capital	1.640	0.000	0.000	0.000	0.000	0.000	1.640
Brunel	Company	0.840	0.000	0.000	0.000	0.000	0.000	0.840
Brunel	UK Equity	353.367	0.000	0.000	0.000	0.000	97.135	450.502
Brunel	Pasive global equity	489.305	0.000	0.000	0.000	-0.038	192.633	681.900
Brunel	Global high alpha equity	240.564	0.000	0.000	0.000	0.000	120.308	360.872
Brunel	Global smaller co.'s	0.000	0.000	151.041	0.000	-0.034	33.977	184.984
Brunel	Emerging market equity	69.184	0.000	20.000	0.000	0.000	32.894	122.078
Brunel	Global private equity	0.000	0.000	0.374	0.000	0.000	0.200	0.574
Somerset County Council	Cash	132.942	9.654	0.000	0.000	14.189	-0.336	156.449
<b>2020/2021</b>	<b>Total</b>	<b>2,046.706</b>	<b>9.654</b>	<b>1,731.892</b>	<b>-1,724.697</b>	<b>105.819</b>	<b>439.074</b>	<b>2,608.448</b>

The £840,000 investment shown as Brunel above refers to the value of the shares the fund holds in Brunel Pension Partnership Ltd. (BPP Ltd.). As disclosed in the accounting policies section of these accounts this investment is valued at cost. This value is not the value of assets managed by BPP Ltd, which as at 31 March 2021 was £1,975,780,000. This investment is also disclosed separately from any other investment in note 11, note 16 and note 30 and a written disclosure is made in note 24 with regard to related parties.

#### **Note 14: Actuarial present value of promised retirement benefits**

The present value of promised retirement benefits is an estimate of the value of the lump sums and pensions that the fund will pay in the future. The estimate has been calculated by the fund's actuary and has been prepared in accordance with International Accounting Standard (IAS) 26. In calculating the disclosed numbers the actuary has adopted methods and assumptions that are consistent with IAS19.

To assess the value of the Fund's liabilities at 31 March 2021, the actuary has rolled forward the value of the Fund's liabilities calculated for the funding valuation as at 31 March 2019

The estimation of the present value of promised retirement benefits is subject to significant variances based on changes to the underlying assumptions. In accordance with IAS 19 the assumptions used to make the calculations are set with reference to market conditions at the net asset statement date. The assumptions used are as follows:

<b>31 March 2020</b>		<b>31 March 2021</b>
	<b>Financial assumptions</b>	
2.65%	RPI increases	3.20%
1.85%	CPI increases	2.85%
2.85%	Salary increases	3.85%
1.85%	Pension increases	2.85%
2.35%	Discount Rate	2.00%
	<b>Life expectancy (from age 65)</b>	
23.3	Retiring today - Males	23.1
24.7	- Females	24.6
24.7	Retiring in 20 years - Males	24.4
26.2	- Females	26.0

The Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach. The single inflation rate derived is that which gives the same net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the BoE implied inflation curve. The Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30-year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40-year point. This is consistent with the approach used at the last accounting date.

CPI is assumed to be 0.35% below RPI. This is a reasonable estimate for the future differences in the indices, based on the different calculation methods, recent independent forecasts and the duration of the Fund's liabilities. The difference between RPI and CPI is less than assumed at the previous accounting date. This reflects the movement in market implied RPI inflation that occurred following the UK Statistics Authority's proposal to change how RPI is calculated and subsequent announcements from the Chancellor on the issue.

Salaries are assumed to increase at 1.0% p.a. above CPI. This is consistent with the approach at the previous accounting date.

An estimate of the Fund's future cashflows is made using notional cashflows based on the estimated duration of 22 years. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30-year point). This is consistent with the approach used at the last accounting date.

A sensitivity analysis of the present value of promised retirement benefits to changes in these assumptions is provided in the table below.

	£ millions	£ millions
Actuarial present value of promised retirement benefits	4,932.646	
<b>Sensitivity to</b>	<b>+0.1%</b>	<b>-0.1%</b>
Discount rate	4,827.676	5,039.984
Salary increase	4,941.436	4,923.916
Pension increases and deferred revaluation	5,030.183	4,837.154
<b>Sensitivity to</b>	<b>+ 1 year</b>	<b>- 1 year</b>
Life expectancy assumptions	5,148.857	4,725.757

The table below shows a breakdown of the change in the present value of promised retirement benefits that occurred during the year.

The change in financial assumptions item includes the change in derivation of future assumed RPI and CPI inflation as noted above. These changes have resulted in a loss of £199,109,000 on the defined benefit obligation; comprising a gain of £236,844,000 from the change in assumed RPI and a loss of £435,953,000 from the change in the assumed gap between RPI and CPI inflation.

The change in demographic assumptions figure in the table above reflects the update to use the CMI\_2020 Model. The demographic assumptions used are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2019, except for the CMI projection model. The post retirement mortality tables adopted are the S3PA tables with a multiplier of 90% for males and 100% for females. These base tables are then projected using the CMI\_2020 Model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.5, an initial addition parameter of 0.5% p.a. and a 2020 weighting of 25%.

Although the post retirement mortality tables adopted are consistent with the previous accounting date, the mortality improvement projection has been updated to use the latest version of the Continuous Mortality Investigation's model, CMI\_2020, which was released in March 2021. This update has been made in light of the coronavirus pandemic and reflects the latest information available from the CMI. The new CMI\_2020 Model introduces a "2020 weight parameter" for the mortality data in 2020 so that the exceptional mortality experienced due to the coronavirus pandemic can be incorporated without having a disproportionate impact on results. Placing too much weight on the 2020 mortality experience would not be appropriate given the abnormality of the 2020 data, however, the overall outlook for best-estimate future mortality improvements looks less positive as a result of the pandemic. The CMI\_2020 Model with a 2020 weight parameter of 25% has been used. At the last accounting date, the CMI\_2018 Model was adopted. The effect on the Employer's liabilities of updating to the most recent model is reflected in the Change in demographic assumptions figure in the table below.

As a result of the High Court's recent Lloyds ruling on the equalisation of GMPs between genders, a number of pension schemes have made adjustments to accounting disclosures to reflect the effect this ruling has on the value of pension liabilities. HM Treasury have confirmed that the judgement "does not impact on the current method used to achieve equalisation and indexation in public service pension schemes".

On 23 March 2021, the Government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016.

The valuation assumption for GMP was that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, the calculations assume that the Fund will be required to pay the entire inflationary increase. This assumption is consistent with the consultation outcome and does not make any adjustments to the value placed on the liabilities as a result of the above outcome.

The calculations were adjusted for the outcome of the McCloud case in last year's accounts and this year's figures have been calculated in the same way.

<b>2019/2020</b>		<b>2020/2021</b>
<b>£ millions</b>		<b>£ millions</b>
118.814	Current service cost	125.726
93.137	Interest cost	85.430
-451.719	Change in financial assumptions	1,208.548
2.810	Change in demographic assumptions	-38.980
63.652	Experience loss/(gain) on defined benefit obligations	-47.028
0.000	Liabilities assumed/(extinguished) on settlements	0.000
-92.766	Estimated benefits paid net of transfers in	-95.258
7.057	Past service costs, including curtailments	0.472
19.550	Contributions by scheme members	22.599
<b>-239.465</b>		<b>1,261.509</b>

## Note 15: Other investment balances

31 March 2020 £ millions		31 March 2021 £ millions
<b>Assets</b>		
4.173	- Accrued income	4.037
1.184	- Payments due on investments sold	8.316
0.945	- Cash collateral provided	1.063
<u>6.302</u>		<u>13.416</u>
<b>Liabilities</b>		
-2.345	- Payments not made on purchases and losses due on sales	-9.479
-0.197	- Cash collateral held	0.000
<u>-2.542</u>		<u>-9.479</u>
<u><u>3.760</u></u>		<u><u>3.937</u></u>

## Note 16: Management structure

31 March 2020		Manager	Asset class	31 March 2021	
£ millions	%			£ millions	%
28.552	1	Somerset County Council	Passive global equity	0.375	0
7.995	0	Aberdeen Standard	UK equity	12.994	0
73.111	4	Somerset County Council	Passive US equity	0.000	0
31.933	2	Nomura	Japanese equity	0.000	0
25.342	1	Maple-Brown Abbott	Far East equity	0.000	0
340.405	17	Aberdeen Standard	Bonds	390.945	15
194.065	9	LaSalle	Property	0.020	0
57.461	3	Neuberger Berman	Global private equity	69.405	3
1.640	0	Technology Venture Partners	UK venture capital	1.640	0
0.840	0	Brunel	UK venture capital	0.840	0
132.942	7	Somerset County Council	Cash	156.449	6
<b>894.286</b>	<b>44</b>	<b>Not-pooled sub total</b>		<b>632.668</b>	<b>24</b>
353.367	17	Brunel	UK Equity	450.502	17
489.305	24	Brunel	Passive global equity	681.900	26
240.564	12	Brunel	Global high alpha equity	360.872	14
0.000	0	Brunel	Global smaller companies	184.984	7
69.184	3	Brunel	Emerging market equity	122.078	5
0.000	0	Brunel	Property	174.870	7
0.000	0	Brunel	Global private equity	0.574	0
<b>1,152.420</b>	<b>56</b>	<b>Pooled sub total</b>		<b>1,975.780</b>	<b>76</b>
<b>2,046.706</b>	<b>100</b>	<b>Net investment assets</b>		<b>2,608.448</b>	<b>100</b>

The £840,000 investment shown as Brunel above refers to the value of the shares the fund holds in Brunel Pension Partnership Ltd. (BPP Ltd.). As disclosed in the accounting policies section of these accounts this investment is valued at cost. This value is not the value of assets managed by BPP Ltd, which as at 31 March 2021 was £1,975,780,000. This investment is also disclosed separately from any other investment in note 11, note 13 and note 30 and a written disclosure is made in note 24 with regard to related parties.



## Note 18: Net gains and losses on financial instruments

<b>2019/2020</b>		<b>2020/2021</b>
<b>£ millions</b>		<b>£ millions</b>
-159.714	Fair value through profit and loss	544.893
0.000	Amortised cost - realised gains (losses) on derocognition	0.000
0.000	Amortised cost - unrealised gains (losses)	0.000
<b><u>-159.714</u></b>		<b><u>544.893</u></b>

## Note 19: Major holdings

31 March 2020				31 March 2021		% of net investments
Rank	£ millions	Stock	Description	Rank	£ millions	
1	489.305	Brunel passive global equity fund	Pooled fund of developed market equities	1	681.900	26.1
2	353.367	Brunel UK equity fund	Pooled fund of UK equities	2	450.502	17.3
3	240.564	Brunel global high alpha equity fund	Pooled fund of developed market equities	3	360.872	13.8
-	0.000	Brunel global smaller companies fund	Pooled fund of developed market equities	4	184.984	7.1
4	69.184	Brunel emerging market equity fund	Pooled fund of emerging market equities	5	122.078	4.7
6	22.145	Neuberger Berman Crossroads XXI fund	Private equity fund	6	22.313	0.9
16	13.614	Neuberger Berman Crossroads XXII fund	Private equity fund	7	21.711	0.8
8	20.696	CBRE UK Property Fund	Pooled fund of UK property	8	20.464	0.8
9	19.865	Nuveen UK Property Fund	Pooled fund of UK property	9	20.027	0.8
11	16.583	IPIF	Pooled fund of UK property	10	18.762	0.7
10	17.943	Blackrock UK PUT	Pooled fund of UK property	11	17.592	0.7
12	16.085	Nuveen Central London Office fund	Pooled fund of UK property	12	15.946	0.6
13	15.781	AEW Real Return Fund	Pooled fund of UK property	13	15.057	0.6
14	15.483	Neuberger Berman Crossroads XX fund	Private equity fund	14	14.982	0.6
15	14.593	Octopus Healthcare fund	Pooled fund of UK property	15	14.935	0.6
20	7.995	Standard Life smaller companies fund	Pooled fund of UK equities	16	12.994	0.5
17	12.366	Lothbury	Pooled fund of UK property	17	12.287	0.5
22	6.219	Neuberger Berman Crossroads 2010 fund	Private equity fund	18	10.399	0.4
18	10.004	UNITE UK Student Accomodation fund	Pooled fund of UK property	19	9.800	0.4
19	8.591	Hermes Property fund	Pooled fund of UK property	20	8.354	0.3

The largest four holdings of the fund each make up more than 5% of the net investment assets. The percentage of net investment assets that each holding makes up is shown in the final column of the table above.

## Note 20: Derivatives

Investment in derivative instruments may only be made if they contribute to a reduction of risk or they facilitate more efficient portfolio management.

During the year the fund used forward foreign exchange contracts, bond futures, interest rate swaps and inflation rate swaps.

The year end value of derivatives is as follows:

31 March 2020 £ millions				31 March 2021 £ millions		
Asset	Liability	Net value		Asset	Liability	Net value
<b>Forward foreign-exchange contracts</b>						
1.415	-0.271	1.144	Aberdeen Standard fixed Interest	0.529	-0.011	0.518
<b>1.415</b>	<b>-0.271</b>	<b>1.144</b>		<b>0.529</b>	<b>-0.011</b>	<b>0.518</b>
<b>Government bond futures</b>						
0.000	0.000	0.000	UK gilt future	0.000	0.000	0.000
0.000	0.000	0.000	European bond future	0.000	0.000	0.000
0.000	0.000	0.000	Australian bond future	0.000	0.000	0.000
0.000	0.000	0.000	Canadian bond future	0.000	0.000	0.000
0.000	0.000	0.000	US treasury future	0.000	0.000	0.000
<b>0.000</b>	<b>0.000</b>	<b>0.000</b>		<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>Swaps</b>						
0.000	0.000	0.000	Inflation swaps	0.000	0.000	0.000
0.000	0.000	0.000	Interest rate swaps	0.000	0.000	0.000
<b>0.000</b>	<b>0.000</b>	<b>0.000</b>		<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>1.415</b>	<b>-0.271</b>	<b>1.144</b>		<b>0.529</b>	<b>-0.011</b>	<b>0.518</b>

Aberdeen Standard hold forward foreign exchange contracts to hedge the foreign exchange risk of holding investments that are not valued in sterling in their fixed income portfolio. The non-sterling bonds are either government bonds or corporate bonds. Typically Aberdeen Standard chose to hedge 100% of their currency risk.

The fair value of these contracts at year end is based on market foreign exchange rates at the year end date. All forward foreign exchange contracts are over the counter trades.

The bond futures are used by Aberdeen Standard to gain exposure to overseas government bonds with lower trading costs and better liquidity than trading the underlying bonds themselves. There are significant restrictions in how Aberdeen Standard may use bond futures to ensure they do not increase the overall risk of the portfolio they are managing. The bond futures are exchange traded contracts.

Swaps are used by Aberdeen Standard to gain exposure to various interest rates and inflation exposures with lower trading costs and better liquidity than trading bonds with similar exposures. There are significant restrictions in how Aberdeen Standard may use swaps to ensure they do not increase the overall risk of the portfolio they are managing. The swaps are over the counter trades.

The gross exposure values (the value of the assets bought and sold within the derivatives contracts) are shown in the following table.

31 March 2020 £ millions				31 March 2021 £ millions		
Asset exposure value	Liability exposure value	Net value		Asset exposure value	Liability exposure value	Net value
<b>Forward foreign-exchange contracts</b>						
59.534	-58.390	1.144	Aberdeen Standard fixed Interest	57.552	-57.034	0.518
<b>59.534</b>	<b>-58.390</b>	<b>1.144</b>		<b>57.552</b>	<b>-57.034</b>	<b>0.518</b>
<b>Government bond futures</b>						
1.226	-1.226	0.000	UK gilt future	13.595	-13.595	0.000
0.000	0.000	0.000	European bond future	5.051	-5.051	0.000
0.668	-0.668	0.000	Australian bond future	6.876	-6.876	0.000
0.250	-0.250	0.000	Canadian bond future	0.000	0.000	0.000
6.904	-6.904	0.000	US treasury future	6.934	-6.934	0.000
<b>9.048</b>	<b>-9.048</b>	<b>0.000</b>		<b>32.456</b>	<b>-32.456</b>	<b>0.000</b>
<b>Swaps</b>						
0.212	-0.212	0.000	Inflation swaps	0.095	-0.095	0.000
0.450	-0.450	0.000	Interest rate swaps	0.734	-0.734	0.000
<b>0.662</b>	<b>-0.662</b>	<b>0.000</b>		<b>0.829</b>	<b>-0.829</b>	<b>0.000</b>
<b>69.244</b>	<b>-68.100</b>	<b>1.144</b>		<b>90.837</b>	<b>-90.319</b>	<b>0.518</b>

The exposure currencies of the forward foreign exchange contracts held by Aberdeen Standard are shown in the table below.

31 March 2020 £ millions			31 March 2021 £ millions		
Asset exposure value	Liability exposure value	Net value	Asset exposure value	Liability exposure value	Net value
<b>Aberdeen Standard fixed Interest</b>					
49.702	-10.007	39.695	57.288	-0.264	57.024
0.290	-2.419	-2.129	0.000	-3.215	-3.215
7.904	-37.630	-29.726	0.264	-43.981	-43.717
1.638	-8.334	-6.696	0.000	-9.574	-9.574
<b>59.534</b>	<b>-58.390</b>	<b>1.144</b>	<b>57.552</b>	<b>-57.034</b>	<b>0.518</b>

#### Note 21: Capital commitments (investments)

As at 31 March 2021 the fund had outstanding capital commitments (investments) totalling £71.287m (31 March 2020 - £48.943m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the pooled private equity and pooled property fund elements of the investment portfolio. The amounts 'called' by these funds are irregular in both size and timing from the date of the original commitment due to the nature of the investments.

31 March 2020 £ millions		31 March 2021 £ millions	
Total commitment	Outstanding commitment	Total commitment	Outstanding commitment
92.746	36.332	83.351	27.651
48.500	12.611	68.500	24.490
0.000	0.000	19.523	19.146
<b>141.246</b>	<b>48.943</b>	<b>171.374</b>	<b>71.287</b>

## Note 22: Stock lending

The fund's investment strategy sets the parameters for its stock-lending programme. The value of investments on loan as at 31 March 2021 is shown in the table below. These assets continue to be recognised in the fund's financial statements. No liabilities are associated with the loaned assets.

Counterparty risk is managed through holding collateral at the fund's custodian bank. Collateral consists of acceptable securities and government debt. Stock-lending commissions are remitted to the fund via the custodian. The value and type of collateral held at year end is shown in the table below.

During the period the stock is on loan, the voting rights of the loaned stock pass to the borrower.

<b>31 March 2020</b> <b>£ millions</b>		<b>31 March 2021</b> <b>£ millions</b>
34.058	Value of stock on loan	33.907
35.949	Value of collateral held against loaned stock	35.301

<b>31 March 2020</b> <b>%</b>		<b>31 March 2021</b> <b>%</b>
	<b>Form of collateral provided</b>	
46.5	UK Government debt	46.2
10.6	US Government debt	3.9
27.1	Euro area Governments debt	49.9
0.3	UK equities	0.0
15.5	Overseas equities	0.0
0.0	Other	0.0
<b>100.0</b>		<b>100.0</b>

## Note 23: Membership statistics

As at 31 March	2015	2016	2017	2018	2019	2020	2021
<b>Active scheme members</b>	<b>22,020</b>	<b>22,649</b>	<b>21,550</b>	<b>21,151</b>	<b>20,485</b>	<b>20,877</b>	<b>20,605</b>
<b>Pensioners</b>							
Current (in payment)	13,871	14,779	15,421	16,322	17,326	18,289	18,921
Deferred (future liability)	17,280	20,452	22,268	25,119	26,741	26,449	26,543
Undecided leavers	3,754	2,507	3,778	2,617	2,337	1,808	1,838
<b>Total (active plus pensioners)</b>	<b>56,925</b>	<b>60,387</b>	<b>63,017</b>	<b>65,209</b>	<b>66,889</b>	<b>67,423</b>	<b>67,907</b>
Active members for each current pensioner	1.59	1.53	1.40	1.30	1.18	1.14	1.09

## Note 24: Additional voluntary contributions

During the year some members of the fund paid additional voluntary contributions (AVCs) to Utmost Life and Pensions (formally Equitable Life) and Prudential to buy extra pension benefits when they retire. The pension fund accounts, in accordance with regulation 5 (2)(C) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 do not include AVC transactions. The contributions for the year and the outstanding value of assets invested via AVCs at 31 March are shown in the following table.

<b>31 March 2020</b> <b>£ millions</b>	<b>31 March 2021</b> <b>£ millions</b>
<b>Value of additional voluntary contributions</b>	
4.074 Prudential*	
0.218 Utmost (formally Equitable Life)	0.201
<b><u>4.292</u></b>	<b><u>0.201</u></b>

<b>2019/2020</b> <b>£ millions</b>	<b>2020/2021</b> <b>£ millions</b>
<b>Additional voluntary contributions paid during the year</b>	
0.388 Prudential*	
0.000 Utmost (formally Equitable Life)	0.000
<b><u>0.388</u></b>	<b><u>0.000</u></b>

\* Prudential have not provided AVC data regarding contributions in 2020/21 or the total value of assets as at 31 March 2021.

## **Note 25: Related parties**

Committee members Gordon Bryant, Paul Butler and Mark Simmonds were active members of the scheme during the year and Committee member Sarah Payne was a deferred member of the scheme during the year.

Pension Board member Nigel Behan was an active members of the scheme during the year.

The fund holds shares in a number of companies that Somerset County Council and the other member bodies have commercial dealings with. Decisions about the suitability of companies for the fund to invest in are taken by Aberdeen Standard, Jupiter Asset Management, Nomura Asset Management, Amundi Asset Management and LaSalle for their parts of the fund, without referring to the county council, its officers or other member bodies. This is also the case for the fund managers that Brunel employee within the pooled funds we invest in. Decisions about suitable investments for the in-house funds are made based only on the recommendations of a quantitative analysis system, so officers do not have the power to include or exclude specific companies.

Payments made to Somerset County Council by the fund for administration and related services are disclosed in notes 7, 8 and 9.

### Brunel Pension Partnership Ltd (Company number 10429110)

Brunel Pensions Partnership Ltd (BPP Ltd) was formed on the 14th October 2016 and oversees the investment of pension fund assets for Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire Funds.

Each of the 10 local authorities, including Somerset County Council own 10% of BPP Ltd.

The fund paid BPP Ltd £991,000 in fees for services in the 2020-2021 financial year as disclosed in note 8. The fund paid for fees in the 2020-2021 financial year before the end of the current year and as such £223,000 is within the other debtors amount of £3,755,000 shown on the Net Asset Statement.

During the year the fund did not add to the £840,000 paid for its shares in BPP Ltd during the 2017-2018 financial year. These accounts show this investment valued at cost and is disclosed separately from any other investment in note 11, note 13, note 16 and note 30.

No other related party transactions other than normal contributions, benefits and transfers occurred during the year. In note 4 we analyse the total contributions we were due to receive and benefits the fund paid for scheduled and admitted bodies.

## Note 26: Remuneration

No staff are directly employed by Somerset County Council Pension Fund. All officers who undertake work on behalf of the fund are employed by Somerset County Council and then costs, including pay where appropriate, are charged to the fund. The total cost of these charges is shown in notes 7, 8 and 9 of these accounts.

The total actual salary and benefits paid for the financial year ended 31 March 2021 of any officer who undertake work for the fund and receives salary of greater than £60,000 is shown in the table below. This represents their full salary and benefits from Somerset County Council and does not represent the costs of the work this officer undertakes for the pension fund.

<b>Year to 31 March 2021</b>						
<b>Post title</b>	<b>Salary (including fees and allowances) £</b>	<b>Compensation for loss of office £</b>	<b>Benefits in kind £</b>	<b>Total wages and benefits but not including pensions contributions 2020/21 £</b>	<b>Employer's pension contributions £</b>	<b>Total wages and benefits including pensions contributions 2020/21 £</b>
Director of Finance and Performance	119,000	-	-	119,000	21,500	140,500

For comparison purposes the equivalent disclosure for the financial year ended 31 March 2019 is shown in the table below.

<b>Year to 31 March 2020</b>							<b>Total wages and benefits but not including pensions contributions</b>	<b>Total wages and benefits including pensions contributions</b>
<b>Post title</b>	<b>Salary (including fees and allowances)</b>	<b>Compensation for loss of office</b>	<b>Benefits in kind</b>	<b>2019/20</b>	<b>Employer's pension contributions</b>	<b>2019/20</b>	<b>£</b>	
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	
Director of Finance and Performance	9,200	-	-	9,200	1,400	10,600		
Interim Finance Director	176,400	-	-	176,400	-	176,400		

The Director of Finance and Performance was appointed as a permanent post with effect from 1<sup>st</sup> March 2020. The annualised salary for this post is £110,000. Somerset County Council appointed an Interim Director of Finance on a consultancy basis for the period April 2019 to February 2020. The amount shown was the full cost for 2019/20

## **Note 27: Investment Strategy Statement**

We have prepared an Investment Strategy Statement, which explains the strategies and policies that we use in the administration of the pension fund's investments. The full statement is published in the Pension Fund Annual Report and Financial Statement and is also available on the County Council website.

## **Note 28: Contingent liabilities**

There were no contingent liabilities as at 31 March 2021.

## **Note 29: Post balance sheet events**

There were no post balance sheet events as at 25 November 2021.

## **Note 30: Nature and extent of risks arising from financial instruments**

As a result of the adoption of IFRS the fund is required to make disclosures of the risks arising from holding Financial Instruments. For the purpose of this disclosure, financial instruments means all of the fund's investment assets and investment liabilities as shown in note 11 of these accounts, the approximation of the fair value of the net of these assets and liabilities at 31 March 2021 being £2,608m.

The main risks from the fund's holding of financial instruments are market risk, credit risk and liquidity risk. Market risk includes price risk, interest rate risk and currency risk.

The fund's assets are managed by a mixture of officers and external fund managers as described in note 16 of these accounts. A management agreement is put in place with each external fund manager which clearly states the type of investments they are allowed to make for the fund, asset allocation ranges and any further restrictions we believe are necessary.

To make investments as secure as they can be, where possible, external investments are maintained under the control of a safe custodian. Only cash holdings and a small number of pooled funds stay under the control of officers.

Because the fund adopts a long term investment strategy, the high level risks described below will not alter significantly during the year unless there are significant strategic or tactical changes in the portfolio.

## Market Risk

Market risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices of assets or currencies where the assets are priced in currencies other than British pounds.

The fund is exposed to market risk on all of its investment assets with the exception of the cash holdings in British pounds. The aim of the investment strategy is to manage and control market risk within acceptable parameters, while optimising the return from the investment portfolio over the long term.

The fund holds a diversified portfolio of different assets, which are managed by a variety of fund managers which have a variety of investment styles. This diversification is the most effective way of managing market risk.

The fund particularly manages the effect of market movements on exchange rates by hedging a portion of its foreign currency exposure using currency forwards. Details of this are given in note 20 of these accounts.

The sensitivity of the fund's investments to changes in market prices have been analysed using the volatility of returns experienced by asset classes. The volatility data used is broadly consistent with a one-standard deviation movement. The volatility is measured by the (annualised) estimated standard deviation of the returns of the assets relative to the liability returns. Such a measure is appropriate for measuring "typical" variations in the relative values of the assets and liabilities over short time periods. It is not appropriate for assessing longer term strategic issues.

Movements in market prices would have increased or decreased the investment assets valued at 31 March 2021 by the amounts shown below.

<b>Asset class</b>	<b>Value of Assets £ millions</b>	<b>Volatility</b>	<b>Increase in Assets £ millions</b>	<b>Decrease in Assets £ millions</b>
UK equities	463.496	17.90%	82.966	-82.966
Overseas equities	1350.209	15.30%	206.582	-206.582
UK bonds	185.098	7.70%	14.253	-14.253
Overseas bonds	130.232	13.20%	17.191	-17.191
UK index-linked bonds	75.097	7.20%	5.407	-5.407
Property	174.89	6.20%	10.843	-10.843
Private equity*	72.459	15.30%	11.086	-11.086
Derivatives	0.518	7.50%	0.039	-0.039
Cash	156.449	0.00%	0.000	0.000
<b>Net investment assets</b>	<b><u>2,608.448</u></b>		<b><u>348.366</u></b>	<b><u>-348.366</u></b>

\* Includes level 3 assets, further details can be found in note 30 of these accounts.

## Credit Risk

Credit risk represents the risk that the counterparty to a financial instrument will fail to meet an obligation and cause the fund to incur a financial loss. This is often referred to as counterparty risk.

The fund is subject to credit risk within its general debtors although none of these would represent a material risk to the fund.

The fund has credit risk to each of its employer bodies in that they could become insolvent and default on a pension deficit owed to the fund. The majority of the employers in the fund are statutory bodies backed to a greater or lesser extent by the UK government. For the admitted bodies the credit risk is mitigated and managed by the holding of guarantee bonds or having their deficit guaranteed by one of the statutory bodies within the fund.

Bankruptcy or insolvency of the custodian may affect the fund's access to its assets. However, all assets held by a custodian are ring-fenced as "client assets" and therefore cannot be claimed by creditors of the custodian. The fund manages its risk by monitoring the credit quality and financial position of custodians.

A source of credit risk is the cash balances held to meet operational requirements or by the managers at their discretion and cash deposits with various institutions. Internally held cash is managed on the fund's behalf by the Council's Treasury Management Team in line with the fund's Counterparty Policy which sets out the permitted counterparties and limits. The exposure within the cash management part of the portfolio to a single entity is limited to £10m and all counterparties must be rated at least "A-" or higher by the three major rating agencies. In this context the fund's cash balances (including the cash held at bank or net of bank overdraft) of £156.4m is subject to credit risk.

Through its securities lending activities, the fund is exposed to the counterparty risk of the collateral provided by borrowers against the securities lent. This risk is managed by restricting the collateral permitted to high grade sovereign debt and baskets of liquid equities. Details of the collateral held are provided within note 21 of these accounts.

Forward foreign exchange contracts are subject to credit risk in relation to the counterparties of the contracts, which are primarily banks. The maximum credit exposure on foreign currency contracts is the full amount of the contractual settlement should the counterparty fail to meet its obligations to the fund when it falls due. The fair value and full exposure levels of the forward foreign exchange contracts held are provided in note 20 of these accounts. During the year the exposure on some forward foreign exchange contracts moved to having collateral provided against this exposure. As at 31 March 2021 we held £0 of cash collateral and £1,063,000 has been provided to counterparties as collateral by the fund and these are included within the investment balances in note 11. As it is collateral we have a liability to pay this sum back unless the counterparty fails or receive it back where we have provided the collateral, as a result we have declared an equal liability or asset in other investment balances in note 15.

It is arguable that the fund has significant exposure to credit risk within its bond holdings, the reality is that as the perception of the credit quality of the bond issuer varies through time the market price of the bond varies accordingly, this means that the market risk of these holdings effectively encompasses the counterparty risk.

## Liquidity risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The fund mitigates this risk by monitoring and projecting its cash flow to enable it to have cash resources as they are required and maintains a cash balance to meet working requirements.

A substantial portion of the fund's investments consist of cash and readily realisable securities, in particular equities and fixed income investments that are listed on exchanges. This gives the fund access to in excess of £450m of assets which could be realistically liquidated into cash in less than a week. The majority of the Brunel provided pooled funds provide weekly dealing, providing access to further liquidity should it be required.

The main liability of the fund is the benefits payable, which fall due over a long period and the investment strategy reflects the long term nature of these liabilities. The estimated present value of these obligations is shown on the net asset statement of these accounts and the value of these benefits that fell due in the past financial year is shown on the fund account of these accounts.

The forward foreign exchange contracts held by the fund do give rise to a liquidity risk as they must be settled at a prescribed date agreed at the time of placing the contract. The exact size of this liability varies in line with foreign exchange prices on an on-going basis. The furthest date at which some of these contracts expire is never more than 6 months and the cash flows involved are regularly monitored to ensure we can meet these liabilities as they fall due. The fair value and full exposure levels of the forward foreign exchange contracts held are provided in note 20 of these accounts.

The bond futures and swaps have daily margin calls and no cash liability beyond these. The size of the daily margin calls are typically around £20,000 and on occasion as large as £75,000 and therefore do not pose a significant liquidity risk to the fund.

### Note 31: Fair value hierarchy

The fund measures fair values using the following hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Unadjusted quoted prices in an active market for identical assets or liabilities that the fund has the ability to access at the measurement date.
- Level 2: Inputs other than quoted prices under Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the assets or liability used to measure fair value that rely on the fund's own assumptions concerning the assumptions that market participants would use in pricing an asset or liability.

The basis for the valuation of each class of investment asset is set out below.

<b>Description of Asset</b>	<b>Fair Value Hierarchy</b>	<b>Basis of Valuation</b>	<b>Observable and unobservable inputs</b>	<b>Key sensitivities affecting the valuation provided</b>
Market quoted equities and bonds	Level 1	Published closing bid prices ruling at year end	Not required	Not required
Exchange traded futures and forward foreign exchange contracts	Level 1	Published exchange prices at the year end	Not required	Not required

Table continued on next page

<b>Description of Asset</b>	<b>Fair Value Hierarchy</b>	<b>Basis of Valuation</b>	<b>Observable and unobservable inputs</b>	<b>Key sensitivities affecting the valuation provided</b>
Pooled equity funds	Level 2	Published single price ruling at year end	Quoted prices of underlying holdings of the assets held within the pooled fund	Not required
Brunel pooled funds	Level 2	Closing bid price where bid and offer prices are available  Closing single price where single price available	Quoted prices of underlying holdings of the assets held within the pooled fund	Not required
Pooled property funds	Level 2	Closing bid price where bid and offer prices are available  Closing single price where single price available	Prices of the underlying property assets assessed by an independent valuer.	Not required
Private equity limited liability partnerships	Level 3	Valued using a number of different market and income valuation methods as well as comparable market transaction prices	Market transactions, market outlook, cash flow projections, last financings and multiple projections	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts
Unquoted equity	Level 3	Brunel share capital is valued at book cost	Earnings and revenue multiples, discount for lack of marketability, control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

The table below analyses the fund's investment assets at 31 March 2021 into the 3 levels of the fair value hierarchy.

<b>Asset Class</b>	<b>Level 1 £ millions</b>	<b>Level 2 £ millions</b>	<b>Level 3 £ millions</b>	<b>Total £ millions</b>
UK equities		12.994		12.994
Overseas equities	0.375			0.375
Brunel pooled equity funds		1,800.336		1,800.336
Bonds	390.427			390.427
Property funds		174.890		174.890
Private Equity funds			72.459	72.459
Derivatives	0.518			0.518
Cash	156.449			156.449
<b>Net investment assets</b>	<b><u>547.769</u></b>	<b><u>1,988.220</u></b>	<b><u>72.459</u></b>	<b><u>2,608.448</u></b>

For comparison purposes the equivalent disclosure for the financial year ended 31 March 2020 is shown in the table below.

<b>Asset Class</b>	<b>Level 1 £ millions</b>	<b>Level 2 £ millions</b>	<b>Level 3 £ millions</b>	<b>Total £ millions</b>
UK equities		11.472		11.472
Overseas equities	503.503			503.503
Brunel pooled equity funds		958.643		958.643
Bonds	321.663			321.663
Property funds		184.347		184.347
Private Equity funds			49.993	49.993
Derivatives	-0.362			-0.362
Cash	138.943			138.943
<b>Net investment assets</b>	<b><u>963.747</u></b>	<b><u>1,154.462</u></b>	<b><u>49.993</u></b>	<b><u>2,168.202</u></b>

There have been no transfers of assets between levels within the fair value hierarchy during the financial year ended 31 March 2021.

The following table shows a reconciliation of the movement in level 3 investments during the financial year ended 31 March 2021.

<b>Asset class</b>	<b>Fair Value as at 31 March 2020 £ millions</b>	<b>Transfers into Level 3 £ millions</b>	<b>Transfers out of Level 3 £ millions</b>	<b>Purchases £ millions</b>	<b>Sales proceeds £ millions</b>	<b>Realised profit or loss £ millions</b>	<b>Unrealised profit or loss £ millions</b>	<b>Fair Value as at 31 March 2021 £ millions</b>
Global private equity	57.461	0.000	0.000	5.810	-6.104	1.608	11.204	69.979
UK venture capital	1.640	0.000	0.000	0.000	0.000	0.000	0.000	1.640
Brunel	0.840	0.000	0.000	0.000	0.000	0.000	0.000	0.840
<b>Total</b>	<b>59.941</b>	<b>0.000</b>	<b>0.000</b>	<b>5.810</b>	<b>-6.104</b>	<b>1.608</b>	<b>11.204</b>	<b>72.459</b>

The £840,000 investment shown as Brunel above refers to the value of the shares the fund holds in Brunel Pension Partnership Ltd. (BPP Ltd.). As disclosed in the accounting policies section of these accounts this investment is valued at cost. This value is not the value of assets managed by BPP Ltd, which as at 31 March 2020 was £1,152,420,000. This investment is also disclosed separately from any other investment in note 11, note 13 and note 16 and a written disclosure is made in note 24 with regard to related parties.

## **Note 32: Accounting standards that have been issued but have not yet been adopted**

Under IFRS the fund must disclose what consideration it has given to accounting standards that have not been adopted. For the 2019-20 accounts the Fund has yet to adopt the following accounting standards.

### Definition of a Business: Amendments to IFRS 3 Business Combinations

The International Accounting Standards Board (IASB) issued Definition of a business (Amendments to IFRS 3) to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period. We do not expect these amendments to have a material impact on our accounts when they are applied from 1st April 2021.

### Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7

The IASB published Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7), in response to the ongoing reform of interest rate benchmarks around the world. The amendments aim to provide relief for hedging relationships.

The amendments are effective for annual periods beginning on or after 1 January 2020. We do not expect these amendments to have a material impact on our accounts when they are applied retrospectively from 1st April 2021.

### Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

The IASB published Interest Rate Benchmark Reform Amendments to IFRS 9, IAS 39 and IFRS 7 representing the finalisation of Phase II of the project on 27 August 2020 to address issues that might affect financial reporting when an existing interest rate benchmark is replaced with an alternative benchmark interest rate.

The amendments are effective for annual periods beginning on or after 1 January 2021. We do not expect these amendments to have a material impact on our accounts when they are applied retrospectively from 1st April 2022.



**Jason Vaughan**  
**Director of Finance and Governance**  
**25 November 2021**

# Glossary of terms

**This section explains complicated terms that we have used throughout this document.**

## **Accruals**

An amount shown in our accounts to cover money the Council owes or money owed to us, in the financial year, but which we will not actually pay or receive until the following year (See also Creditors and Debtors).

## **Actuarial gains or losses**

The actuarial gains or losses to the pension fund are made up of:

- actual gains or losses to the value of the fund's investments.
- changes to the number, age and sex of staff that contribute to the pension fund; and
- changes to the assumptions about the growth of investments and the liabilities of the scheme.

## **Admitted organisations**

Organisations that take part in the Local Government Pension Scheme with the Council's agreement. Examples of these organisations include housing associations, development agencies and companies providing services that the Council used to provide. (See also Scheduled organisations.)

## **Associate**

An organisation or company other than a subsidiary or joint venture in which the Council has an interest and over whose operating and financial policies the Council has a lot of influence.

## **Capital charges**

Charges the Council makes to services for using fixed assets when providing the service.

## **Capital contributions and grants**

Money the Council receives towards paying for capital spending on a particular service or scheme.

## **Capital financing charges**

The charge to the Council's capital financing reserve for repaying loans. It does not include:

- interest on the loans; or
- the direct cost of buying assets in the year.

## **Capital receipts**

The proceeds from selling assets such as buildings.

## **Capital spending**

The Council's spending on buying or creating a fixed asset or spending that adds to and does not just maintain the value of an existing asset, for example, land, buildings, roads, new furniture, vehicles and equipment.

**Capitalisation**

Capitalisation of an asset takes place when its cost is written off bit by bit, over its useful life, instead of writing off the cost in the year the asset was bought.

**Carry-forwards**

Revenue budgets the Council has not spent, which services can use in future years.

**Cash-limited budgets**

Fixed amounts of money, including allowances for pay and price increases, given to departments to run their services. All spending should be met from these budgets. This also involves flexibility in carrying forward underspending and overspending.

**Central Government Grants**

There are different types of grant.

- Revenue Support Grant – the main government grant to support Council services.
- Specific service grants – payments from the Government to cover Council spending on a particular service or project (for example, Standards Fund for schools). Specific grants are often a fixed percentage of the costs of a service or project.
- Supplementary grants – grants towards capital spending for highway schemes.

**CIPFA**

The Chartered Institute of Public Finance and Accountancy. This is the professional institute governing how public money is used and how it has to be reported.

**Collection funds**

Accounts which district councils keep to record the amounts of council tax collected.

**Comfund**

The Council operates a joint scheme called the Comfund to earn the best possible interest on our investments. We invest our spare reserves into this scheme, together with investments from other organisations who also take part.

**Community assets**

Assets that the Council plan to hold forever, have no set useful life, and may have restrictions on how we sell or otherwise dispose of them. Examples of community assets are parks, historic buildings and various conservation works.

**Contingent liability**

A possible liability which may arise when the Council knows the outcome of claims made against us which have not yet been settled.

**Co-optee**

A person who is not a member of the Council but is a member of a committee or sub-committee of the Council.

**COVID-19**

An infectious disease that was declared a pandemic on 30 January 2020 by the World Health Organisation.

**Creditors**

People the Council owes money to for work, goods or services we receive but which we have not paid for by the end of the financial year.

**Current value**

The cost of an asset if bought in the current year.

**Debtors**

People who owe us money that the Council is due to receive but which we have not been paid by the end of the financial year.

**Deferred Payment**

An arrangement with a local authority that lets people use the value of their homes to help pay care home costs.

**Deficit**

There are two types of deficits. A fund is said to be in deficit when its liabilities are higher than its assets. An in-year deficit is achieved when spending is higher than income.

**Depreciation**

The reduction in the value of assets, for example, through wear and tear.

**Fair value**

The price at which the Council could buy or sell an asset or loan in a transaction with another organisation, less any grants we receive towards buying or using that asset.

**Finance leases**

Leases where the Council treats the organisation paying the lease as if they own the goods. The organisation gains the profits that would come with ownership, but it also suffers the losses (See Operating leases).

**Financing transactions**

Also known as interest and investment income. They mainly relate to interest payments and receipts associated with managing the Council's cash flow and reserves during the year.

**Fixed assets**

Items such as land, buildings, vehicles and major items of equipment, which benefit us over more than one year.

**General reserves**

The amounts the Council has built up this year, and over earlier years, that we have not set aside for specific purposes.

**Gross book value**

This is the original or revalued cost of an asset before any depreciation is taken off it. (See also Net Book Value.)

**Historical cost**

What a fixed asset cost the Council to buy originally.

**IFRIC**

International Financial Reporting Interpretations Committee. IFRIC reviews newly identified financial reporting issues not specifically addressed in IFRS or issues where unsatisfactory or conflicting interpretations have developed, with a goal to reaching a consensus on the appropriate treatment.

**IFRS**

International Financial Reporting Standards are issued and set by the International Accounting Standards Board (IASB). These are standards that companies and organisations follow when compiling financial statements and replace FRS.

**Impairment**

Where an asset's value has been reduced by physical deterioration or other factors beyond usual wear and tear. The asset's value in the accounts also has to be reduced to reflect this impairment.

**Infrastructure**

A fixed asset that cannot be taken away or transferred, and which the Council can only continue to benefit from by actually using it. Examples of infrastructure are roads, bridges and footpaths.

**Intangible assets**

Non-financial fixed assets that do not exist physically but that the Council owns or has a right to use. Examples include software licences.

**Levies**

The money the Council pays to the Environment Agency (for flood defence and land drainage purposes).

**Long-term investments**

Those investments which the Council plan to hold on a continuous basis

**Material error**

A mistake in the accounts that could be serious enough to influence the reader's opinion of the Council's financial performance or position.

**Minimum debt repayment or minimum revenue provision (MRP)**

The amount the Council have to set aside to repay loans.

**Non-Domestic Rate (NDR) income**

Business rates, (non-domestic rates or NDR), are a tax on properties which are not used for domestic purposes, such as shops, factories, offices, beach huts and moorings. They are collected by District Councils and distributed amongst the local precepting authorities and Central Government to fund service expenditure.

**Net book value**

The value of an asset as recorded in the accounts. It is usually the net current replacement or original cost less any depreciation the Council have charged.

**Net current replacement cost**

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

**Net present value**

The net present value (NPV) of an asset is the current net value of the future receipts and payments associated with it.

**Net realisable value**

The selling value of an asset less the costs of selling it.

**Net service underspend**

A service's total spending less that service's allocated budget, plus money that is carried forward from previous years.

**Netted off**

Where the money the Council are due to pay is reduced by the money that is owed to us.

**Non-distributed costs**

Specific overheads relating to unused assets and certain pension costs for employees' service in previous years. These are not allocated to service departments because they do not relate to the current year's cost of providing the service.

**Non-funded pension schemes**

Pension schemes that do not have an actual fund from which pensions are paid and contributions are made into. Instead payments are made to current pensioners directly from the year's budget. The teachers' pension scheme is an example of a non-funded scheme that the Council runs.

**Notionally funded pension schemes**

A form of non-funded pension scheme that are treated similarly to funded schemes. There is no stock of investments, but employer contribution rates are set as if there were investments, based upon figures set by government actuaries. The Teachers' Pension Scheme is notionally funded.

**Operating leases**

Under this type of lease, the risks and rewards of ownership of the leased goods stay with the company leasing out the goods.

**Operational assets**

Those assets (for example, land and buildings) that the Council uses so we can provide services.

**Other operating costs**

Includes spending on buildings, fuel, light, rent, rates, buying furniture and equipment, administration and other costs.

**Precept**

What the Council demand from the collection funds maintained by the district councils.

**Principal**

The original amount borrowed. It does not include interest or other charges.

**Projected unit method**

A common method by which actuaries estimate the cost of future benefits to a pension scheme. The method works out the costs of future benefits members are expected to earn over a period (usually a year) following the valuation date, allowing for future increases in pay until retirement or the date a member leaves service.

**Provisions**

Money the Council keeps to pay for known future costs.

**Prudential Code**

The Prudential Code has been introduced by the regulations supporting the Local Government Act 2003. Local authorities can borrow money to pay for capital spending in a similar way as people can get a mortgage to buy a house. Until April 2004, the Government used to tell local authorities how much they could borrow. This code replaces central government control with self-regulation — each local authority is now responsible for deciding how much it can afford to borrow. Under the regulations, when we are making this decision the Council must keep within the Prudential Code, which sets out the principles that local authorities must follow. These include the following.

- Affordability – can the Council afford to make the repayments?
- Prudence – is the Council planning to borrow sensibly?
- Value for money – will the loan pay for something that is good value for money?
- Service delivery – will the loan help us to provide our services in the way we want to?

**PWLB**

The Public Works Loan Board, a government agency which lends money to the public sector.

**Remuneration**

Includes taxable salary payments to employees less employees' pension contributions, together with non-taxable payments when employment ends (including redundancy, pension enhancement payments, and pay in lieu of notice), taxable expense allowances and any other taxable benefits.

**Revenue spending**

The day-to-day spending on employment costs, other operating costs and capital charges, less any income from fees, and charges.

**Ring-fenced grant**

This is money that can only be used for certain things.

**Scheduled organisations**

Local government organisations that have automatic rights to take part in the Local Government Pension Scheme. Examples include the County Council, Police Authority, district and town councils, further-education colleges, National Park Authority and the probation service (See also Admitted organisations).

**Surplus**

There are two types of surplus. A fund is said to be in surplus when its assets are higher than its liabilities. The Council achieves an in-year surplus when our income is higher than our spending.

**The Code**

The Code of Practice on Local Authority Accounting. Provided by CIPFA this takes over from the SORP and includes the move to international accounting standards. The Code provides details and definitions on subjects for which it was not considered appropriate to issue an international financial reporting standard (IFRS).

**Transfer values**

Payments made between pension schemes of accumulated pension funds for employees who change their employment.

**Work-in-progress**

The value of work on an unfinished project at the end of the year.

**Write down**

To reduce the value of an asset in a set of accounts.

**Write off**

To reduce the value of an asset to nothing in a set of accounts.

## More information

If you have any comments or feedback on these accounts, please contact us. This will help us to provide a more informative and useful document.

For more information on these accounts, or for extra copies, please write to:

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These accounts are also available on the internet at <https://www.somerset.gov.uk/how-the-council-works/budgets-and-accounts/>

These accounts are also available in Braille, in large print, on tape and on CD and we can translate them into different languages.



**Lãnguagê Liñè**

