

# Somerset County Council Statement of Accounts 2021/22

**Audited Accounts for Approval**



Jason Vaughan  
FCCA, CPFA, IRRV (Hons)  
Director of Finance &  
Governance

County Hall, Taunton, Somerset TA1 4DY

[www.somerset.gov.uk](http://www.somerset.gov.uk)



**SOMERSET**  
County Council



## Contents

Note No.		Page
	Director of Finance & Governance's Narrative Report	1
	Statement of Responsibilities	18
	Independent Auditor's Report to Members of Somerset County Council	19
	Annual Governance Statement for year ended 31 March 2021	25
	Statement of Accounting Policies	53
	<b>Primary statements:</b>	
	Comprehensive Income and Expenditure Statement	76
	Movement in Reserves Statement	77
	Balance Sheet	79
	Cash Flow Statement	81
	<b>Notes to the core financial statements:</b>	
1	Prior-Period Adjustment	82
2	COVID-19 Pandemic Response	85
3	Accounting Standards that have been issued but have not yet been adopted	88
4	Critical Judgements in Applying Accounting Policies & Changes in Accounting Estimates	89
5	Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	92
6	Events after the Balance Sheet Date	95
7	Expenditure & Funding Analysis	96
8	Notes to the Expenditure & Funding Analysis	99
9a	Expenditure and Income Analysed by Nature	101
9b	Revenue from Contracts with Service Recipients	102
10	Segmental Reporting	103
11	Adjustments between Accounting Basis and Funding Basis under Regulation	105
12	Transfers to/from Earmarked Reserves	109
13	Other Operating Expenditure	111
14	Financing and Investment Income and Expenditure	111
15	Taxation and Non-Specific Grant Income	111
16	Surplus or Deficit on Revaluation of Fixed Assets	112
17	Pooled Budgets	112
18	Members' Allowances	114
19	Senior Officers' Remuneration	114
20	Termination Benefits	118
21	Fees for External Audit Services	119
22	Dedicated Schools Grant	119

23	Grant Income	120
24	Partnerships and Related Party Transactions	123
25	Property Plant & Equipment	124
26	Intangible Non-Current Assets	127
27	Impairment Losses	128
28	Assets Held for Sale	128
29	Surplus Assets – Fair Value Measurement	129
30	Leases	133
31	Private Finance Initiatives (PFI) and Similar Contracts	136
32	Heritage Assets – Summary of Transactions	139
33	Heritage Assets – Further Information on the Council’s Museum and Archive Collections	139
34	Capital Expenditure and Capital Financing	143
35	Financial Instruments:	
	- Categories of Financial Instrument	144
	- Categories of Financial Assets and Financial Liabilities	145
	- Items of Income, Expense, Gains and Losses	145
	- Fair Values of Assets and Liabilities	146
	- Short-term and Long-term Investments	147
	- Long-term Receivables	148
	- Short-term Borrowing	149
	- Long-term Borrowing	149
36	Nature and Extent of Risks Arising from Financial Instruments	149
37	Inventories	157
38	Short term Receivables and Payments in Advance	157
39	Short term Payables and Receipts In Advance	158
40	Other Long-term Liabilities	158
41	Provisions	158
42	Revenue and Capital Grants/Contributions Receipt in Advance	160
43	Usable Reserves	161
44	Unusable Reserves	163
45	Cash and Cash Equivalentents	170
46	Cash Flow Statement – Operating Activities	170
47	Cash Flow Statement – Investing Activities	171
48	Cash Flow Statement – Financing Activities	171
49	Reconciliation of Liabilities Arising from Financing Activities	171
50	Contingent Liabilities	173
51	Trust Funds	173
52	Pension Schemes	174
53	Group Accounts	183
	Pension Fund	184
	Glossary of Terms	236
	More Information	243

# Director of Finance & Governance’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.

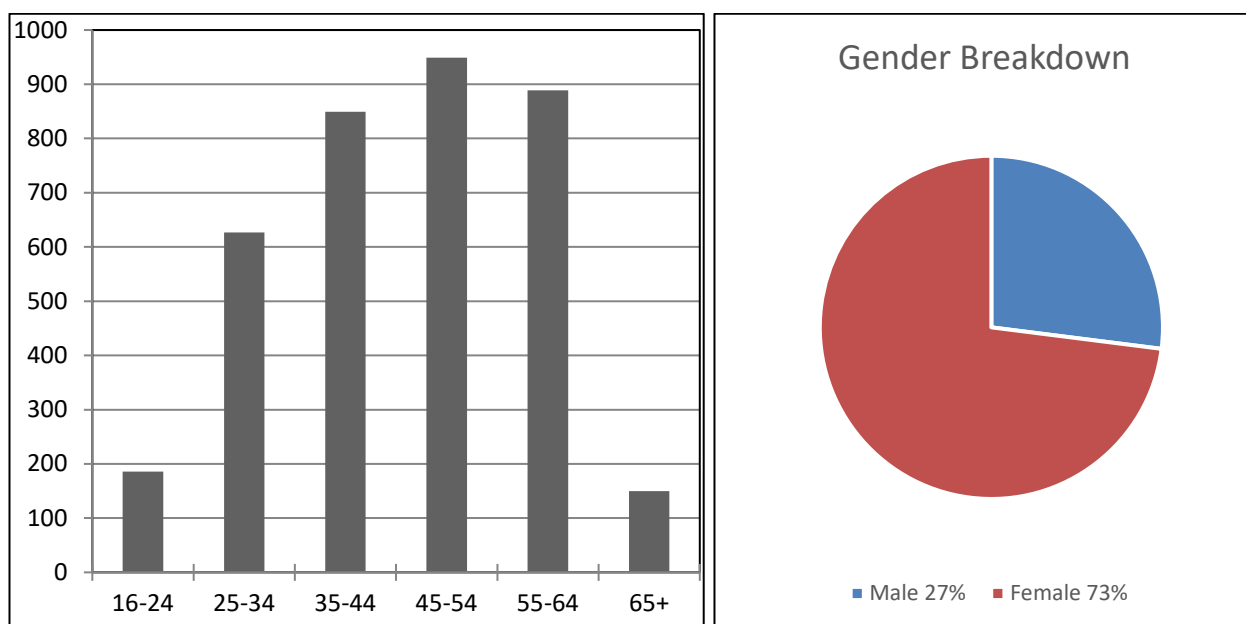
## 2. Somerset Context

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 52% urban/town, and 48% 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 563,900 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 (76.1% compared to 74.8%) with 78.6% of Somerset’s residents aged 16-64 being classified as economically active. This is marginally higher than the national average of 78.4% although average annual earnings in Somerset consistently lag behind the UK level.

## 3. People Context

Somerset County Council employed 3,650 people in full and part time contracts on 31<sup>st</sup> March 2022. Employees are a valued significant resource within the Council and employee’s costs account for 29% 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 2021/22**

The Council was made up of 55 elected councillors. The political make-up of the Council during 2021/22 was:

- Conservative Party – 31 councillors
- Liberal Democrat – 13 councillors
- Labour – 3 councillors
- Independent Group – 3 councillors
- Green Party – 2 councillors
- Independent – 1 councillor
- Vacant\* – 2 councillors

\* the elected members for Chard North (formerly Liberal Democrat) and Ilminster (formerly Conservative) both stood down in December 2021.

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 2021.

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

Councillors are supported by Senior Leadership Team (SLT) , which is headed by the 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

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.

Further details of the governance arrangements in place during 2021/22 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.

Central to the Council's business is that everything it does should be designed to help improve outcomes for its residents. The Council will work with its partners, communities, and businesses to find the best ways to achieve the outcomes that matter to them, align its work and resources, and make use of all the levers available to it. The Council will always put its customers at the heart of everything it does.

Limited resources mean the Council must be realistic about how much it can do. This means making difficult choices on where to focus resources so it can do more with less, and work with partners so it can do more together. 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.

## **Business Plan**

Somerset deserves the best services, opportunities, and investment possible, and the business plan sets out how the Council will look to achieve these ambitions.

The plan gives its residents, businesses, and communities a clear view of its strategic direction for the next two years and provides the organisation with a single point from which all further strategic planning can flow. It describes the outcomes to achieve and the key priorities that will enable this, how the Council will deliver on the plan and how it will evidence this delivery.

First, among some of the major initiatives on the horizon and issues the Council face, will be dealing with the Coronavirus and its impacts for years to come. The Council strategy to invest to boost the local economy is important and ambitious. Climate change is an issue that must be addressed, and the public rightly expect the Council to take a lead on this. Local Government Reform is coming to Somerset, disbanding councils, and creating a new approach to running services. This plan describes what the Council will begin and continue to do to serve the residents of Somerset over this time. To work locally with its communities to build resilience within the county, to invest to support business and the economy through this difficult period, to build social value into all that the Council does, and to serve as a focal point for all strategic planning for the organisation. Somerset has a strong foundation on which to improve the lives of its residents.

- A mixture of both rural and urban areas and blessed with four Areas of Outstanding Natural Beauty, 15 National Nature Reserves and Exmoor National Park.
- Prior to the pandemic Somerset had low unemployment levels and a mixture of agricultural, engineering and tourism economies.
- The Council works well with its partners, and has a strong and wide-ranging voluntary, community and social enterprise sector.

But there are also challenges in Somerset to overcome.

- The climate emergency increases risk of flooding, sea-level rises, and coastal erosion.
- Somerset has an aging population which places greater demand on social care services and needs more opportunities to attract young people to stay or move into the county.
- There are areas of the county where people do not have the same opportunities for employment or education that need targeted support and the pandemic will not have improved this. More widely the economy needs a further boost to help Somerset recover.

The Council has delivered a lot of great work under the last business plan, and it is from this foundation that it wishes to grow. The County Council Vision set out the tenets of the organisation and these remain true.

Out of these, 4 overarching outcomes helped shape the work of the organisation, these have been refined and continue through this business plan.

1. A County Infrastructure that drives recovery, supports economic prosperity, productivity, and sustainable public services.
2. Safe vibrant and well-balanced communities able to enjoy and benefit from the natural environment whilst addressing climate change.
3. Fairer life chances and opportunity for all
4. Improved health and wellbeing and more people living healthy and independent lives for longer

The Council has done this with the encompassing theme that to deliver these outcomes we need to meet the Council’s own challenges. Therefore, a fifth outcome joins the existing four to describe how we will do this.

5. Meeting the challenges for the people of Somerset through innovation and improvement




<p align="center"><b>Outcome 1</b> A County Infrastructure that drives recovery, supports economic prosperity, productivity and sustainable public services</p>	<p align="center"><b>Outcome 2</b> Safe, vibrant and well-balanced communities able to enjoy and benefit from the natural environment whilst addressing climate change</p>	<p align="center"><b>Outcome 3</b> Fairer life chances and opportunity for all</p>	<p align="center"><b>Outcome 4</b> Improved health and wellbeing and more people living healthy and independent lives for longer</p>
<p><b>Key Priorities</b></p> <ul style="list-style-type: none"> <li>• Drive economic recovery through inclusive growth</li> <li>• Improve transport, infrastructure and digital connectivity</li> <li>• Increase the productivity of businesses and individuals</li> <li>• Strategic leadership of local places and supportive providers, collaborate with people, communities and partners to secure investment and support where it has the most impact on people’s lives</li> </ul>	<p><b>Key Priorities</b></p> <ul style="list-style-type: none"> <li>• Work with people to build a climate resilient Somerset</li> <li>• Work with partners and communities to deliver sustainable local services</li> <li>• Grow and collaborate with safe, strong, resilient and well-balanced communities</li> <li>• Work with local towns and parishes to deliver rural and urban solutions enhancing community assets</li> </ul>	<p><b>Key Priorities</b></p> <ul style="list-style-type: none"> <li>• Improve the life chances for those in greatest need, reduce inequality and improve social mobility</li> <li>• Better outcomes for all children and adults so that they are healthy, safe, and have good physical and emotional wellbeing</li> <li>• Ensure access and opportunities for all to high quality local education, skills and employment and health and care provision</li> <li>• Improve outcomes for vulnerable children</li> </ul>	<p><b>Key Priorities</b></p> <ul style="list-style-type: none"> <li>• Continue to deliver a robust response to the impact of Coronavirus on our residents</li> <li>• Embed a joint approach that is based on need and provides evidence-based care and support</li> <li>• Foster an environment that gives residents the very best quality of life</li> <li>• Support healthy lifestyles that build health resilience</li> </ul>
<p align="center"><b>Outcome 5</b> Meeting the challenges for the people of Somerset through innovation and improvement</p>			
<p><b>Key Priorities</b></p> <ul style="list-style-type: none"> <li>• Introduce, embed and maximise the benefits of new ways of working</li> <li>• Prepare for transition to new local government arrangements</li> <li>• Continue to ensure financial sustainability for Somerset County Council</li> <li>• Commission services in a more collaborative way producing the best outcomes for people</li> <li>• Maximise the use of digital, data and technology to drive efficiency, intelligence, innovation and deliver better services for our customers</li> </ul>			



## 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.

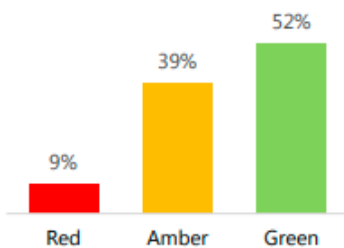
Performance Ratings	
<b>G</b>	Performance is on or exceeding target. Project is on target.
<b>A</b>	Performance is off target but within tolerance. Project requires attention.
<b>R</b>	Performance is off target and outside tolerance. Project is off target.
<b>B</b>	Metric discontinued. Project is closed.
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 2022:

# High level Summary

	RAG Rating			Direction of Performance*		
	G	A	R	↑	→	↓
A county infrastructure that drives productivity, supports economic prosperity and sustainable public services	5	0	1	0	0	0
Safe, vibrant and well-balanced communities able to enjoy and benefit from the natural environment	2	4	0	0	4	0
Fairer life chances and opportunity for all	2	5	2	1	6	2
Improved health and wellbeing and more people living healthy and independent lives for longer	7	0	0	4	1	0
Meeting the challenges for the people of Somerset through innovation and improvement	1	4	0	1	3	1
<b>TOTAL</b>	<b>17</b>	<b>13</b>	<b>3</b>	<b>6</b>	<b>14</b>	<b>3</b>

## RAG Ratings

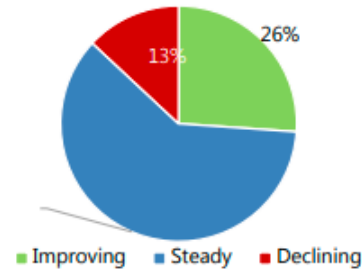


**52%**  
of measures rated as on or exceeding target



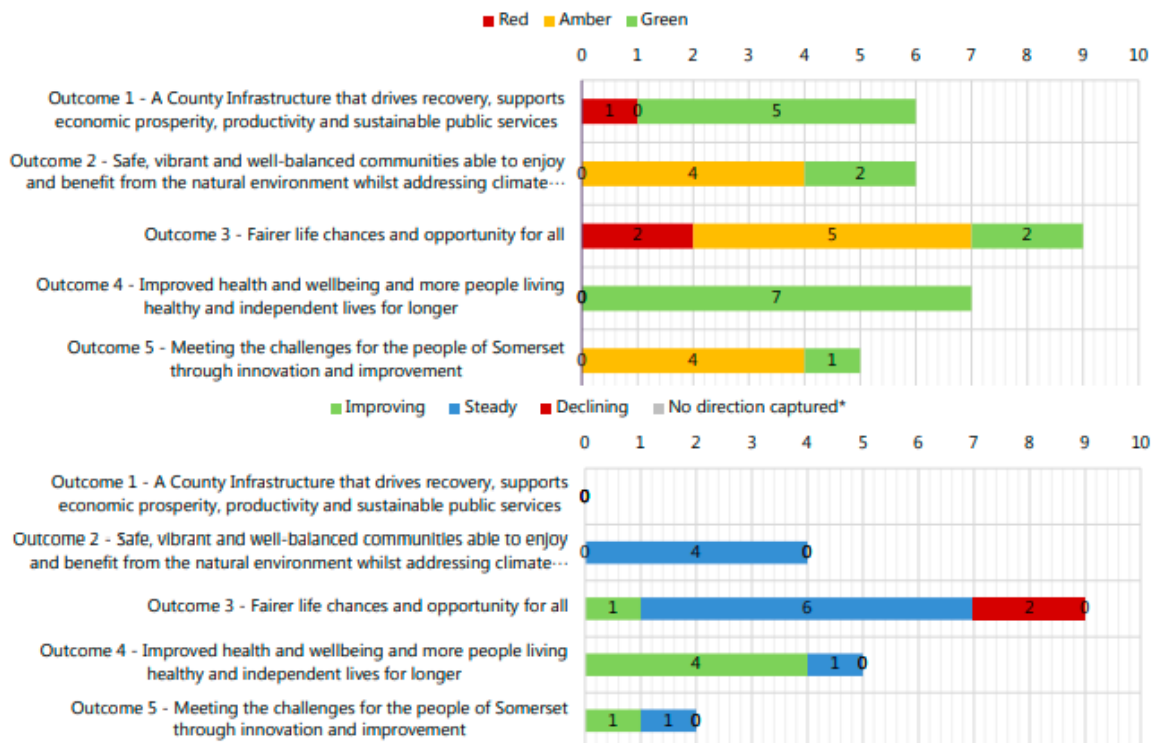
**26%**  
of measures rated as improving

## 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. Climate Change

The Council has declared a climate change emergency and over the last 12 months has been engaged in a number of climate related projects including:

- **Public Sector Decarbonisation Scheme (£12m programme underway) includes:**
  - Improvements to 12 buildings (inc. County Hall B Block, Taunton and Yeovil Library)
  - Up to 27% carbon reduction in the non-schools estate
- **Saltlands Solar Energy Park (£3.1m investment secured) to:**
  - Build Solar park on the former landfill site at Chilton Trinity, Bridgwater
  - This will generate 3.5m kWh per annum and Battery Storage
- **Bus Service Improvement Plan**
  - £11m secured to improve bus services and infrastructure
- **Building first Carbon Neutral 'Passivhaus' School in Comeytrowe**
  - £7.3m investment
  - 420 pupil places
- **SCC Climate Emergency Community Fund £1.5M secured**
  - 44 funded projects- 11 completed
  - Projects led by local communities through their Town and Parish Councils to tackle Climate Change and bring forward projects that protect the environment and support the decarbonisation agenda at the local level
  - Delivered a programme of Carbon Literacy Training to Town, Parish, County and District Members and Officers across the 5 Authorities
- **Treescaping Fund**
  - Secured £187k for tree planting and natural regeneration
  - Over 3,500 trees across schools, urban spaces and hedgerows
- **Climate Business Liaison Officer in place embedded in ED Team focused on supporting Somerset businesses with their journey to net zero includes:**
  - Carbon audit toolkit
  - Carbon reduction grants
- **Countywide Electric Vehicle Strategy developed**
  - Outlines strategic transition to EV
  - Implementation Plan under development to enable roll-out of EV Charging across the County

- **Carbon Footprinting Baseline**

- Calculating Carbon Footprint of SCC activities
- Highways Decarbonisation “Pathways” work about to begin
- Plans for Fleet Decarbonisation underway- taken delivery of first EV vehicles

- **Youth Parliament engagement to engage with and understand the concerns and views of young people across Somerset with regards to Climate Change**

- Two climate focused workshops

## **8. Financial Context**

There were no significant changes in funding mechanisms or responsibilities during 2021/22.

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 2021/22 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 Councils financial resilience over the long-term whilst also supporting the delivery of the council’s key priorities.

## **9. Revenue spending in 2021/22**

In February 2021, the Council agreed its budget for 2021/22 at £356.072 million and approved a band-D council tax of £1,353.53 which included an increase in Council Tax of 1.99%, an additional precept increase specifically for Adult Social Care of 3% 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. Additional use of reserves totalling £3.5m were approved during 2021/22, bringing the total revised budget for 2021/22 to £359.6m.

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

Service	2021/22	2021/22	Difference	
	Total Revised Budget £millions	Total Net Spend £millions	£millions	%
Adult Services	146.2	146.0	-0.2	-0.1
Childrens Services	101.8	106.0	4.2	4.1
Public Health	1.7	1.7	0.0	0.0
Economic & Community Infrastructure Services	76.6	74.9	-1.7	-2.2
<b>Direct Service Provision</b>	<b>326.3</b>	<b>328.6</b>	<b>2.3</b>	<b>0.7</b>
Customers, Digital & Workforce	16.7	16.5	-0.2	-1.2
Finance & Governance	9.8	9.8	0.0	0.0
Accountable Bodies	7.4	7.4	0.0	0.0
Corporate Costs	-5.2	-7.8	-2.6	50.0
Trading Units	0.0	0.0	0.0	0.0
<b>Total Service Provision (exc Schools)</b>	<b>355.0</b>	<b>354.5</b>	<b>-0.5</b>	<b>-0.1</b>
Corporate Contingency	4.6	1.0	-3.6	-78.3
Covid-19 Emergency Fund	0.0	0.0	0.0	0.0
<b>Total after Contingencies</b>	<b>359.6</b>	<b>355.5</b>	<b>-4.1</b>	<b>-1.1</b>
<b>Funded by:</b>				
Reserves	-27.1	-27.1	0.0	0.0
Revenue Support Grant	-6.2	-6.2	0.0	0.0
Business Rates	-56.3	-56.3	0.0	0.0
Council Tax	-270.0	-270.0	0.0	0.0
	<b>-359.6</b>	<b>-359.6</b>	<b>0.0</b>	<b>0.0</b>
<b>Total Outturn Surplus (-) / Deficit</b>	<b>0.0</b>	<b>-4.1</b>	<b>-4.1</b>	<b>-1.1</b>

The Outturn surplus of £4.1m is also reported in Note 7, but as the classification of some Corporate Costs are included in both Continuing Operations and the Provision of Services within the Comprehensive Income & Expenditure Statement (CIES), the total reported for resource management will be different from the figures in the table above. There is a similar variance with the Schools budget that is not reported at Outturn (so excluded from the table above) but included in the CIES and Note 7.

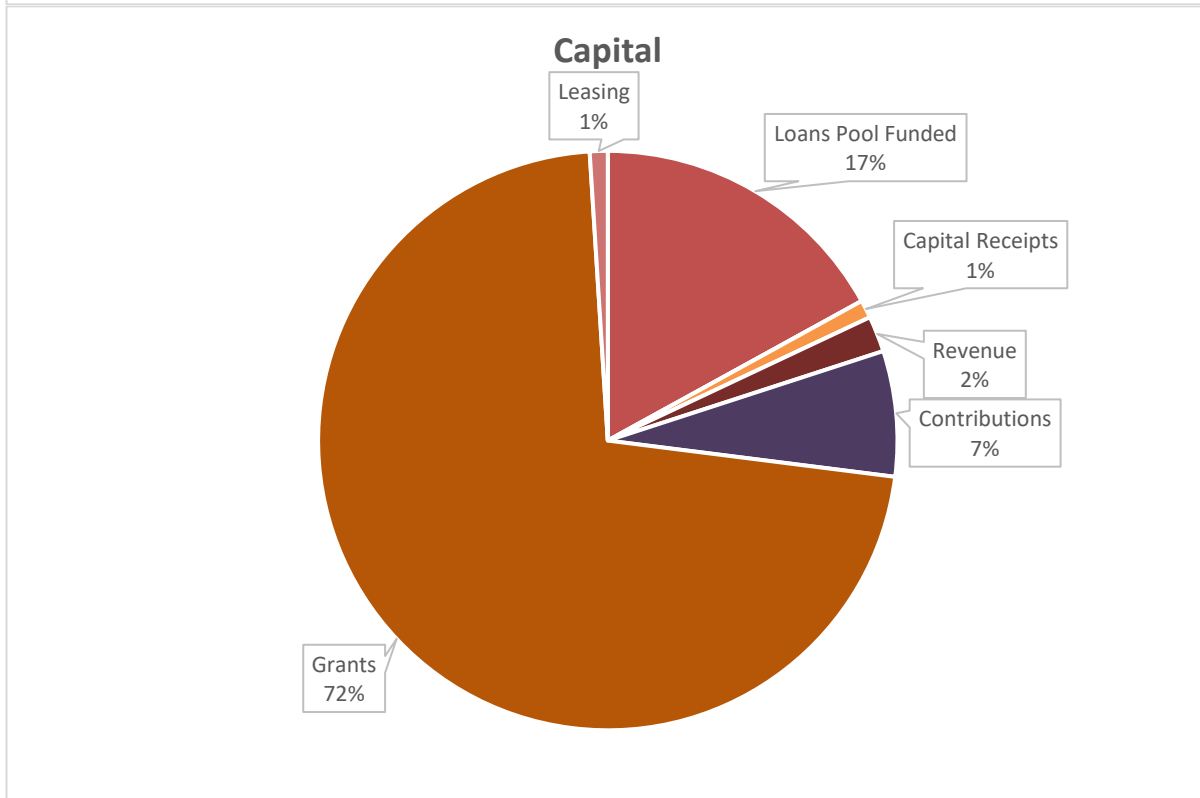
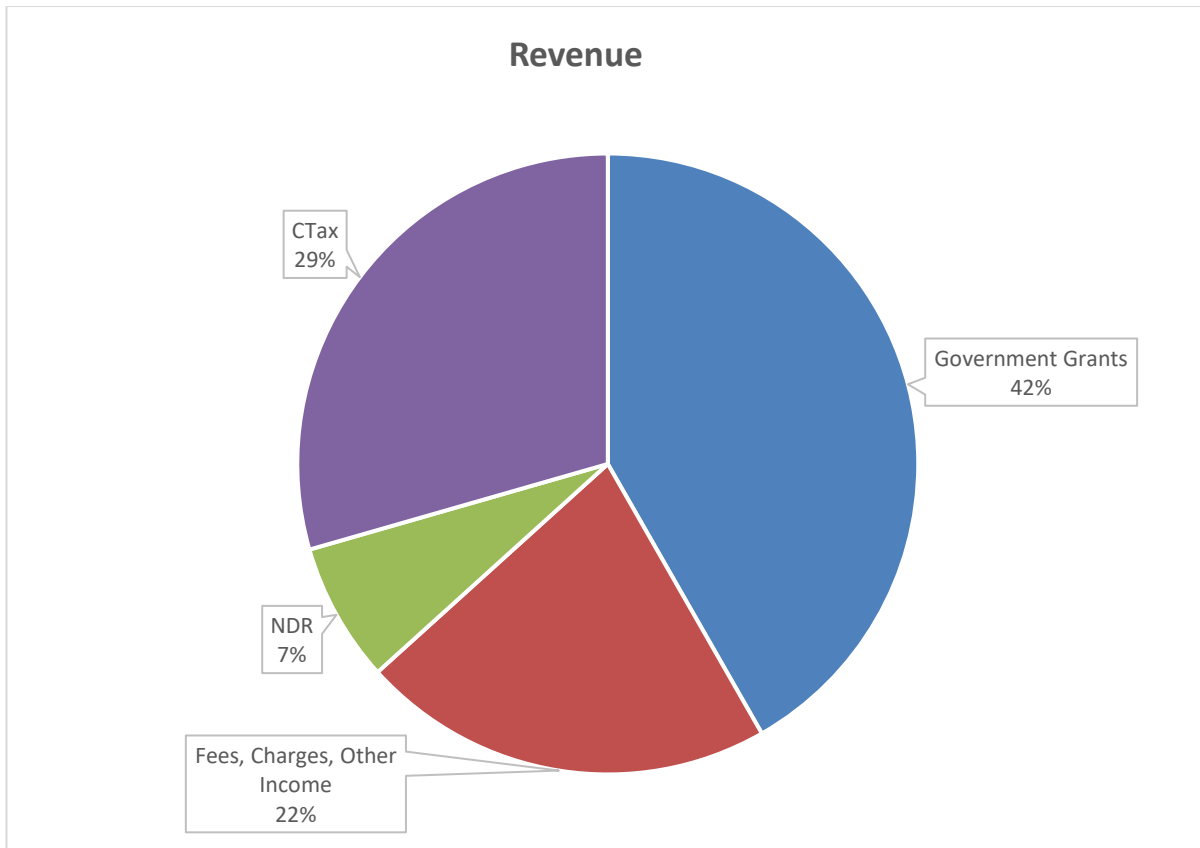
### **10. Capital spending in 2021/22**

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 2021/22 our capital spending was £109.527m (£122.901m in 2020/21). The following table gives more detail on how we spent this money.

**Table 2: Major Capital Schemes**

<b>Scheme</b>		<b>2021/22</b>	
		<b>£millions</b>	<b>£millions</b>
<b>Economic</b>	Road Structures	25.752	
<b>Community and Infrastructure</b>	Local Enterprise Partnership	19.992	
	Superfast Broadband	7.619	
	Toneway Corridor Improvements	4.098	
	Integrated Transport & Improvement Schemes	3.074	
	Traffic Control & Management	3.024	
	Taunton Digital Innovation Centre	2.522	
	Somerset Rivers Authority	2.402	
	Major Transport Projects	1.628	
	Bridge Structures	1.622	
	Bruton Enterprise Centre	0.903	
	M5 J25 Improvements	0.820	
	Rights of Way	0.660	
	iAero Centre	0.633	
	Street Lighting	0.524	
	Fleet	0.323	
	Other Projects	<u>0.539</u>	
			76.136
<b>Children and Learning</b>	Schools' Basic Need	14.503	
	Schools' Capital Repairs	4.042	
	General Education Provision	1.826	
	Early Years	0.530	
	Other Children's Services	0.232	
	Other School Projects	<u>1.061</u>	
			22.194
<b>Somerset Waste Partnership</b>	Depot Improvements	<u>2.721</u>	
			2.721
<b>Support Services</b>	Property Decarbonisation Projects	5.055	
	ICT Investment & Development	1.456	
	Other Projects	<u>1.872</u>	
			8.384
<b>Learning Disabilities</b>	Housing/ Assistive Technology	<u>0.092</u>	
			0.092
	<b>Total Capital Spending</b>		<u><u>109.527</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 29% of our revenue funding needs.



## 11. Borrowing facilities

Under the Prudential Code, the Council has set an authorised limit against which our external borrowing is monitored and managed. For 2021/22, the Operational Boundary was set at £463m (£595m for 2020/21). On 31 March 2022, the amount we owed was £354m (£351.5 m in 2020/21).

On 31 March 2021	Borrowing	On 31 March 2022
£millions		£millions
162.9	Public Works Loan Board (PWLB)	160.3
181.4	Other long-term loans	183.7
7.2	Other organisations investing in the Comfund	10.0
<u>351.5</u>		<u>354.0</u>

In line with accounting practice, the Council must show the 'fair value' of its loans. The fair value of the PWLB loan is £207.207m at 31 March 2022 (£225.080m at 31 March 2021). The fair value of the other long-term loans is £261.055m at 31 March 2022 (£295.027m at 31 March 2021).

During the year, the Council adopted a strategy to limit external borrowing and reduce the cost of borrowing via 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 2022 being £63.9m.

## 12. Significant Assets & Liabilities

The Council has a strong Balance Sheet as at 31 March 2022 with the most significant Assets and Liabilities shown in the table below:

On 31 March 2021	Balance Sheet Extract	On 31 March 2022
£millions		£millions
985.0	Property, Plant & Equipment	1,008.6
155.2	Short Term Investments	210.2
77.1	Cash & Cash Equivalents (inc Overdraft)	80.3
-344.3	Long term Borrowing	-344.0
-39.9	Long Term Liability - PFI/Lease	-38.7
-993.6	Long Term Liability - Pensions (IAS19)	-870.0
170.2	Usable Reserves	236.4
-468.7	Unusable Reserves	-325.9



## Pension Liabilities

The Council has net future pension liabilities of £870m (£993.6m as at 31 March 2021) 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.

The Pension Fund's assets have continued to recover well past their pre-pandemic highs, increasing by £87.6m in year from £1,194.5m to £1,282.1m. The bond yield at 31 March 2022 was higher at all terms than at 31 March 2021, which has resulted in an increase in the discount rate used by the actuary to estimate the pension liabilities. This increase (along with other positive factors) has seen the overall liability fall by £36m from £2,188.1m to £2,152.1m.

The combined impact of the increased assets and reduced liability has seen the overall net liability fall by £123.6m in 2021/22.

## Usable Reserves

On 31 March 2022, the Council had the following reserves available:

On 31 March 2021	Reserves	On 31 March 2022
£millions		£millions
	<u>Revenue - SCC</u>	
	<u>General Fund</u>	
19.7	General Reserves	23.0
10.2	Service Unearmarked Reserves	4.1
	<u>Earmarked Reserves</u>	
10.1	S31 Local Tax Income Guarantee Grant Reserve	4.3
92.1	Other revenue reserves which we have set aside	161.2
	<u>Capital - SCC</u>	
9.9	Capital reserves	13.7
3.7	Capital Grants/Contributions Unapplied Reserves	3.6
	<u>Revenue - Schools</u>	
24.5	Schools' carry-forward fund	26.5
<u>170.2</u>		<u>236.4</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 during 20/21 and received in 2021/22.

Under current collection fund accounting rules, the S31 grant will not be fully discharged against the Collection Fund deficit until 2022/23. 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 2022/23.

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 reduced by £2.8m since last year and represents 7.5% of the 2021/22 budget. The Council needs to continue to operate within very strict financial limits as the County recovers from the Covid-19 pandemic. The budget report presented to Council in February 2022 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.

### **13.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 157,196 cases detected as at 31 March 2022). Somerset has led the development of local contact tracing in the Southwest and has provided significant support to the local NHS vaccination programme, to ensure vaccination reaches the most vulnerable / hardest to reach. The Council has managed, through tireless support to workplaces, care homes, schools, households, and communities to minimise spread (dealing with 7179 incidents between 1<sup>st</sup> April 2021 – 31<sup>st</sup> March 2022).

The Council's pandemic response was led by its Public Health Team, and some of the key achievements during 2021/22 were:

- a Weekly dashboard of Covid-19 data published to ensure our communities had information about the case rates to inform their own decision making
- writing and delivering 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
- Between 1<sup>st</sup> April 2021 and 23<sup>rd</sup> February 2022, SCC staff identified the close contacts of 15,605 people with Covid-19. As a whole trace service (National Test & Trace, self-completion, and SCC) 92,746 cases have been contact traced. Consistently, Somerset has succeeded in reaching well over 80% of cases, which is the level at which contact tracing is deemed to be effective.
- Between January and May 2021 public health and other SCC staff led the development and running of 5 asymptomatic testing sites for our population.
- Between 1<sup>st</sup> April 2021 and 31<sup>st</sup> March 2022, a total of 3,174,800 LFD tests were undertaken on Somerset residents, through a mixture of local and national programmes. In total 4,621,100 Covid-19 tests have been undertaken on Somerset residents between 1<sup>st</sup> April 2021 -31<sup>st</sup> March 2022.

- Hundreds of Council staff being redeployed to work alongside the SCC Public health response team, including asymptomatic testing sites, NHS vaccination programme and local communities.
- Working with vulnerable groups to tackle inequality and support the vaccination programme, through delivery of an 'Access for All' programme.

These achievements also included:

- Over 3,700 residents have participated in public health consultations over the course of the pandemic, helping shape local work on a range of issues, from covid vaccinations and behaviours to health protection information for parents.
- Over 2,500 residents are signed up to receive public health news updates, including health protection guidance and information on local health issues.
- Utilising Facebook, Public Health messages have reached approximately 450,000 people, with approximately 8,500 link clicks.
- Coronavirus messaging has reached approximately 85,000 people and received more than 100,000 post engagements from Facebook audience.
- Over 12 months, PH 'Catch Up' Films have received 3,500 views on YouTube, with nearly 100 viewing hours, covering topics such as long-covid, vaccination updates, ICON, the Healthy Start Scheme, and heart health.
- Local radio stations played Public Health messages more than 40,000 times across Somerset as part of our Winter Covid-19 campaign.
- The Winter Covid-19 campaign reached over 1.4 million digital impressions and received over 5,000 click throughs through the Somerset Gazette. This might be people who are clicking to book their vaccine, order Lateral Flow Tests or get more information on a specific topic.

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

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 2021/22, the Council recognised grant funding and NHS/Other Local Authority contributions of £44.2m to support the pandemic response, with an additional £5.9m of funding available from the unspent COVID support allocation received in advance in 2020/21.

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, £50.4m was spent by the Council in its COVID response. The Council also reported a reduction in its budgeted Sales, Fees and Charges income of £1.2m as a direct result of the national lockdown restrictions (further details of the funding received and expenditure incurred during 2021/22 can be found in Note 2: COVID19 Pandemic Response).

As at 31<sup>st</sup> March 2022, the Council reported unspent COVID-19 funding of £5.1m. These unspent allocations have been carried forward to future years as earmarked reserves (£1m) and receipts in advance (£4.1m) 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 2021/22 where the Council was acting as agent for the funding.

All the grant allocations payable to the Council during 2021/22 have been reported in the accounts.

## **14. Other Developments & Priorities**

### **Future Funding**

The 2021 comprehensive spending review (SR21) set out total funding for local government until 2024/25. The 2022/23 provisional local government finance settlement set out the distribution of that funding in 2022/23, but the UK government has not yet confirmed the distribution of funds in 2023/24 and 2024/25.

The government has also announced a delay to the Fair Funding Review (FFR) and Business Rates Retention reset (BRR), with the implementation not expected until April 2023 at the earliest. 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**

Following consideration by both Houses of Parliament, the Secretary of State issued the Somerset Structural Changes Order 2022 on 17<sup>th</sup> March 2022 which paved the way for a new Somerset Council to be established on 1 April 2023.

The Order came into effect immediately and gave approval to the local elections on 5th May 22 for 110 councillors to the County Council and to the elections for city, town and parish councils across Somerset. It also handed responsibility for building the single unitary council to a new Implementation Executive, while setting the legal basis for the new council that will replace Somerset County Council and four district councils (Mendip, Sedgemoor, Somerset West and Taunton and South Somerset) on 1 April 2023.

From 1 April 2023, the 110 members of the unitary council will be responsible for services that are currently delivered by the county and four district councils, ranging from adults' and children's social care to highways and housing, and from libraries to planning and licensing.

The previous councillors officially stand down from their roles and handed over to the newly elected councillors at midnight on 9 May 22. The Full Council Annual General meeting on 25 May 22 appointed the Chair and Vice-Chair of the Council, the Leader of the Council, and the members of the various Council committees.

SCC has approved a budget of £6.9m for implementation costs in 2022/23 (£3.2m in 2021/22). A total of £16.5m has been outlined in the business case for one off transitional cost. The original business case estimated that the new Somerset Council would deliver a range of benefits including freeing-up a projected £18.5million every year after the first two years, from efficiencies and reduced duplication, to be invested in communities and high-quality public services.

## **The Statement of Accounts**

The annual Statement of Accounts sets out a summary of our financial affairs for 2021/22 and shows our financial position as at 31 March 2022. 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 so that they are available for public inspection (from 1 August 22 to 12 September 22) so that people who pay Council Tax and Business 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

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. In light of ongoing delays and capacity issues nationally with local audit, the UK Government are planning, subject to consultation, to introduce secondary legislation to extend the deadline for publishing audited local authority accounts to 30 November 2022 for the 21/22 accounts.

The delay has arisen due to the complexity of the audit; the pace at which it can be completed, and the increased assurance work that audit are required to carry out nationally with respect to pensions and asset valuations.

These accounts will be approved by our Audit Committee on 24th November 2022.



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

29 July 2022

# 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 2022 and its income and spending for the year ending on that date.



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

29 July 2022

**Independent Auditor's Report**

**to the Members of  
Somerset County Council**

The audit report will appear here.

**Independent Auditor's Report**

**to the Members of  
Somerset County Council**

The audit report will appear here.



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Somerset County Council

# Annual Governance Statement

for year ended 31 March 2022



## Foreword

**“Somerset deserves the best services, opportunities and investment possible”**

**This is the Council’s stated purpose as contained in the Council Business Plan for 2021-23. 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.

Resilience is a concern due to the complex situation for Local Government in Somerset where there is no longer “business as usual” as we transition from five existing councils in 2022 towards the new Somerset Council on 1 April 2023, support partnership responses to Covid 19 and strive to deliver key priorities and services at the same time.

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 2022-23 and into future years as we continue to meet our challenges.

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



**Pat Flaherty,  
Chief Executive**



**Councillor Bill Revans,  
Leader of the Council**



## What is Corporate Governance?

Corporate governance refers to the processes by which organisations are led, directed, controlled, 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 2022, 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 2022-23 period.

The Statement has been prepared in accordance with guidance produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) called Bulletin 06 Application of the Good Governance Framework 2020/21 and the 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 principals involved. The Code is available from our website or can be obtained by request from the Monitoring Officer or Director of Finance.

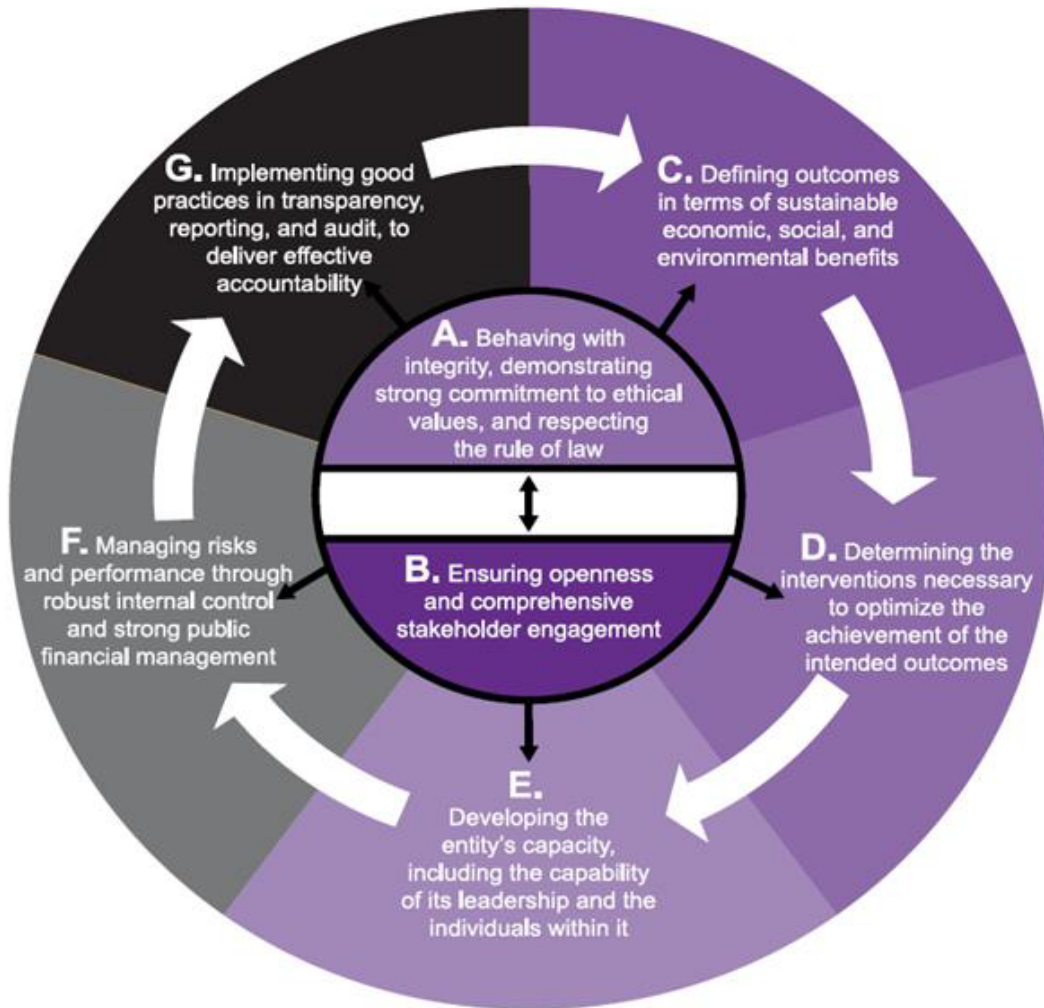
## Somerset County Council Governance Code (2017)

### Our commitment to good governance is made across the following core principles:

- 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.

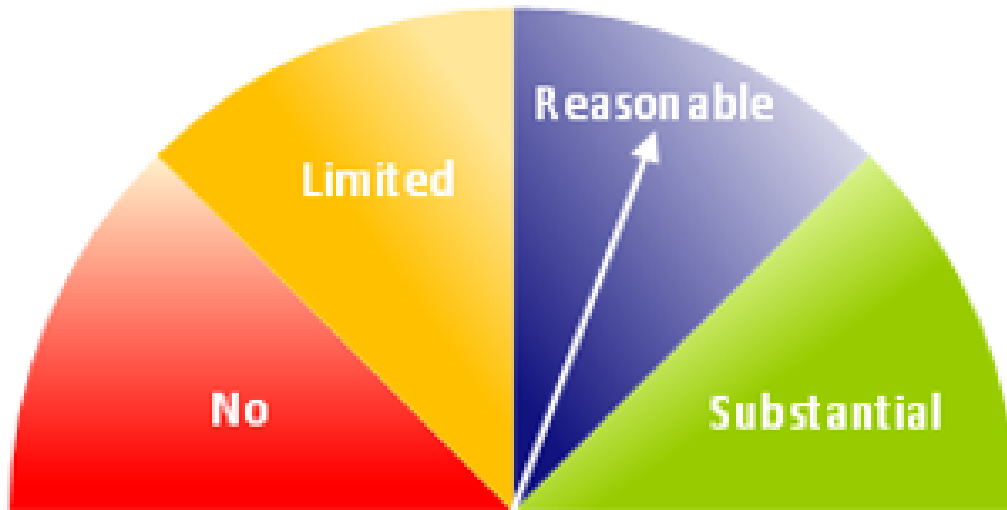
It enables us to monitor the achievement of our objectives and to consider whether these have led to the delivery of appropriate, cost-effective services. The Framework is summarised in the diagram overleaf.

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

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 2020/21 with a medium assurance. 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.

Our internal auditors, South West Audit Partnership, is able to offer Reasonable Assurance opinion and are broadly satisfied with management's approach to resolving identified issues.



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 Business Plan

The Council Business Plan for 2021 – 2023 sets out our overall purpose - 'Somerset deserves the best services, opportunities and investment possible'. 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. The Plan is how the Council sets out how objectives will contribute to the goals for Somerset and how they will be achieved. Objectives and target outcomes are set within five overarching outcomes. 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 2021-2023 was approved at Full Council in July 2021. The business plan is flexible enough to continue as the strategic direction for the authority until 31 March 2023. 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 (following local elections in 2022 this is now the Executive) 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.

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 2021/22, the Senior Leadership Team met 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 Member Engagement Board with partner representatives.

Assessment of financial impacts of 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 because of the coronavirus. There are robust monitoring arrangements in place with monthly reporting to DLUHC on the financial impact of the coronavirus. The Finance team has been working closely with Senior Managers in preparing the forecasts for DLUHC. 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 continue to inform the recovery phase and any future pandemic responses.

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; those 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 to safeguard the Council's social care services and workforce.

## Supporting Somerset's economy

Based on regional and national data, as well as local intelligence, it is likely that Somerset's economy would have shrunk by around 20% during 2020 because of COVID-19 restrictions on social and economic activities. Nationally GDP has now almost returned to pre-pandemic levels - latest estimates from Q4 2021 show UK GDP is now just 0.1% below where it was before the pandemic. Somerset has seen significant impacts on its labour market, though the most severe negative impacts were likely avoided because of Government employment support schemes, such as furlough, as well as other financial assistance for local businesses. Nevertheless, within Somerset, the number of individuals claiming out of work benefits had increased 126% from pre-pandemic levels during 2020. Whilst the number has fallen since, it still 26% above pre-pandemic levels in 2022.

Latest figures suggests that confidence amongst South West businesses is lower than the UK average, with current challenges expected to impact recovery and growth in the coming year. Businesses are facing difficulties over labour shortages and staff retention, with non-management skills availability and staff turnover the most widespread challenges in the region. Ongoing transport problems and rising global commodity prices mean that businesses are facing high input cost pressures. Over 95% of SME manufacturers in the South West (one of the largest contributing industries to economic output in Somerset) reported that inflation and commodity price increases are having a negative impact on their business.

In the coming 12 months, the economy is expected to continue recovering, although growing inflation and cost of living rises may act as a drag on growth. Meanwhile, staff shortages and employment challenges are expected to continue over the coming year, as the labour market remains tight.

SCC continues to play an economic leadership role for the county, 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 engaging with local contractors and suppliers, along with our role as a major Somerset employer. During the past year we have worked business organisations including the Somerset Chamber and the Federation of Small Businesses (FSB) to provide advice to small businesses in Somerset about doing business with SCC. Similarly, as an anchor employer, we seek to promote employment prospects and pathways to local people through mechanisms such as apprenticeships, a graduate recruitment programme and work placements.

As part of this leadership role in June 2021 SCC's cabinet approved the creation of a £6 million economic recovery fund to restart the economy and support action to facilitate longer term economic recovery from the Covid 19 pandemic. The fund has resourced several measures to assist individual businesses and sectors hard hit by Covid 19, encourage high growth potential businesses to expand and support less advantaged individuals find work and training. As an example, a restart fund provided grants to assist the reopening of anchor businesses, particularly in the visitor economy, which had not received significant support via central Government funding schemes. Businesses supported included the Bath and West Society and the West Somerset Railway.

SCC has also been able to leverage significant external funding to support aspects of the Somerset economic recovery and growth plan during the past year. Examples include securing the fifth largest allocation across England's shire counties from the Government's Community Renewal Fund,

securing funds from DWP for skills bootcamps and from the Nuclear Decommissioning Authority to sustain the Somerset Education Business Partnership and its critical work to raise employment aspiration among young people in Somerset.

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 iAero Centre in Yeovil and commenced construction of the Digital Innovation Centre in Taunton – developments funded by SCC and Government funds secured via the Heart of the Southwest Local Enterprise Partnership (LEP). During the past year significant work has been undertaken with the LEP, Sedgemoor District Council and the site developer to progress plans for the development of the Gravity Enterprise Zone near Bridgwater. The partners are also working closely with Government to pursue strategically significant inward investment leads for the site, linked to net zero industry sectors.



# 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, newsletter and social media promotes local adult safeguarding policy, practice and resources:

Somerset County Council has the lead role for adult safeguarding in Somerset, which it primarily discharges through its dedicated Adult Safeguarding Service. Somerset is seeing a declining rate of safeguarding contacts (contrary to national trends), and fewer enquiries being undertaken as a result. Analysis suggests this is a result of the significant work that has been undertaken by the service, the SSAB and Somerset Direct over many years to improve understanding of safeguarding criteria and reduce/re-direct the previously high numbers of inappropriate safeguarding contacts, but will be subject to close monitoring. Contacts are highest from care providers, the ambulance service and Police. The number of safeguarding concerns raised with SCC in 2021/22 was **2,265**. Of these concerns, **627 (28%)** 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 by another team, for example. In 2021/22, where a risk was identified, in **97%** of cases the risk was reduced or removed. **In 99% of cases where desired outcomes were stated, they were either fully or partially achieved.** Each year, the Local Authority submits a 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, performance monitoring and quality assurance activity is undertaken both internally and as part of the SSAB's multi-agency Performance and Quality subgroup. 'Listening and Learning' is a key overarching Strategic Plan priority for the SSAB, and places specific emphasis on the need to encourage and actively seek feedback from people who experience adult safeguarding, as well as their relative/carers and advocates. The Board continues to secure very valuable feedback direct from service users, carers and advocates via its safeguarding questionnaires. Satisfaction levels are currently highest from service users followed by IMCAs/Advocates. We are exploring opportunities to enhance the experience of friends/relatives/carers in safeguarding activity, particularly where younger adults are involved as part of transitional safeguarding. SSAB Effectiveness Surveys are undertaken regularly as part of routine performance and quality assurance framework arrangements and to support the Board's continuous improvement. We anticipate 'Ensuring Safety' to be a key themes and lines of enquiry to inform the new assurance activity anticipated to commence from April 2023 in relation to the delivery of the Local Authority's statutory duties relating to adults.

## **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)].

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 2021 with no significant concerns. The findings will be tested during 2022-2023.

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.

Details of the SSCP Structure chart are available on request.

### **Corporate Parenting Board**

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 2021/22 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)**

Following the OFSTED/ CQC SEND local area inspection in March 2020, Somerset was required to produce a joint Written Statement of Action (WSOA) for SEND which was approved on 1<sup>st</sup> December 2020. The full WSOA is available on the Local Offer website. It is highly ambitious but must be 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 as well as representatives from the Department for Education and NHS England. The Board is co-chaired by the Chief Executives from SCC and NHS Somerset. 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.

A cycle of four quarterly monitoring "visits" from DfE and NHSE advisers was completed, with the last monitoring visit in January 2022. Throughout advisers have reported that in spite of challenges raised by the pandemic and wider changes within the system, the area has continued to make progress in delivering the written statement of action.

In September 2021 the SEND Strategic Partnership Board was set up. This meets monthly and is responsible for bringing partners together across the Somerset SEND system to plan, monitor local area performance and agree priorities. The Partnership Board is responsible for developing and overseeing Somerset's new SEND Strategy, which will go through a formal consultation process in autumn 2022, before being published early in 2023. An annual report on SEND is provided to the Health and Wellbeing 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 a peer challenge from the Local Government association, to review the progress that has been made in relation to SEND since March 2020 and the impact of the pandemic on the Somerset SEND system. Feedback from the peer challenge identified notable areas of progress, both in the culture and working relationships between organisations, as well as improvements in service development and delivery, in relation to education, health and care plans, autism and the graduated response to SEND.

## Local Government Reorganisation

In July 2021 the Secretary of State approved the implementation on Local Government Reorganisation in Somerset, which will see the creation of a single unitary authority for Somerset in place of the current 2 tier system. The new authority will come into existence on 1<sup>st</sup> April 2023, this is known as "Vesting Day."

Delivery of the programme is structured around a Programme Board made up of the 5 council Chief Executives, and the County Council Monitoring Officer and Section 151 officer. A Programme Steering Group acts as design authority for the programme on behalf of the 6 workstreams delivering the approximately 700 distinct products that make up the programme, broken down over 3 Tranches based on priority and timing. Over 450 individuals are now part of the programme including PwC who act as Quality Assurance partner for the programme. An Implementation Executive acts as the political leadership of the programme.

Two legal mechanisms – Structural Changes Order and Section 24 notice – provide a legal foundation for delivering the new authority, in terms of governance and ensuring robust financial management during the transition.

During 2021/22, the five councils established a Local Government Reorganisation Joint Committee and a Joint Scrutiny Committee to provide leadership and oversight for this complex programme. Now that the May 2022 Elections have taken place, work is under way with the new Executive and an Implementation Board to oversee delivery of the LGR Implementation Plan (a requirement of the Structural Changes Order). A LGR Joint Scrutiny Committee has been re-established to also provide overview and scrutiny and support for the programme.

Programme Management revolves around SharePoint-based systems for risk and issues management, benefits realisation, monthly assurance reporting, change control and other programme management systems that would be expected on a programme of this size, including culture and readying people for change.

# Management of Risk

The management of risk is vital for the Council to achieve the objectives set out in the County 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, saw additional risks identified across the whole of the Council. As the Council and the whole Somerset area continue to recover or where service need and delivery has changed some of these additional risks continue.

Specific risks and mitigations associated to the delivery of the single unitary authority for Somerset are recorded and managed directly as part of the programme delivery Board.

## Strategic Risks 2021/22

- Safeguarding Children - The Council fails to deliver its statutory service delivery duties and legal obligations in relation to vulnerable children.
- Market management, development, and monitoring of supply chains - Markets do not provide optimum value for money and income generation.
- Organisational Resilience - Without the minimum level of capacity and resource, the resilience of the organisation is compromised.
- Climate change - The Council fails to take action to mitigate and adapt to Climate Change.
- 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.
- Local Government Reorganisation – does not deliver a single unitary authority for Vesting day on 1<sup>st</sup> April 2023.
- Adult Social Care failure – The Council is unable to meet statutory obligations in relation to care provider market sufficiency and capacity

# Decision Making and Responsibilities

During 2021/22, the Council consisted of 55 elected with a Cabinet of Lead Members who are supported and held to account by three Scrutiny Committees and the Audit Committee. Following the May 2022 election the Council now has 110 elected Members.

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. Our statutory Equalities Objectives help us understand and prioritise work for those who may be vulnerable to discrimination.

Any new, changed or stopping Council policy, proposal or service must be subjected to a consideration of Due Regard to the Public Sector Equality Duty, this is recorded in an Equality Impact Assessment to ensure that equality issues have been consciously considered throughout the decision-making processes and life of the policy or service.

## Open Policy and Decision-making

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

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

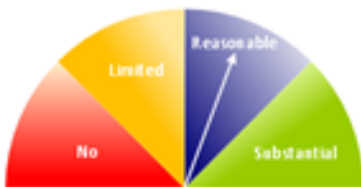
**Details of how to access information held by the Council and its Freedom of Information Policy are available on the Council's website.**

## Audit and 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:

"There is generally a sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievements of objectives"

- Medium risk rated weakness identified in individual audit engagements
- Isolated high risk rated weaknesses identified for isolated issues
- No critical risk rated weakness were identified

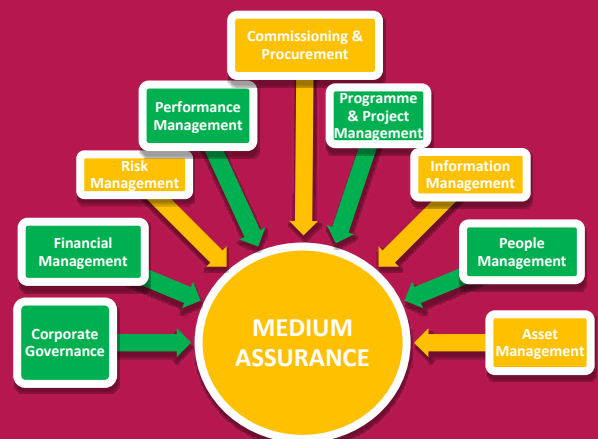
The Healthy Organisation review was a key source of assurance with an overall medium rating given. This report states that there was no evidence of any significant adverse impact of the pandemic on the overarching control framework, with an improvement seen in Financial Management which moved from 'amber'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

The **Audit Committee** provides independent assurance on the Council's internal control environment. It is a statutory requirement and consists of 13 Councillors and 1 independent person.

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 considering 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 2021-22 on the significant issues identified in our 2020-21 Annual Governance Statement is shown below:

<p><b>1. Financial position</b></p>	<p>We continued to develop a sustainable Medium Term Financial Plan and set a balanced budget that was approved by Council in February 2022.</p> <p>This process was enabled by robust frequent financial reporting reports to Cabinet and Scrutiny meetings.</p>
<p><b>2. Local Government Reorganisation</b> Supporting the transition to unitary local government for Somerset.</p>	<p>Following the Secretary of State's decision during 2021, we have 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. We worked with Government to get approval to the Somerset Structural Changes Order in March 2022. We planned and delivered the Council elections in May 2022 with the election of 110 members.</p>
<p><b>3. Covid 19</b></p> <p>We have worked with national and local agencies such as the Government, Police, NHS, district councils, voluntary organisations and service providers to ensure essential services were delivered to support vulnerable children and adults, local communities and businesses throughout the Covid 19 pandemic.</p> <p>We support the delivery of the Economic Recovery Plans.</p>	<p>As Coronavirus has progressed more towards an endemic disease we have continued to work as part of the regional and national public health system, aiming to minimise infection rates and manage outbreaks and clusters. As the needs of the Somerset population have changed following the pandemic and we will continue to assess and have plans in place.</p> <p>The recovery phase has begun and will focus on minimising the indirect impacts of COVID, addressing the health and social inequalities that the pandemic has highlighted.</p>

## 2. Integrated Care System

We have worked with key strategic partners to develop the ICS system in line with the emerging changing legislation and as such we have continued to 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. This work has been captured within the established programme of activity.

**Based on our review of the governance framework, the following significant issues will be addressed in 2022-23:**

<p><b>1. Financial Position</b> (See previous page)</p>	<p>Development of a balanced budget for 2023/24 and a sustainable Medium Term Financial Plan for consideration by Council in February 2023 ahead of the establishment of the new Somerset Council.</p> <p>Recognise and plan for the financial implications arising from inflationary pressures, meeting demands, rising costs and also 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 by 1 April 2023.</p>	<p>Work will need to continue, in partnership with our District Council colleagues and other public sector partners including the 278 town and parish councils to put in place the necessary resources, programme management, partnership and democratic arrangements to support the transition to unitary form of local government. This will include all necessary work to ensure the new Somerset Council is ready from 1 April 2023 to assume the responsibilities and services delivered by the 5 current councils in Somerset.</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, 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 in 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>

<p><b>5.SEND Improvement Plan</b></p>	<p>We will review current partnership arrangements to ensure these are effective in supporting joint decision making and joint commissioning.</p> <p>Review local area governance to ensure alignment with emerging arrangements for Integrated Care Systems and Local Government Reform.</p>
<p><b>6.Organisational capacity and resilience</b></p> <p>A significant risk facing all five councils in Somerset is organisational capacity along with recruitment and retention challenges in order to maintain services, deliver projects and priority programmes such as Local Government Reorganisation. Resilience is a concern due to the complex situation for Local Government in Somerset where there is no longer "business as usual" as we transition from five existing councils in 2022 towards the new Somerset Council on 1 April 2023, support partnership responses to Covid 19 and strive to deliver key priorities and services at the same time.</p>	<p>We will continue to review and take management action as appropriate. There is regular oversight and review of mitigations by SLT and the Executive. There is regular review of business continuity and civil contingencies partnership arrangements. Regular budget and performance monitoring reports are considered by Scrutiny Committees and the Executive. A recruitment protocol has been put in place across the five councils to support the retention of staff and maximise opportunities whilst enabling the five councils to support each other during the transition to one council.</p>

**These issues will be supported by an action plan, progress on which will be monitored during 2022-23 by the Governance Board and the Senior Leadership Team. Oversight, constructive challenge and review will be available from the Executive, Scrutiny Committees and the Audit Committee.**

The new Somerset County Council may make changes to the Council's governance framework, and we will continue to review and adapt it so that it continues to support the new Somerset 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.



Signed: \_\_\_\_\_ Date: July 2022  
(Patrick Flaherty, Chief Executive)



Signed: \_\_\_\_\_ Date: July 2022  
(Cllr Bill Revans, 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 2021/22 financial year and its position at the year-end of 31 March 2022. 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 2021/22, 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.

In light of the ongoing delays and capacity issues nationally with local audit, The UK Govt is planning, subject to consultation, to introduce secondary legislation to extend the deadline for publishing audited local authority accounts to 30 November 2022 for the 21/22 accounts.

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 non-current 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 2.60% (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 52.

## **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 COVID19 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 COVID19 assessment can be found in the Credit and Counterparty risk section of Note 36 and the Estimation Uncertainty Note 5.

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 Measured at Fair value Through Profit or Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services. 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 29.

## **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

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).

### 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
Highways Infrastructure: Carriageways	30 years (based on Highways Asset Management Finance Information Group (HAMFIG) valuation toolkit)
Highways Infrastructure: Footways	23 years (based on HAMFIG toolkit)
Highways Infrastructure: Street Furniture	15 years (based on HAMFIG toolkit)
Highways Infrastructure: Highways Land	125 years (based on HAMFIG toolkit)
Highways Infrastructure: Structures	120 years (based on HAMFIG toolkit)
Highways Infrastructure: Street Lighting	30 years (based on HAMFIG toolkit)
Highways Infrastructure: Traffic Mgt Vehicles	15 years (based on HAMFIG toolkit)
Plant	5 to 15 years
Mobile classrooms	10 years
IT and other equipment	40 years
Software (SAP HCL)	4-7 years
Software licences	6 years
	Up to 25 years, depending on contract.
	25 years relates to the Council's SAP system.

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 2021/22, 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 Pupil Referral Units (of which there are 60 within our boundary)
- Voluntary controlled (49 within our boundary)
- Voluntary aided (25 within our boundary); and
- Foundation (4 within our boundary).

The remaining type of state school, an Academy, (of which there are 130 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 50.

## **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 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.

## 26 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.

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

## **27 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.

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

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 different funding streams.

## **29 Overheads & Support Services**

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

# 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 2021			Comprehensive Income (-) and Expenditure Statement for the year ended 31 March	31 March 2022			Notes
Gross Expenditure (Restated)	Gross Income (Restated)	Net Expenditure (Restated)		Gross Expenditure	Gross Income	Net Expenditure	
£millions	£millions	£millions		£millions	£millions	£millions	
<u>Continuing Operations</u>							
274.777	-128.737	146.040	Adult Services	276.498	-175.651	100.847	7
147.751	-65.706	82.045	Children's Services	171.286	-74.589	96.697	7
159.282	-52.536	106.746	Economic and Community Infrastructure Services	181.049	-68.324	112.725	7
27.082	-29.001	-1.919	Public Health	33.561	-35.615	-2.054	7
26.670	-3.840	22.830	Customers, Digital & Workforce	26.734	-3.690	23.044	7
13.575	-5.152	8.423	Finance and Governance	15.595	-6.201	9.394	7
2.386	-0.241	2.145	Corporate Costs (including Contingencies)	-2.943	-0.460	-3.403	7
29.889	-29.402	0.487	Accountable Bodies (LEP/SRA/CDS)	26.225	-23.755	2.470	7
216.164	-184.598	31.566	Schools and Early Years	233.071	-188.460	44.611	7
<b>897.576</b>	<b>-499.213</b>	<b>398.363</b>	<b>Surplus (-) / Deficit on Continuing Operations</b>	<b>961.076</b>	<b>-576.745</b>	<b>384.331</b>	
29.408	-	29.408	Other operating expenditure	30.180	-	30.180	13
46.991	-8.218	38.773	Financing and investment income (-) and expenditure	49.297	-9.427	39.870	14
-	-425.611	-425.611	Taxation and non-specific grant income (-)	-	-443.107	-443.107	15
<b>973.975</b>	<b>-933.042</b>	<b>40.933</b>	<b>Surplus (-) or Deficit on Provision of Services</b>	<b>1,040.553</b>	<b>-1,029.279</b>	<b>11.274</b>	
<u>Items that will not be reclassified to the Surplus (-) or Deficit on the Provision of Services</u>							
		-31.674	Surplus (-) or Deficit on revaluation of non-current assets			-43.287	16
		196.860	Remeasurement gains (-) / losses on pension assets/liabilities			-177.118	52
		<b>165.186</b>	<b>Other Comprehensive Income (-) and Expenditure</b>			<b>-220.405</b>	
		<b>206.119</b>	<b>Total Comprehensive Income (-) and Expenditure</b>			<b>-209.131</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 2021 &amp; 2022</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	
<b>Balance as at 1 April 2020</b>	43/44	<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 (-)	16/52	-	-	-	-	-	-	-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	11	84.812	-	84.812	4.875	-0.334	89.353	-89.353	-
<b>Increase/Decrease (-) in Year Before Transfers to Reserve</b>		<b>43.879</b>	<b>0.000</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	12	-10.138	10.138	-	-	-	-	-	-
<b>Balance as at 31 March 2021</b>	43/44	<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>
<b>Movement in Reserves during 2021/22</b>									
Surplus or deficit (-) on provision of services		-11.274	-	-11.274	-	-	-11.274	-	-11.274
Other Comprehensive Income and Expenditure (-)	16/52	-	-	-	-	-	-	220.405	220.405
<b>Total Comprehensive Income and Expenditure (-)</b>		<b>-11.274</b>	-	<b>-11.274</b>	-	-	<b>-11.274</b>	<b>220.405</b>	<b>209.131</b>
Adjustments between accounting basis & funding basis under regulations	11	73.874	-	73.874	3.722	-0.092	77.504	-77.504	-
<b>Net Increase/Decrease (-) before Transfers to Reserves</b>		<b>62.600</b>	-	<b>62.600</b>	<b>3.722</b>	<b>-0.092</b>	<b>66.230</b>	<b>142.901</b>	<b>209.131</b>
Transfers to (-) / from Reserves	12	5.845	-5.845	-	-	-	-	-	-
<b>Increase/Decrease (-) in Year</b>		<b>68.445</b>	<b>-5.845</b>	<b>62.600</b>	<b>3.722</b>	<b>-0.092</b>	<b>66.230</b>	<b>142.901</b>	<b>209.131</b>
<b>Balance as at 31 March 2022</b>	43/44	<b>214.913</b>	<b>4.293</b>	<b>219.206</b>	<b>13.661</b>	<b>3.582</b>	<b>236.449</b>	<b>-325.858</b>	<b>-89.409</b>

Further details on the s31 Local Tax Income Guarantee Grant Reserve, and individual balances for the General Fund and Earmarked Reserves can be found in Note 43 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 2021	Balance Sheet	31 March 2022	
£millions		£millions	Notes
984.996	Property, Plant & Equipment	1,008.600	25
1.934	Heritage Assets	1.934	32
1.481	Intangible Non-Current Assets	1.082	26
38.843	Long term Investments	44.499	35
20.344	Long term Receivables	19.279	35
<b>1,047.598</b>	<b>Long term Assets</b>	<b>1,075.394</b>	
155.237	Short term Investments	210.199	35
1.131	Assets Held for Sale	0.932	28
7.667	Inventories	7.443	37
59.965	Short term Receivables & Payments in Advance	64.869	38
83.743	Cash and Cash Equivalents	85.401	45
<b>307.743</b>	<b>Current Assets</b>	<b>368.844</b>	
-100.321	Short term Payables & Receipts in Advance	-125.234	39
-41.552	Revenue Grants/Contributions Receipts in Advance	-41.243	42
-72.402	Capital Grants/Contributions Receipts in Advance	-63.487	42
-5.862	Long term Borrowing Repayable < 1 year	-5.983	35
-7.425	Provisions	-6.971	41
-7.220	Short term Borrowing	-10.050	35
-6.605	Overdraft	-5.115	45
<b>-241.387</b>	<b>Current Liabilities</b>	<b>-258.083</b>	
-0.259	Provisions	-0.260	41
-338.441	Long term Borrowing Repayable > 1 Year	-338.001	35
-1,033.427	Other Long Term Liabilities	-908.704	40
-13.206	Revenue Grants/Contributions Receipts in Advance	-3.330	42
-27.161	Capital Grants/Contributions Receipts in Advance	-25.269	42
<b>-1,412.494</b>	<b>Long Term Liabilities</b>	<b>-1,275.564</b>	
<b>-298.540</b>	<b>Net Assets</b>	<b>-89.409</b>	
170.219	Usable Reserves	236.449	43
-468.759	Unusable Reserves	-325.858	44
<b>-298.540</b>	<b>Total Reserves</b>	<b>-89.409</b>	

*J. C. Vaughan*

**Jason Vaughan FCCA, CPFA, IRRV (Hons)**

**Director of Finance  
(Chief Financial Officer)**

29 July 2022

**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.

2020/21		2021/22	
£millions		£millions	Notes
40.933	Net surplus (-) or deficit on the provision of services	11.274	
-169.649	Adjustments to net surplus or deficit on the provision of services for non cash movements	-136.607	46
84.286	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	88.792	46
<b>-44.430</b>	<b>Net cash flows from Operating Activities</b>	<b>-36.541</b>	46
9.170	Investing Activities	34.859	47
3.063	Financing Activities	-1.466	48
<b>-32.197</b>	<b>Net increase (-) or decrease in cash and cash equivalents</b>	<b>-3.148</b>	
<b>44.941</b>	<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>77.138</b>	
<b>77.138</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>80.286</b>	45

# Notes to the core financial statements

## **Note 1: Prior-Period Adjustment**

- Comprehensive Income & Expenditure Statement – Change In Service Reporting

We are required to report our service segments based on the way in which we operate and manage our services. The reporting format means that the Continuing Operations section of the Comprehensive Income and Expenditure Statement supports accountability and transparency as it reflects the way in which services operate and performance is managed.

In 2021/22, the Council changed the way it reported some of its service headings to Cabinet. Although this is not a change in accounting policy nor is it a misstatement, for the purposes of clear comparatives the Comprehensive Income and Expenditure Statement has been restated.

The final deficit position for continuing operations remains unchanged when compared to the 2020/21 position reported in last year's accounts. The changes can be described as:

- The service heading for Corporate & Support Services has been removed, and is now being reported as Customers, Digital & Workforce, Finance & Governance, and Corporate Costs.
- The service heading for Individual Schools Budget has been renamed and is now being reported as Schools and Early Years.

The restatement movements can be seen in the following table 1:

<u>Comprehensive Income and Expenditure</u> <u>Statement for the year ended 31 March 2021</u>	<u>As reported in the 2020/21 accounts</u> 31 March 2021				<u>As Restated</u> 31 March 2021		
	Gross Expenditure	Gross Income	Net Expenditure	Change in Internal Reporting Classifications	Gross Expenditure	Gross Income	Net Expenditure
	£millions	£millions	£millions		£millions	£millions	£millions
<u>Continuing Operations</u>							
Adult Services	274.018	-128.751	145.267	-	274.018	-128.751	145.267
Children's Services	166.069	-65.557	100.512	-	166.069	-65.557	100.512
Economic and Community Infrastructure Services	155.905	-52.535	103.370	-	155.905	-52.535	103.370
Public Health	30.127	-29.001	1.126	-	30.127	-29.001	1.126
Corporate & Support Services (inc Corporate Contingency/Non-S)	36.606	-9.208	27.398	-27.398	-	-	-
Individual Schools Budget	206.244	-184.107	22.137	-22.137	-	-	-
Customers, Digital & Workforce	-	-	-	19.045	22.878	-3.833	19.045
Finance and Governance	-	-	-	6.395	11.522	-5.127	6.395
Corporate Costs (including Contingencies)	-	-	-	1.958	2.206	-0.248	1.958
Accountable Bodies (LEP/SRA/CDS)	30.599	-29.402	1.197	-	30.599	-29.402	1.197
Schools and Early Years	-	-	-	22.137	206.244	-184.107	22.137
<b>Surplus (-) / Deficit on Continuing Operations</b>	<b>899.568</b>	<b>-498.561</b>	<b>401.007</b>	<b>-</b>	<b>899.568</b>	<b>-498.561</b>	<b>401.007</b>
Other operating expenditure	29.408	-	29.408	-	29.408	-	29.408
Financing and investment income and expenditure	44.366	-8.237	36.129	-	44.366	-8.237	36.129
Taxation and non-specific grant income	-	-425.611	-425.611	-	-	-425.611	-425.611
<b>Surplus (-) or Deficit on Provision of Services</b>	<b>973.342</b>	<b>-932.409</b>	<b>40.933</b>	<b>-</b>	<b>973.342</b>	<b>-932.409</b>	<b>40.933</b>

There was no impact on any other primary statements as a result of this restatement.

- Comprehensive Income & Expenditure Statement – Internal Income & Expenditure Reclassification

During 2021/22, a review of the Council's internal transactions identified an issue with how the transactions were being excluded from the Comprehensive Income & Expenditure Statement (CIES). Under accounting regulations, internal recharges do not meet the definition of income and expenditure because they do not represent an inflow/outflow of economic benefits to/from the Council and they do not result in an increase/decrease in reserves, so the transactions are removed from the CIES.

During 2021/22, the Councils internal review identified that although the internal recharges were being excluded from the CIES, the income and expenditure being excluded was taken from the service providing the internal supply (as internal recharges are charged at full cost recovery) rather than from the services providing and receiving the supply. This resulted in transactions between service headings being reported within the CIES in error. Paragraph 3.4.2.40 of the Code confirms that as service segments in the CIES are not intended to cover the reporting requirements for IFRS 8, transactions between internal services are not permitted in the service analysis section of the statement.

To ensure compliance with the Code, a full internal recharge review was carried out and the 2020/21 comparatives for the CIES have been restated as follows:

<u>Comprehensive Income and Expenditure</u> <u>Statement for the year ended 31 March 2021</u>	<u>As reported in the 2020/21 accounts,</u> <u>restated balance as per Table 1</u>					<u>As Restated</u>		
	31 March 2021					31 March 2021		
	Gross Expenditure £millions	Gross Income £millions	Net Expenditure £millions	Change in Internal Expenditure Classification £millions	Change in Internal Income Classification £millions	Gross Expenditure £millions	Gross Income £millions	Net Expenditure £millions
<u>Continuing Operations</u>								
Adult Services	274.018	-128.751	145.267	0.759	0.014	274.777	-128.737	146.040
Children's Services	166.069	-65.557	100.512	-18.318	-0.149	147.751	-65.706	82.045
Economic and Community Infrastructure Services	155.905	-52.535	103.370	3.377	-0.001	159.282	-52.536	106.746
Public Health	30.127	-29.001	1.126	-3.045	-	27.082	-29.001	-1.919
Customers, Digital & Workforce	22.878	-3.833	19.045	3.792	-0.007	26.670	-3.840	22.830
Finance and Governance	11.522	-5.127	6.395	2.053	-0.025	13.575	-5.152	8.423
Corporate Costs (including Contingencies)	2.206	-0.248	1.958	0.180	0.007	2.386	-0.241	2.145
Accountable Bodies (LEP/SRA/CDS)	30.599	-29.402	1.197	-0.710	-	29.889	-29.402	0.487
Schools and Early Years	206.244	-184.107	22.137	9.920	-0.491	216.164	-184.598	31.566
<b>Surplus (-) / Deficit on Continuing Operations</b>	<b>899.568</b>	<b>-498.561</b>	<b>401.007</b>	<b>-1.992</b>	<b>-0.652</b>	<b>897.576</b>	<b>-499.213</b>	<b>398.363</b>
Other operating expenditure	29.408	-	29.408	-	-	29.408	-	29.408
Financing and investment income and expenditure	44.366	-8.237	36.129	2.625	0.019	46.991	-8.218	38.773
Taxation and non-specific grant income	0.000	-425.611	-425.611	-	-	-	-425.611	-425.611
<b>Surplus (-) or Deficit on Provision of Services</b>	<b>973.342</b>	<b>-932.409</b>	<b>40.933</b>	<b>0.633</b>	<b>-0.633</b>	<b>973.975</b>	<b>-933.042</b>	<b>40.933</b>

Although the internal review, and subsequent restatement, identified that £0.633m of income and expenditure had been incorrectly classified as internal, there was no net impact on the Deficit on Provision of Services, so no other Primary Statements have been affected by this restatement.



## Note 2: COVID-19 Pandemic Response

The Council's response to COVID-19 has resulted in significantly increased expenditure during 2021/22. 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 expenditure/income by service (I&E) heading

2021/22

<b>Impact of Covid-19 Reponse by Service For the year-ended 31st March 2022</b>	<b>Gross Expenditure</b>	<b>Gross Income</b>	<b>Net Expenditure</b>
	<b>£millions</b>	<b>£millions</b>	<b>£millions</b>
<u>Continuing Operations</u>			
Adult Services	21.325	-17.585	3.740
Children's Services	11.337	-6.126	5.211
Economic and Community Infrastructure Services	2.012	0.137	2.149
Public Health	9.752	-10.724	-0.972
Corporate & Support Services (inc Corporate Contingencies)	6.000	-3.705	2.295
<b>Surplus (-) / Deficit on Continuing Operations</b>	<b>50.426</b>	<b>-38.003</b>	<b>12.423</b>
Financing and investment income and expenditure	-	-	-
Taxation and non-specific grant income	-	-10.852	-10.852
<b>Surplus (-) or Deficit on Provision of Services</b>	<b>50.426</b>	<b>-48.855</b>	<b>1.571</b>

<b>Impact of Covid-19 Reponse by Service For the year-ended 31st March 2021</b>	<b>Gross Expenditure</b>	<b>Gross Income</b>	<b>Net Expenditure</b>
	<b>£millions</b>	<b>£millions</b>	<b>£millions</b>
<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 expenditure by MHCLG category

2020/21 Gross Expenditure £millions	Covid-19 Impact as per MHCLG Costs Analysis Statement for the year ended 31 March 2022	2021/22 Gross Expenditure £millions
<b><u>Adult Services</u></b>		
6.434	Adult Social Care – additional demand	4.108
23.655	Adult Social Care – supporting the market	12.404
0.190	Adult Social Care – workforce pressures	4.813
6.586	Adult Social Care - Personal protective equipment (PPE)	0.000
0.478	Adult Social Care - other	0.000
<b><u>Children Services</u></b>		
1.599	Children's Social Care - residential care	1.358
0.086	Children's Social Care - care leavers	0.000
2.344	Children's Services - other	9.599
1.202	Education - Home to school transport	0.000
2.336	Education - other	0.380
<b><u>Public Health</u></b>		
	Public Health - other	8.694
3.672	Public Health - Testing, contact tracing and outbreak planning	1.059
<b><u>Corporate and Support Services</u></b>		
0.180	Cultural & related - Sports, leisure and community facilities	0.000
0.195	Finance & corporate - ICT & remote working	0.000
0.038	Finance & corporate - other	0.000
0.675	Housing - rough sleeping	0.000
0.015	Other - PPE (non-Adult Social Care)	0.000
9.678	Other - excluding service areas listed above	6.000
1.233	Other - unachieved savings/delayed projects	0.000
<b><u>Economic and Community Infrastructure Services</u></b>		
2.515	Environment and regulatory - waste management	0.000
0.015	Environment and regulatory - other	0.234
0.020	Planning & development	0.000
1.595	Highways and Transport	1.386
0.300	Other - Shielding	0.392
<b>65.041</b>	<b>Total Expenditure</b>	<b>50.426</b>

Table 3: Total income by funding type

2020/21 Gross Income (-) £millions	Covid-19 Source of Funding Analysis Statement for the year ended 31 March 2022	2021/22 Gross Income (-) £millions
	<u>Grants Received</u>	
-16.235	COVID-19 Support Grant	-10.852
-0.442	Bus Service Support Grant	-0.202
-0.508	Test and Trace Support Grant	-
-0.805	Additional School & College Transport Capacity Funding	-0.357
-0.138	Emergency Active Travel Fund	-
-15.446	Infection Control Fund	-12.414
-3.620	Income Compensation Scheme	-0.905
-0.573	Emergency Assistant Grant for Food & Essential Supplies	-
-1.902	Winter Grant Scheme	-1.998
-5.093	Contain Outbreak Management Fund	-8.765
-0.693	Funding for Clinically Extremely Vulnerable	-0.943
-1.831	Adult Social Care Rapid Testing Fund	-
-0.957	Workforce Capacity Fund	-5.018
0.000	Omicron Support Fund	-
0.000	Practical Support Grant	-1.016
0.000	Household Support Fund	-3.770
0.000	Council Tax Support Grant	-3.705
-0.392	Opportunity Area Grant	-
-0.384	Community Testing	-
	<u>Contributions Received</u>	
-10.236	CCG	-0.153
-2.305	District Partners	-
	<u>Less: Lost Income from Sales, Fee's and Charges (SFC)</u>	
0.002	Commercial Income	
0.195	Cultural & Related SFC	0.019
0.867	Highways & Transport SFC	-
0.028	Planning & Development SFC	-
3.870	Other Income and SFC	1.224
<b>-56.598</b>	<b>Total Funding</b>	<b>-48.855</b>

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

### **Note 3: Accounting Standards That Have Been Issued But Have Not Yet Been Adopted**

The Council has yet to adopt the following accounting standards:

- Annual Improvements to IFRS Standards 2018–2020 (Programme notes 4).

The annual IFRS improvement programme notes 4 changed standards:

- IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
  - IAS 37 (Onerous contracts) – clarifies the intention of the standard
  - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
  - IAS 41 (Agriculture) – amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

These amendments prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use.

We do not expect any of the amendments above, to have a material impact on our accounts when they are applied prospectively from 1st April 2022.

#### **Note 4: 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 of 31 March 2022, the value of schools related land and buildings (including Pupil Referral Units - PRU) where freehold interest existed was £259.220m.

The Council has also recognised a non-current asset for any leasehold arrangements that meet the definition of a finance lease under IAS17. As of 31 March 2022, the value of schools related land and buildings where leasehold interest existed was £10.175m.

For those properties (including PRU's), where neither a freehold nor leasehold interest exists (71 schools as of 31st March 2022), 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 Southwest 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) several 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 hosted 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 17.

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 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. As of 31 March 22, the authority held £6.243m of unspent Growing Places funding.

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

The Council received a total of £197m of Growth Deal funding during 2015 to 2021. During 2021/22 the Council received an additional £17.7m of Getting Building Fund, the total grant received for this fund since 2019 was £35.4m. The funds have conditions within the grant terms that state spend against the grant must be defrayed by 31/03/2021 and 31/03/2022 respectively. Both have been fully utilised to approved projects reported to central government and fully spent using the Freedoms and Flexibilities arrangements allowed for in the grant determinations.

The grants were awarded to the HotSW LEP and payable to the Council as the accountable body. The Council has a more active role in decision making, retaining a veto right on the use of the funds, and maintains the liability of grant claw-back. Acting as principle for both the Growth Deal and Getting Building Fund, all transactions for these funds are therefore included within the Council 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 2021/22. Further details of the Council's non-material interest in Futures for Somerset, can be found in Note 53.

### **Changes in Accounting Estimates**

1. From 1<sup>st</sup> April 2021, to ensure compliance with The Code, the authority has estimated the useful life of its Highways Network Infrastructure asset based on the useful lives of the asset components. Prior to this date, the useful life was estimated based on the weighted average life of the whole asset. The useful life is a best estimate of the number of years an asset is considered useable, and any change to the useful life impacts on the depreciation charged to the Comprehensive Income & Expenditure Statement, and the carrying value of the asset in the Balance Sheet.

This change in estimate has increased the depreciation charge to the Economic & Community Infrastructure (ECI) line in the Continuing Operations section of the Comprehensive Income & Expenditure Statement (by approximately £9.178m) and reduced the value of Infrastructure assets reported as Property, Plant and Equipment (PPE) in the Balance Sheet by the same amount.

As a change in accounting estimates does not require retrospective restatement, the comparative values for 2020/21 have not been restated, but had the previous year's estimation been based on the componentised rather than weighted average approach, the depreciation charge to the ECI line in the Comprehensive Income & Expenditure statement would have

increased by approximately £8.449m, with the carrying value of the PPE line in the Balance Sheet reduced by the same amount.

**Note 5: 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 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<p><b>Valuation of operational property</b></p>	<p>As at 31 March 2022, the value of operational property carried in the Council's balance sheet was £465.274m.</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 2022 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 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 2021/22 that required a material valuation uncertainty declaration.</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 £46.5m.</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><b>Depreciation</b></p>	<p>During 2021/22, the total amount of depreciation (including intangible asset amortisation) charged to the Comprehensive Income &amp; Expenditure Statement was £37.762m.</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>See Accounting Policy 13 for details of the useful lives used in the depreciation estimate for Property, Plant &amp; Equipment and Highways Network Infrastructure.</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 £3.317 million for every year that useful lives had to be reduced (based on asset values as at 31<sup>st</sup> March 2022)</p>
<p><b>Pensions Liability</b></p>	<p>As at 31 March 2022, the value of Local Government Pension Scheme IAS19 liability carried in the Council's balance sheet was £812.682m.</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 judgements on our behalf.</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 £42.237m (see the sensitivity analysis in note 52 for other potential movements to the pensions liability as a result of changes in actuarial assumptions).</p> <p>Similarly, if the authorities share of pension fund assets (see note 52 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 £12.821m.</p>

<p><b>Doubtful Debt Impairment and Expected Credit Losses</b></p>	<p>As at 31 March 2022, the Council had an outstanding balance of short-term receivables totalling £60.377m. Against this balance there is an impairment allowance of £14.678m.</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 2022, the Council also had an outstanding balance of long-term receivables and payment in advance totalling £19.279m. Included within this total was £14.249m 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 2022, 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 2022, the fair value of assets carried in the Council's balance sheet was £1,443.773m, whilst the fair value of liabilities was £1,618.891m.</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</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</p>

	<p>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 35.</p> <p>Further information about the valuation techniques used in determining the fair value of the Council's surplus assets is disclosed in note 29.</p>	<p>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 35.</p>
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## **Note 6: Events after the Balance Sheet Date**

The Director of Finance authorised the Statement of Accounts on 29 July 2022. 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 2022, 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.

**Note 7: 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 Costs (reported at Outturn) is 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 Schools and Early Years figures reported in the table below as the Outturn position for Schools is not reported at Outturn. This classification issue does not impact on the surplus reported at year-end (£4.1m).

2021/22

Expenditure & Funding Analysis for the year ended 31 March 2022	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	146.000	-49.841	96.159	4.688	100.847
Children's Services	106.000	-18.973	87.027	9.670	96.697
Economic and Community Infrastructure Services	74.900	-5.992	68.908	43.817	112.725
Public Health	1.700	-5.335	-3.635	1.581	-2.054
Customers, Digital & Workforce	16.500	3.251	19.751	3.293	23.044
Finance and Governance	9.800	0.722	10.522	-1.128	9.394
Corporate Costs (including Contingencies)	13.400	-3.753	9.647	-13.050	-3.403
Accountable Bodies (LEP/SRA/CDS)	7.400	-5.007	2.393	0.077	2.470
Schools and Early Years	-	7.330	7.330	37.281	44.611
<b>Surplus (-) / Deficit on Continuing Operations</b>	<b>375.700</b>	<b>-77.598</b>	<b>298.102</b>	<b>86.229</b>	<b>384.331</b>
Other Income & Expenditure	-379.800	19.098	-360.702	-12.355	-373.057
<b>Surplus (-) or Deficit on Provision of Services</b>	<b>-4.100</b>	<b>-58.500</b>	<b>-62.600</b>	<b>73.874</b>	<b>11.274</b>
Opening General Fund Balance at 31 March 2021			156.606		
Add Surplus (-) on General Fund in Year			-62.600		
<b>Closing General Fund Balance at 31 March 2022</b>			<b>219.206</b>		

**2020/21**

<b>Expenditure &amp; Funding Analysis for the year ended 31 March 2021</b>	<b>Directorate Total as reported for resource management (Restated) £millions</b>	<b>Adjustment to arrive at the net amount chargeable to the General Fund balance (Restated) £millions</b>	<b>Net Expenditure Chargable to the General Fund (Restated) £millions</b>	<b>Adjustments between Funding and Accounting basis (Restated) £millions</b>	<b>Net Expenditure in the Comprehensive Income and Expenditure Statement £millions</b>
Adult Services	142.250	0.496	142.746	3.294	146.040
Children's Services	89.620	-14.714	74.906	7.139	82.045
Economic and Community Infrastructure	68.625	0.684	69.309	37.437	106.746
Public Health	1.781	-5.212	-3.431	1.512	-1.919
Customers, Digital & Workforce	15.818	2.630	18.448	4.382	22.830
Finance and Governance	7.904	3.105	11.009	-2.586	8.423
Corporate Costs (including Contingencies)	17.084	-9.655	7.429	-5.284	2.145
Accountable Bodies (LEP/SRA/CDS)	2.802	-0.662	2.140	-1.653	0.487
Schools and Early Years	-	0.645	0.645	30.921	31.566
<b>Surplus (-) / Deficit on Continuing Operations</b>	<b>345.884</b>	<b>-22.683</b>	<b>323.201</b>	<b>75.162</b>	<b>398.363</b>
Other Income & Expenditure	-354.900	-12.180	-367.080	9.650	-357.430
<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>		

The 2020/21 service headings in the table above (and below in Note 8) have been restated, to ensure consistency with the restated Income & Expenditure Statement - see Note 1: Prior Period Adjustment (Comprehensive Income & Expenditure Statement – Change In Service Reporting) and (Comprehensive Income & Expenditure Statement – Internal Income & Expenditure Reclassification) for further details.

## Note 8: 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.

#### 2021/22

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes £millions	Net change for the Pensions Adjustments £millions	Other Differences £millions	Total Adjustments £millions
Adult Services	0.019	4.749	-0.080	4.688
Children's Services	0.824	8.981	-0.135	9.670
Economic and Community Infrastructure	37.144	6.688	-0.015	43.817
Public Health	-0.175	1.880	-0.124	1.581
Customers, Digital & Workforce	3.315	-	-0.022	3.293
Finance and Governance	-1.092	-	-0.036	-1.128
Corporate Costs (including Contingencies)	-0.010	-13.068	0.028	-13.050
Accountable Bodies (LEP/SRA/CDS)	-0.001	0.077	0.001	0.077
Schools and Early Years	15.380	23.762	-1.861	37.281
<b>Net Cost of Services</b>	<b>55.404</b>	<b>33.069</b>	<b>-2.244</b>	<b>86.229</b>
<u>Other Income &amp; Expenditure</u>				
Other operating expenditure	28.198	-	-	28.198
Financial and investment income and expenditure	-4.900	20.528	-0.042	15.586
Taxation and non-specific grant income and expenditure	-43.503	-	-12.636	-56.139
<b>General Fund (Surplus)/Deficit</b>	<b>35.199</b>	<b>53.597</b>	<b>-14.922</b>	<b>73.874</b>

#### 2020/21

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Restated) £millions	Net change for the Pensions Adjustments (Restated) £millions	Other Differences (Restated) £millions	Total Adjustments (Restated) £millions
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	33.024	4.190	0.223	37.437
Public Health	0.001	0.914	0.597	1.512
Customers, Digital & Workforce	4.244	0.000	0.138	4.382
Finance and Governance	-0.996	-1.643	0.053	-2.586
Corporate Costs (including Contingencies)	-0.022	-5.316	0.054	-5.284
Accountable Bodies (LEP/SRA/CDS)	-1.708	0.055	0.000	-1.653
Schools and Early Years	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>

## 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 the removal of internal transactions which although reported for resource management do not meet the definition of income and expenditure because they do not represent an inflow/outflow of economic benefits to/from the Council and they do not result in an increase/decrease in reserves, so the transactions are removed from the CIES. This internal adjustment does not impact on the overall deficit on the provision of service as the total of internal adjustments nets to nil.

### **Note 9a: 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>2020/21 (Restated)</b>		<b>2021/22</b>
<b>£ millions</b>	<b>Expenditure and Income</b>	<b>£ millions</b>
293.814	Employee expenses	315.785
530.320	Other service expenses	558.426
81.306	Capital charges (Depreciation/Amortisation/Impairment etc)	97.036
39.089	Interest payments (including pension interest cost)	40.259
0.833	Precepts & levies	0.849
27.980	Loss on disposal of fixed assets	28.198
<b>973.342</b>	<b>Total Expenditure</b>	<b>1,040.553</b>
-47.188	Revenue from contracts with service recipients	-61.954
-3.852	Other external fees and charges	-6.292
-97.740	Contributions	-138.135
-1.631	Rental income	-2.311
-2.450	Interest and investment income	-3.279
-317.581	Income from Council Tax/ NNDR/ SRA	-343.009
-461.967	Government grants and contributions	-474.299
<b>-932.409</b>	<b>Total Income</b>	<b>-1,029.279</b>
<b>40.933</b>	<b>Surplus or deficit on the provision of services</b>	<b>11.274</b>

The 2020/21 comparatives have been restated to disaggregate the external fee's/charges and Other Service Income into more specific headings.

## Note 9b: 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 2021/22 with performance obligations, so the income has been recognised when the goods/services have been provided by the Council.

2020/21 (Restated) £millions		2021/22 £millions
	<u>Continuing Operations</u>	
-25.461	Adult Services	-28.965
-2.562	Childrens Services	-3.254
-0.107	Public Health	-0.101
-11.018	Economic & Community Infrastructure Services	-16.141
-1.971	Customers, Digital & Workforce	-2.651
-0.730	Finance & Governance	-0.812
-0.101	Accountable Bodies	-
-0.068	Corporate Costs (inc Contingencies)	-0.235
-2.303	Schools & Early Years	-4.717
	<u>Provision of Services</u>	
-2.866	Financial and Investment Income and Expenditure - Trading Activities	-5.079
<b>-47.187</b>	<b>Total Income</b>	<b>-61.954</b>

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

2020/21 (Restated) £millions		2021/22 £millions
	<u>Receivables which are included in debtors</u>	
6.312	Adult Services	5.212
0.522	Children's Services	0.350
0.019	Public Health	-
0.019	Corporate Costs (inc Contingencies)	0.021
0.175	Customers, Digital & Workforce	0.184
2.245	Economic & Community Infrastructure	3.413
0.023	Finance and Governance	0.106
0.023	Schools & Early Years	-
0.200	Financing Income & Expenditure - Trading	0.295
<b>9.538</b>	<b>Total Receivables from Service Users</b>	<b>9.581</b>

The comparative amounts for 2020/21 in the tables above have been restated to ensure comparability with the service structure reported at Outturn as at 31<sup>st</sup> March 2022. This restatement has amended the description of some continuing operations but has not altered the total income/balances being reported for 2020/21.

There were £0.133m 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 2021/22 or 2020/21.

## Note 10: 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.

2020/21 (Restated) £million	Segmental Analysis - Outstanding Debt	2021/22 £million
6.178	Adult Services	1.685
1.217	Children's Services	0.601
3.721	Economic and Community Infrastructure	4.461
0.110	Public Health	0.086
0.009	Customers, Digital & Workforce	0.058
0.397	Finance and Governance	0.386
0.064	Schools and Early Years	0.041
0.146	Financial and Investment Income and Expenditure - Trading Activities	0.256
<b>11.842</b>	<b>Total - as reported at Outturn</b>	<b>7.574</b>

2020/21 £million	Reconciliation of segmental debt to the total short term receivable and payment in advance reported in the Balance Sheet	2021/22 £million
11.842	Segmental Debt - as reported at Outturn	7.574
	<u>Debt - not reportable at Outturn:</u>	
14.845	Collection Fund Debtor	17.090
4.188	Payments in Advance	4.492
5.473	VAT Debtor	5.278
23.617	Other year-end accrued debt	30.435
<b>59.965</b>	<b>Short-term receivable and payment in advance</b>	<b>64.869</b>

The comparative amounts for 2020/21 in the tables above have been restated to ensure comparability with the service structure reported at Outturn as at 31<sup>st</sup> March 2022.

## 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 9b).

### 2021/22

For the year ended 31 March 2022	<u>Income</u>	<u>Expenditure</u>	
	Govt Grants & Contributions £millions	IAS19 Employee Benefit costs £millions	Capital Charges (Depreciation etc) £millions
Adult Services	-41.815	4.749	0.111
Children's Services	-66.679	8.981	0.825
Economic and Community Infrastructure	-24.672	6.688	51.923
Public Health	-32.906	1.880	-
Customers, Digital & Workforce	-0.854	-	3.315
Finance and Governance	-3.307	-	-
Corporate Costs (inc Contingencies)	-0.159	-13.068	-
Accountable Bodies (LEP/SRA/CDS)	-22.070	0.077	21.761
Schools and Early Years	-180.733	23.762	17.766
<b>Total Continuing Operations</b>	<b>-373.195</b>	<b>33.069</b>	<b>95.701</b>
Financing and Investment Income & Expenditure (including Trading)	-1.007	20.528	0.202
Other Operating Expenditure	-	-	1.133
Taxation & Non-Specific Grant	-100.097	-	-
<b>Total - Provision of Services</b>	<b>-474.299</b>	<b>53.597</b>	<b>97.036</b>

### 2020/21

For the year ended 31 March 2021	<u>Income</u>	<u>Expenditure</u>	
	Govt Grants & Contributions (Restated) £millions	IAS19 Employee Benefit costs (Restated) £millions	Capital Charges (Depreciation etc) (Restated) £millions
Adult Services	-42.450	3.265	0.054
Children's Services	-60.265	5.840	0.832
Economic and Community Infrastructure	-9.151	4.190	36.324
Public Health	-27.092	0.914	0.001
Customers, Digital & Workforce	-1.722	-	3.671
Finance and Governance	-3.151	-1.643	-
Corporate Costs (inc Contingencies)	-0.122	-5.316	-
Accountable Bodies (LEP/SRA/CDS)	-28.062	0.055	25.253
Schools and Early Years	-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>

## Note 11: Adjustments between Accounting Basis and Funding Basis under Regulation

2021/22

	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 2022</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	50.925	-	-	50.925	-50.925	-
Impairment of current held for sale assets	1.133	-	-	1.133	-1.133	-
Amortisation of intangible assets	0.399	-	-	0.399	-0.399	-
Capital grants and contributions	-43.503	-	43.503	-	-	-
Revenue expenditure funded from capital under statute	3.869	-	40.714	44.583	-44.583	-
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	32.773	-	-	32.773	-32.773	-
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>						
Statutory provision for the financing of capital investment	-7.842	-	-	-7.842	7.842	-
Capital expenditure charged against the General Fund	-2.641	-	-	-2.641	2.641	-
<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	-4.677	4.677	-	-	-	-
Use of the capital receipts reserve to finance new capital expenditure	-	-0.885	-	-0.885	0.885	-
Contribution from the capital receipts reserve towards administration costs of non current asset disposals	0.102	-0.102	-	-	-	-
Principal repayments transferred to the capital receipts reserve	-	0.032	-	0.032	-0.032	-
<b>Adjustments involving the Capital Grants Unapplied Reserve:</b>						
Use of the capital grants unapplied reserve to finance new capital expenditure	-	-	-84.309	-84.309	84.309	-
<b>Adjustments involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	91.065	-	-	91.065	-91.065	-
Employer's pension contributions and direct payments to pensioners payable in the year	-37.468	-	-	-37.468	37.468	-

## 2021/22 (Continued)

	General Fund - Schools & Other	Capital Receipts Reserve	Capital Grants & Contributions Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
<b>Adjustments between accounting basis and funding basis under regulations for the year ended 31 March 2022</b>	£millions	£millions	£millions	£millions	£millions	£millions
<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	-7.354	-	-	-7.354	7.354	-
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	-5.282	-	-	-5.282	5.282	-
<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	-0.669	-	-	-0.669	0.669	-
<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	5.374	-	-	5.374	-5.374	-
<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	-2.285	-	-	-2.285	2.285	-
<b>Total adjustments between accounting basis &amp; funding basis under regulations</b>	<b>73.874</b>	<b>3.722</b>	<b>-0.092</b>	<b>77.504</b>	<b>-77.504</b>	<b>-</b>

2020/21

	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 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>



## Note 12: Transfers to/from Earmarked Reserves

	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 £millions	Transfers Out 2021/22 £millions	Transfers In 2021/22 £millions	Net Movement 2021/22 £millions	Balance at 31 March 2022 £millions
<b>General Fund:</b>									
Operating Accounts	1.240	-0.342	-	-0.342	0.898	-0.077	0.467	0.390	1.288
Economic Development Fund	0.112	-0.446	0.481	0.035	0.147	-0.033	0.487	0.455	0.602
Reserves for capital purposes	2.638	-	1.112	1.112	3.750	-1.040	1.000	-0.040	3.710
Invest to Save Fund	0.416	-	0.063	0.063	0.479	-	0.021	0.021	0.500
Somerset Drug & Alcohol	0.176	-	-	-	0.176	-0.176	-	-0.176	-
Public Health Earmarked	2.744	-0.332	0.649	0.317	3.061	-	0.420	0.420	3.481
Public Health - Prevention Fund	0.794	-0.418	0.127	-0.291	0.503	-0.280	0.182	-0.098	0.405
Repairs and Maintenance Fund (inc BMIS)	0.046	-	0.085	0.085	0.131	-0.085	0.237	0.152	0.283
Business Rates Retention - County Wide Pot	3.983	-2.000	0.692	-1.308	2.675	-1.983	1.172	-0.811	1.864
Supply Mutual Fund Reserve	-	-	0.218	0.218	0.218	-0.218	-	-0.218	-
Somerset and South West Mutual Scheme	0.179	-	-	-	0.179	-0.347	0.218	-0.129	0.050
BSF Bridgwater Equaliation Reserve	6.564	-	1.016	1.016	7.580	-	1.151	1.151	8.731
Futures for Somerset	0.144	-0.002	0.030	0.028	0.172	-0.008	0.030	0.022	0.194
Elections	0.548	-0.002	0.253	0.251	0.799	-0.801	1.035	0.234	1.033
Somerset Rivers Authority	0.328	-0.059	0.051	-0.008	0.320	-0.295	-	-0.295	0.025
Flood Recovery & 20 year plan	0.151	-0.049	0.030	-0.019	0.132	-0.046	0.010	-0.036	0.096
Superfast Broadband	0.955	-0.141	-	-0.141	0.814	-0.512	0.220	-0.292	0.522
Environment Commuted Sums Reserve	1.865	-0.027	0.028	0.001	1.866	-0.041	0.027	-0.014	1.852
Local Enterprise Partnership (LEP)	2.431	-0.750	0.476	-0.274	2.157	-1.537	2.972	1.435	3.592
SRA Precept 2016/17	5.187	-	1.878	1.878	7.065	-3.581	4.471	0.890	7.955
Children & Learning Commissioning	0.102	-	-	-	0.102	-	0.038	0.038	0.140
S106 funds	0.653	-	0.026	0.026	0.679	-0.035	0.056	0.021	0.700
Insurance Fund Reserve	5.276	-	3.094	3.094	8.370	-	0.468	0.468	8.838
Parking Services	0.435	-	0.509	0.509	0.944	-0.500	0.777	0.277	1.221
West Somerset Opportunities Fund reserve	1.063	-0.317	0.105	-0.212	0.851	-0.220	-	-0.220	0.631
Permitting - Traffic	-	-	0.403	0.403	0.403	-	0.822	0.822	1.225
Supported Bus Service	-	-	0.443	0.443	0.443	-0.093	-	-0.093	0.350
Social Care Volatility	3.980	-	2.588	2.588	6.568	-2.245	1.044	-1.201	5.367
Short Life Asset Fin	-	-	2.040	2.040	2.040	-2.212	1.000	-1.212	0.828
Budget Equalisation	-	-10.323	18.543	8.220	8.220	-3.963	8.360	4.397	12.617
Budget Equalisation - COVID-19 Impact	-	-	9.500	9.500	9.500	-9.500	-	-9.500	-
<b>Sub-Total</b>	<b>42.010</b>	<b>-15.208</b>	<b>44.440</b>	<b>29.232</b>	<b>71.242</b>	<b>-29.828</b>	<b>26.686</b>	<b>-3.142</b>	<b>68.100</b>

Continued:

	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 £millions	Transfers Out 2021/22 £millions	Transfers In 2021/22 £millions	Net Movement 2021/22 £millions	Balance at 31 March 2022 £millions
s31 Collection Fund Compensation	-	-	10.138	10.138	10.138	-5.845	-	-5.845	4.293
Climate Emergency	-	-0.026	1.000	0.974	0.974	-0.880	0.500	-0.380	0.594
COVID-19 Support	15.563	-15.563	5.051	-10.512	5.051	-5.051	-	-5.051	-
Workforce Resilience	1.168	-	0.086	0.086	1.254	-0.171	-	-0.171	1.083
Improving Lives Programme (ILP)	2.248	-0.360	0.042	-0.318	1.930	-0.238	0.002	-0.236	1.694
Social Care Transformation	-	-0.759	4.472	3.713	3.713	-1.000	1.774	0.774	4.487
VPCR Reserve	-	-	0.659	0.659	0.659	-	0.325	0.325	0.984
Corporate Priorities	5.946	-4.831	1.950	-2.881	3.065	-2.871	5.030	2.159	5.224
Funding Volatility	2.390	-	1.345	1.345	3.735	-1.167	7.349	6.182	9.917
Adult Social Care Transforming	-	-	-	-	-	-	0.244	0.244	0.244
Economic Recovery	-	-	-	-	-	-0.409	6.000	5.591	5.591
Building Local Capacity	-	-	-	-	-	-	1.505	1.505	1.505
Childrens Grant Reserve	-	-	-	-	-	-	0.131	0.131	0.131
ASC Grants	-	-	-	-	-	-	20.887	20.887	20.887
Domestic Abuse Statutory Duty	-	-	-	-	-	-	0.287	0.287	0.287
ASC Anticipatory Care	-	-	-	-	-	-	8.200	8.200	8.200
ASC Mental Health Services	-	-	-	-	-	-	2.700	2.700	2.700
ASC Prevention Services	-	-	-	-	-	-	0.500	0.500	0.500
ASC Adult Social Care/Hospital Discharge	-	-	-	-	-	-	3.791	3.791	3.791
ASC Childrens Services	-	-	-	-	-	-	12.000	12.000	12.000
Somerset Works (non ESF)	-	-	-	-	-	-	1.174	1.174	1.174
Bus Capacity Grant	-	-	-	-	-	-	0.264	0.264	0.264
ICT Project Reserve	-	-	-	-	-	-	0.564	0.564	0.564
Business Support System (ERP)	-	-	-	-	-	-	7.800	7.800	7.800
Ukrainian Resettlement	-	-	-	-	-	-	0.250	0.250	0.250
Other Service Reserves	0.204	-0.119	0.381	0.262	0.466	-0.213	3.049	2.836	3.302
<b>Total excluding School Balances</b>	<b>69.529</b>	<b>-36.866</b>	<b>69.564</b>	<b>32.698</b>	<b>102.227</b>	<b>-47.673</b>	<b>111.012</b>	<b>63.339</b>	<b>165.566</b>
Balances held by schools under a scheme of delegation	17.085	-16.106	23.527	7.421	24.506	-	2.032	2.032	26.538
<b>Total</b>	<b>86.614</b>	<b>-52.972</b>	<b>93.091</b>	<b>40.119</b>	<b>126.733</b>	<b>-47.673</b>	<b>113.044</b>	<b>65.371</b>	<b>192.104</b>

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 2021/22.

### Note 13: Other Operating Expenditure

2020/21 £millions		2021/22 £millions
27.980	(Gain)/losses on the disposal of non-current assets	28.198
0.595	Loss on the revaluation of current assets held for sale	1.133
	Levies:	
0.716	- Environment Agencies	0.732
0.117	- Devon and Severn IFCA	0.117
<b>29.408</b>		<b>30.180</b>

The loss on disposal of non-current assets during 2021/22 was predominantly due to schools converting to academy status (£30.057m 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 14: Financing and 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. The surplus on trading activities has been restated – see Note 1 for further details.

2020/21 (Restated) £millions		2021/22 £millions
19.665	Interest payable and similar charges	19.731
18.411	Net pensions interest cost (on the defined liability)	20.528
-2.450	Interest receivable and similar income	-3.279
3.147	Deficit from trading activities	2.890
<b>38.773</b>		<b>39.870</b>

### Note 15: Taxation and Non-Specific Grant Income

2020/21 £millions		2021/22 £millions
-254.906	Council Tax income	-272.674
-60.112	National Non-Domestic Rates	-67.775
-2.563	Somerset Rivers Authority Precept	-2.561
-60.471	Non-ringfenced government grants	-56.594
-47.559	Capital grants and contributions	-43.503
<b>-425.611</b>		<b>-443.107</b>

## Note 16: Surplus or deficit on revaluation of fixed assets

2020/21 £millions		2021/22 £millions
-41.499	Gains (-) credited to the Revaluation Reserve	-53.455
9.825	Losses charged to the Revaluation Reserve	10.168
<u><b>-31.674</b></u>	<b>Total Gain (-) / Loss to the Revaluation Reserve</b>	<u><b>-43.287</b></u>

## Note 17: 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:

2020/21 £millions	Integrated Community Equipment Service (previously known as the Joint Equipment Service)	2021/22 £millions
	Income from:	
-1.728	Adults and Health Service	-1.796
-1.469	Somerset Clinical Commissioning Group (Including Continuing Healthcare Income)	-1.199
-1.563	Other Grant Income	-1.543
<u>-4.760</u>	<b>Total income</b>	<u>-4.538</u>
	Less the following spending:	
4.882	Equipment, delivery costs, minor work	4.679
0.099	Management and administration	0.096
<u>4.981</u>	<b>Total spending</b>	<u>4.775</u>
<u><b>0.221</b></u>	<b>Overspending or underspending (-)</b>	<u><b>0.237</b></u>

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:

<b>2020/21</b> <b>£millions</b>	<b>Learning Disabilities Service</b>	<b>2021/22</b> <b>£millions</b>
	Income from:	
-63.813	Adults and Health Service	-65.395
-22.179	Somerset Clinical Commissioning Group	-23.524
	Somerset Partnership	
-5.801	Income from charges and grant income	-5.892
<u>-91.793</u>	<b>Total income</b>	<u>-94.811</u>
	Less the following spending:	
30.072	Residential services	29.771
35.906	Supported housing	38.542
6.380	Day services	8.800
17.727	Domiciliary Care	17.926
2.034	Community teams	2.038
<u>92.119</u>	<b>Total spending</b>	<u>97.077</u>
<u><b>0.326</b></u>	<b>Overspending or underspending (-)</b>	<u><b>2.266</b></u>

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:

<b>2020/21</b> <b>£millions</b>	<b>Carers</b>	<b>2021/22</b> <b>£millions</b>
	Income from:	
-0.224	Adults and Health Service	-0.224
-0.231	Somerset Clinical Commissioning Group	-0.231
<u>-0.455</u>	<b>Total income</b>	<u>-0.455</u>
	Less the following spending:	
0.377	Universal Carers Support Service	0.377
0.019	Carers Support Worker Salary/Running Costs	0.015
0.048	CAMHS Carers Assessment Workers	0.048
<u>0.444</u>	<b>Total spending</b>	<u>0.440</u>
<u><b>-0.011</b></u>	<b>Overspending or underspending (-)</b>	<u><b>-0.015</b></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 2021/22 through a signed agreement under Section 75 of the National Health Service Act 2006. Somerset County Council received additional funding in 2021/22 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:

2020/21		Better Care Fund	2021/22	
Gross Expenditure £millions	Gross Income £millions		Gross Expenditure £millions	Gross Income £millions
27.638	-27.638	Somerset County Council	27.638	-27.638
40.619	-40.619	NHS Somerset Clinical Commissioning Group (CCG)	42.780	-42.780
<b>68.257</b>	<b>-68.257</b>	<b>Total</b>	<b>70.418</b>	<b>-70.418</b>

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 18: Members' Allowances

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

2020/21 £millions		2021/22 £millions
0.634	Basic Allowance	0.636
0.277	Special Responsibility Allowance	0.282
0.004	Travel and Subsistence Expenses	0.009
0.003	Payments to Co-optees	0.003
<b>0.918</b>		<b>0.930</b>

### Note 19: 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 2022**

2020/21		Employee pay bands	2021/22	
Schools	Non-schools		Schools	Non-schools
46	42	£50,000 to £54,999	64	37
50	33	£55,000 to £59,999	43	37
33	11	£60,000 to £64,999	33	13
16	2	£65,000 to £69,999	26	2
5	20	£70,000 to £74,999	7	18
10	6	£75,000 to £79,999	6	3
5	-	£80,000 to £84,999	3	6
3	4	£85,000 to £89,999	1	1
1	6	£90,000 to £94,999	1	6
1	1	£95,000 to £99,999	-	1
1	-	£100,000 to £104,999	2	3
1	2	£105,000 to £109,999	2	2
-	1	£110,000 to £114,999	-	1
-	1	£115,000 to £119,999	-	-
-	-	£120,000 to £124,999	-	1
-	2	£125,000 to £129,999	-	1
-	3	£130,000 to £134,999	-	4
-	-	£135,000 to £139,999	-	-
-	-	£145,000 to £149,999	-	1
-	-	£160,000 to £164,999	-	-
-	1	£165,000 to £169,999	-	1
-	1	£175,000 to £179,999	-	-

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 2021/22 and 2020/21.

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 2022**

Post holder information (Post title and name)	Salary (including fees and allowances)	Compensation for loss of office	Total wages and benefits but not including pension contributions 2021/22	Employer's pension contributions	Total wages and benefits including pension contributions 2021/22
	£	£	£	£	£
<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>					
- Lead Commissioner Adults & Health	130,500	-	130,500	23,600	154,100
- Director and Lead Commissioner ECI	130,500	-	130,500	23,600	154,100
- Director of Children's Services	130,100	-	130,100	23,600	153,700
- Director of Public Health	126,000	-	126,000	18,100	144,100
- Director of Finance & Governance	123,300	-	123,300	22,300	145,600
- Director of Corporate Affairs - <i>left Nov 21 (see note 1)</i>	71,800	30,000	101,800	11,800	113,600
- Director of Customer, Digital & Workforce	101,600	-	101,600	18,400	120,000
- Programme Director - Left Feb 22 (see note 2)	146,300	-	146,300	4,200	150,500
- Programme Director - Started Feb 22 (see note 3)	97,100	-	97,100	17,600	114,700
<b>Non-statutory chief officers who are directly accountable to the local authority themselves</b>					
- Group Manager Community Governance / Monitoring Officer	80,900	-	80,900	14,600	95,500
- County Solicitor	80,900	-	80,900	14,600	95,500

1. The Director of Corporate Affairs left the Council in November 2021, The position has been removed from the Council structure, and their responsibilities are now being covered by the Director of Customer, Digital and Workforce.
2. Previous Programme Director left in Feb 2022 with a new employee appointed in Feb 2022.
3. The £114,700 reported in the table above, includes £78,800 (Salary) and £14,300 (Employer pension contributions) earned by the new Programme Director in their previous role (from 1st April 21 to 31st January 22)  
There were no benefits in kind paid during 2021/22.



**Table 3 – 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	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

There were no benefits in kind paid during 2020/21.

**Table 4 – Total number and value of exit packages for the financial year ended 31 March 2022**

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	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
							£millions	£millions
£0 - £20,000	1	1	2	18	3	19	0.024	0.149
£20,001 - £40,000	-	-	3	2	3	2	0.081	0.057
£40,001 - £60,000	-	-	-	1	-	1	-	0.042
£60,001 - £80,000	-	-	1	-	1	-	0.063	
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	1	-	1	-	0.111	
£150,001 - £200,000	-	-	-	1	-	1	-	0.183

## Note 20: Termination Benefits

The Council terminated the contracts of 23 posts in 2021/22, incurring liabilities of £0.431 million. The redundancy total includes £0.427 million payable for 22 posts which were terminated by voluntary redundancy or early retirement. A further £0.003 million was paid for 1 post that was given compulsory redundancy. The £0.431 million can be split between teaching and non-teaching staff as follows:

### Non-teaching

Terminations of £0.365 million, were due to organisation wide reduction within the Council (11).

### Teaching

The Council terminated the contract of 12 teacher in 2021/22, incurring liabilities of £0.066 million. These terminations were for other termination reasons rather than compulsory.

## Note 21: 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:

2020/21 £millions		2021/22 £millions
	<u>Fees payable to Grant Thornton, appointed under the Local Audit &amp; Accountability Act 2014</u>	
0.127	– Main audit (proposed for 2021-22 audit)	0.144
0.006	– Grant claims	0.008
-	– Additional audit fees in relation to 2019/20 (approved by PSAA)	0.041
<b>0.133</b>		<b>0.193</b>

## Note 22: 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.

Under the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020, any local authority with a deficit on its school budget must charge the amount of the deficit to an unusable reserve (Dedicated Schools Grant Adjustment Account) established solely for the purpose of recognising deficits in its school's budget. Any in-year deficits, during the period of the regulation are transferred to this unusable reserve to neutralise the impact on the General Fund.

Details of the deployment of DSG receivable for 2021/22 are shown in the following table:

	Central spending £millions	Individual Schools Budget £millions	Total £millions
Final Dedicated Schools Grant for 2021/22 - before Academy and High Needs Recoupment			-438.894
Academy and High Needs figure recouped for 2021/22			223.841
Total Dedicated Schools Grant after Academy and High Needs recoupment for 2021/22			-215.053
Plus: Brought Forward from 2020/21			-
Less: Carry Forward to 2022/23 agreed in advance			-
Agreed initial budgeted distribution in 2021/22	-91.499	-123.554	-215.053
In year adjustments	-	0.200	0.200
<b>Final budgeted distribution for 2021/22</b>	<b>-91.499</b>	<b>-123.354</b>	<b>-214.853</b>
Less actual central expenditure	96.673	-	96.673
Less Actual ISB deployed to schools	-	123.554	123.554
Plus Local Authority contribution for 2021/22	-	-	-
<b>In Year Carry-forward to 2022/23</b>	<b>5.174</b>	<b>0.200</b>	<b>5.374</b>
DSG Unusable Reserve at the end of 2020/21			14.735
Addition to DSG Unusable Reserve at the end of 2021/22			5.374
<b>New DSG position at the end of 2021/22</b>			<b>20.109</b>

The in-year adjustment of £0.200m reported in the table above is the correction of a prior year adjustment that had been recognised in error (between DSG and the Schools General Fund). Further details of the Dedicated Schools Grant Adjustment Account can be found in Note 44: Unusable Reserves.

The total DSG allocation for 21/22 in the table above, includes a late Early Years funding adjustment for 20/21, that reduced the amount of DSG received in 21/22.

### **Note 23: Grant Income**

The Council credited the following grants, capital contributions and capital donations to the Comprehensive Income and Expenditure Statement in 2021/22:

2020/21 £millions		2021/22 £millions
<b>Credited to Taxation and Non-Specific Grant Income</b>		
<u>Revenue Grants</u>		
-6.174	- Revenue Support Grant	-6.209
-0.134	- Inshore Fisheries Grant	-0.134
-2.039	- New Homes Bonus	-1.246
-14.769	- COVID 19 Support Grant	-10.852
-13.540	- Business Rates Cap	-8.884
-0.687	- Rights to Free Travel	-0.837
-3.972	- Building Schools for the Future	-3.888
-14.705	- Adult Social Care Support Grant	-17.959
-0.358	- Local Reform and Community Voices Grant	-0.358
-2.403	- Rural Services Delivery Grant	-2.521
-1.690	- Council Tax Income Guarantee Scheme	-3.705
<b>-60.471</b>		<b>-56.594</b>
<u>Capital Grants</u>		
-3.172	- Standards Fund Capital Grant	-3.224
-27.169	- Department for Transport Capital Grant	-26.378
-12.080	- LEP	-0.105
-1.751	- Dept. Housing, Communities and Local Govt.	-
-	- Dept for Business, Energy & Industrial Strategy	-4.040
-	- Building Digital UK	-3.325
-	- European Regional Development Fund	-1.070
-	- Rural Development Programme for England	-2.147
-3.387	- Other capital grants / Contributions (including developer S106 income)	-3.214
<b>-47.559</b>		<b>-43.503</b>
<b>-108.030</b>	<b>Total Grants Credited to Taxation &amp; Non-Specific Grants</b>	<b>-100.097</b>

2020/21 £millions		2021/22 £millions
	<b>Credited to Services</b>	
	<u>Revenue Grants</u>	
-205.386	- Dedicated Schools Grant	-214.106
-3.556	- Standards Fund	-3.956
-8.608	- Pupil Premium Grant	-8.144
-0.675	- Music Education Grant	-0.673
-0.500	- LEP - Start Up Fund	-0.500
-27.534	- LEP - Growth Hub	-29.810
-0.095	- Adoption Support Grant	-0.099
-1.893	- Sixth Form Funding (S6F)	-2.048
-2.401	- Primary PE and Sports Grant	-2.322
-0.473	- Youth Justice	-0.513
-1.102	- Troubled Families	-1.206
-1.274	- Step Up Social Work	-0.378
-0.570	- School Improvement Grant	-0.513
-	- Social Workers in School Scale Up	-0.398
-3.283	- Universal Infants Free School Meals	-3.162
-6.728	- Teachers Pay Grant	-0.047
-1.185	- Children and Young People services – other grants	-0.909
-1.193	- Independent Living Fund	-1.193
-21.048	- Public Health grant	-21.284
-22.685	- Care Act	-22.685
-	- Domestic Abuse	-1.042
-0.302	- Adult services – other grants	-0.356
-0.291	- DEFRA - AONB & LARC	-0.271
-0.145	- Triple C Project	-0.492
-	- Co-Adapt Project	-0.590
-	- Kickstart	-0.307
-	- Farming in Protected Landscapes	-0.215
-	- Somerset Skills for Growth	-0.212
-	- Holiday Activities & Food Programme	-1.495
-	- Community Renewal Fund	-0.509
-	- Local Transport Authority Bus Capacity Grant	-0.381
-	- Universal Drug Treatment	-0.241
-	- Staying Put Implementation Grant	-0.220
-	- Adults Obesity	-0.212
-0.855	- Bus Service Operators Grant	-0.454
-2.867	- Building Schools for the Future contributions	-2.950
-0.588	- West Somerset Opportunities Area Fund (WSOA)	-0.895
-	- Service Transformation Funding	-0.700
-	- DCLG Funding for Successful Outcomes (PbR)	-0.419
-	- Department for Transport Capital Grant (funding REFCUS)	-3.978
-0.767	- Economic, Communities & Infrastructure services - other grants	-1.320
-1.538	- Other services grants	-5.180
	<u>COVID-19 Grants</u>	
-1.466	- COVID 19 Support Grant	-
-1.902	- Winter Grant Scheme	-1.998
-0.693	- Funding for Clinically Extremely Vulnerable	-0.943
-17.277	- Infection Control & Rapid Testing Grant	-12.414
-5.093	- Outbreak Management Grant	-8.765
-3.620	- Loss of Income Grant	-0.905
-	- Household Support Fund	-3.770
-2.146	- Various Schools Grants	-2.430
-0.957	- Workforce Capacity Fund	-5.018
-0.508	- Test, Track & Trace Grant	-
-0.804	- School and College Transport	-0.559
-0.573	- Emergency Assistant Grant for Food & Essential Supplies	-
-1.356	- Other COVID-19 related grants	-1.017
<b>-353.937</b>	<b>Total Grants Credited To Service</b>	<b>-374.202</b>
<b>-461.967</b>	<b>Total Grants Credited To Comprehensive Income &amp; Expenditure</b>	<b>-474.299</b>

## **Note 24: 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 23.

### **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 2021/22 is shown in Note 18. 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 2021/22 the Council paid £27.8 million to Discovery.
- Various local companies (19 in total) that provide transport on behalf of the Council. The total paid to these companies during 2021/22 was £8.919 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 2021/22 the Council paid £1.330 million to Futures for Somerset.

## Note 25: Property, Plant & Equipment

Movements in 2021/22						
	Other Land & Buildings £millions	Vehicles, Plant & Equipment £millions	Infrastructure Assets £millions	Surplus Assets £millions	Assets Under Construction £millions	Total £millions
<b>Cost or valuation</b>						
At 1 April 2021	444.611	59.005	803.109	3.225	30.542	1,340.493
Additions	16.747	4.572	37.222	0.009	6.395	64.944
Disposals	-31.970	-6.535	-	-	-	-38.505
Reclassifications	25.663	-	0.144	0.868	-28.353	-1.678
Revaluation Increase/decrease (-):						
- to Revaluation Reserve	33.226	-	-	1.058	-	34.284
- to Surplus/Deficit on the provision of service	-13.577	-	-	0.019	-	-13.558
At 31 March 2022	<u>474.700</u>	<u>57.042</u>	<u>840.475</u>	<u>5.179</u>	<u>8.584</u>	<u>1,385.980</u>
<b>Depreciation and impairments</b>						
At 1 April 2021	-8.633	-33.198	-313.581	-0.048	-0.037	-355.497
Charge for 2021/22	-8.531	-8.019	-20.641	-0.172	-	-37.363
Disposals	0.112	6.302	-	-	-	6.414
Reclassifications	-0.017	-	-	0.044	0.036	0.063
Revaluation Increase/decrease (-):						
- to Revaluation Reserve	8.957	-	-	0.046	-	9.003
- to Surplus/Deficit on the provision of service	-	-	-	-	-	-
At 31 March 2022	<u>-8.112</u>	<u>-34.916</u>	<u>-334.222</u>	<u>-0.130</u>	<u>-0.001</u>	<u>-377.380</u>
<b>Balance sheet amount at 1 April 2021</b>						
	<b>435.979</b>	<b>25.807</b>	<b>489.528</b>	<b>3.177</b>	<b>30.505</b>	<b>984.997</b>
<b>Balance sheet amount at 31 March 2022</b>						
	<b>466.588</b>	<b>22.127</b>	<b>506.253</b>	<b>5.049</b>	<b>8.583</b>	<b>1,008.600</b>
<b>Nature of asset holding at 31 March 2022</b>						
Owned	436.707	22.127	506.253	5.049	8.583	978.219
Finance lease	29.881	-	-	-	-	29.881
	<u>466.588</u>	<u>22.127</u>	<u>506.253</u>	<u>5.049</u>	<u>8.583</u>	<u>1,008.600</u>



<b>Movements in 2020/21</b>						
	<b>Other Land &amp; Buildings £millions</b>	<b>Vehicles, Plant &amp; Equipment £millions</b>	<b>Infrastructure Assets £millions</b>	<b>Surplus Assets £millions</b>	<b>Assets Under Construction £millions</b>	<b>Total £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	-	21.082	85.122
Disposals	-34.593	-9.831	-0.024	-0.250	-	-44.698
Reclassifications	19.136	1.964	-0.002	-0.482	-20.512	0.104
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>59.006</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	-7.834	-8.264	-10.937	-0.122	-0.036	-27.193
Disposals	1.630	9.518	-	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>-33.199</u>	<u>-313.581</u>	<u>-0.047</u>	<u>-0.037</u>	<u>-355.497</u>
<b>Balance sheet amount</b>						
<b>at 1 April 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>Balance sheet amount</b>						
<b>at 31 March 2021</b>	<b><u>435.978</u></b>	<b><u>25.807</u></b>	<b><u>489.528</u></b>	<b><u>3.178</u></b>	<b><u>30.505</u></b>	<b><u>984.996</u></b>
<b>Nature of asset holding</b>						
<b>at 31 March 2021</b>						
Owned	402.256	25.807	489.528	3.178	30.505	951.274
Finance lease	33.722	-	-	-	-	33.722
	<u>435.978</u>	<u>25.807</u>	<u>489.528</u>	<u>3.178</u>	<u>30.505</u>	<u>984.996</u>

## Capital Commitments

At 31 March 2022, the Authority anticipated investing £256.230m (£335.590m at 31 March 2021) in the construction or enhancement of Property, Plant, Equipment and Infrastructure during 2022/23 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 several schemes that are already in progress. These include:

- £27.193m for the Connecting Devon & Somerset Broadband Programme
- £7.656m for the Taunton Digital Innovation Centre
- £5.527m for the new Comeytrove Primary School
- £4.466m for the Public Sector Decarbonisation Programme
- £3.169m for the Traffic Signals Recovery Programme
- £2.089m for the Toneyway Corridor Improvement project
- £1.949m for the Sky College expansion project

Similar commitments listed at 31 March 2021 were £48.430m.

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

1. An on-going contract for the procurement of the highways major repairs that will result in an estimated capital expenditure of between £25 million and £30 million in 2022/23 (£25-£30 million in 2021/22). These payments will relate to new projects in 2022/23 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 2023/24 to 2024/25 can be found in the Medium-Term Financial Plan papers (Appendix 9) taken to Full Council on 23 February 2022.

## 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
- Assets classified as 'Held for Sale' are initially valued using the fair value measure appropriate to the class in which they are held when the Assets Held for Sale criteria were satisfied. This value is then compared to the fair value of the asset less costs to sell (based on market value net of the incremental costs directly attributable to the disposal of the asset). The assets valuation is then reduced (where applicable) to the lower of these two values.

	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Surplus Assets	PPE Under Construction	Total
	£millions	£millions	£millions	£millions	£millions	£millions
Carried at historical cost	6.391	22.127	506.253	-	8.583	<b>543.354</b>
Valued at current value as at:						
31 March 2022	314.604	-	-	5.049	-	<b>319.653</b>
31 March 2021	68.968	-	-	-	-	<b>68.968</b>
31 March 2020	27.041	-	-	-	-	<b>27.041</b>
31 March 2019	42.327	-	-	-	-	<b>42.327</b>
31 March 2018	7.257	-	-	-	-	<b>7.257</b>
<b>Total cost or valuation</b>	<b>466.588</b>	<b>22.127</b>	<b>506.253</b>	<b>5.049</b>	<b>8.583</b>	<b>1,008.600</b>

During 2021/22, there were properties that became operational where a formal valuation was not possible due to pandemic related workload in the Council's Property Services team. As a result, these assets have been carried at their historic cost as at 31 March 2022 (£6.391m). These properties will be included in the 2022/23 valuation cycle to ensure they are carried at current value in accordance with the Council's accounting policy.

## Note 26: 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 £0.399 million for 2021/22 was charged to the following service areas:

- £0.321 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 £0.077 million was charged to various services for use of specific IT systems.

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

2020/21 £millions		2021/22 £millions
	<b>Balance at start of year:</b>	
7.830	– Gross carrying amount	7.830
<u>-5.890</u>	– Accumulated amortisation	<u>-6.349</u>
<b>1.940</b>	<b>Net carrying amount at start of year</b>	<b>1.481</b>
	<b>Movement in year:</b>	
-	Purchases	-
-0.459	Amortisation for the period	-0.399
<u><b>1.481</b></u>	<b>Net carrying amount at end of year</b>	<u><b>1.082</b></u>

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

	Carrying amount at 31 March 2021 £millions	Carrying amount at 31 March 2022 £millions	Remaining Amortisation Period at 31 March 2022
HCL SAP system (Integrated finance and payroll system)	0.617	0.295	1 years
SAP system licences	0.854	0.783	11 years

### Note 27: Impairment Losses

During the valuation process for 2021/22, consideration was given to the Authorities entire asset portfolio. There were no material impairments identified during this review.

### Note 28: Assets Held For Sale

The Council's assets held for sale at 31 March 2022 and the movement in the year are reflected in the table shown below:

Current 2020/21 £millions		Current 2021/22 £millions
1.262	<b>Balance outstanding at start of year</b>	1.131
	<b>Assets newly classified as held for sale:</b>	
1.276	Property, plant and equipment	1.615
0.450	Revaluation gain to Revaluation Reserve	0.000
-0.595	Revaluation loss charged to Surplus/Deficit on the provision of service	-1.133
	<b>Assets declassified as held for sale:</b>	
-0.812	Property, plant and equipment	0.000
-0.450	Assets sold	-0.681
<u>1.131</u>	<b>Balance outstanding at year end</b>	<u>0.932</u>

## Note 29: Surplus Assets – Fair Value Measurement

### Valuation Process for Surplus Properties

The fair value of the Council's surplus properties is 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 2022:

	Other significant observable inputs (level 2) £millions	Significant unobservable inputs (level 3) £millions	Fair value as at 31 March 2022 £millions
Office/specific use properties	-	1.114	1.114
Commercial units	0.060	-	0.060
Land	<u>0.207</u>	<u>3.668</u>	<u>3.875</u>
	<b>0.267</b>	<b>4.782</b>	<b>5.049</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 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	0.712	2.341	3.053
	<b>0.766</b>	<b>2.411</b>	<b>3.177</b>

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

There was one transfer between levels of the surplus asset fair value hierarchy during 2021/22.

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

2021/22	01 April 2021 £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 2022 £millions
Surplus assets	2.411	0.500	-	0.966	-	-	0.905	-	4.782

## 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 31/03/2022 £millions	Valuation technique used to measure fair value	Significant unobservable inputs	Range with (average used)	Sensitivity
Office/specific use properties	1.114	Investment income approach using market-derived yields	Yield	6% - 12% (8%)	Fluctuations in current market conditions, and nature of tenant
			Conversion costs	Variable (discounted at 6% per annum)	Current Market value and discount rate applied.
Land	3.668	Value of developed land with significant hope values applied	Hope values	10% - 80% (59%)	Purchasers perceived risk of planning consent (20% based on peer review for specific properties).
			Yield	6% - 12% (8%)	Fluctuations in current market conditions.
			Conversion costs	Variable (discounted at 6% per annum)	Current Market value and discount rate applied.
			Hectare price	Variable	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 2021/22 is as follows:

- Depreciation of £0.172m 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 £0.019m. This went to the relevant service within the surplus or deficit on continuing operations.
- £1.104m 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 30: 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 2021 £millions	31 March 2022 £millions
Other Land and Buildings	33.722	29.881
	<u>33.722</u>	<u>29.881</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 2021/22 (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 31 for further details.

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

	2020/21 £millions	2021/22 £millions
Finance lease liabilities (net present value of minimum lease payments):		
1.097 - Current		1.202
39.873 - Non Current		38.671
41.916 Finance costs payable in future years		37.550
<u>82.886</u> Minimum lease payments		<u>77.423</u>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2021 £millions	31 March 2022 £millions	31 March 2021 £millions	31 March 2022 £millions
Not later than one year	4.990	4.961	1.097	1.203
Later than one year and not later than five years	19.961	19.844	5.545	6.076
Later than five years	57.935	52.618	34.328	32.594
	<b>82.886</b>	<b>77.423</b>	<b>40.970</b>	<b>39.873</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. There was no material contingent rent payable during 2021/22, and no material sub-lease arrangements were in place during the year.

### Operating Leases

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

Operating Leases	31 March 2021		31 March 2022	
	Land & Buildings £millions	Vehicles & Equipment £millions	Land & Buildings £millions	Vehicles & Equipment £millions
Not later than one year	0.718	0.200	0.732	0.158
Later than one year and not later than five years	2.309	0.156	2.292	0.103
Later than five years	5.519	0.000	6.556	0.000
	<b>8.546</b>	<b>0.356</b>	<b>9.580</b>	<b>0.262</b>

There were no material sub-lease arrangements in place during 2021/22 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 79 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 94 years and the Rural Life Barn museum to the Somerset Preservation Trust with a remaining term of 71 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 2021 £millions	31 March 2022 £millions
Finance lease debtor (net present value of minimum lease payments):		
- Current	0.032	0.033
- Non Current	14.282	14.249
Unearned Finance Income	47.157	46.399
Gross investment in the lease	<u><u>61.471</u></u>	<u><u>60.681</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 2021 £millions	31 March 2022 £millions	31 March 2021 £millions	31 March 2022 £millions
Not later than one year	0.790	0.790	0.790	0.790
Later than one year and not later than five years	3.160	3.160	3.160	3.160
Later than five years	57.521	56.731	57.521	56.731
	<u><u>61.471</u></u>	<u><u>60.681</u></u>	<u><u>61.471</u></u>	<u><u>60.681</u></u>

During 2021/22, 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 2021/22. This will be reviewed again in 2022/23, 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 2021/22, £0.087m contingent rents were receivable by the Council (£0.087m for 2020/21).

## 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:

<b>Operating Leases</b>	<b>31 March 2021 £millions</b>	<b>31 March 2022 £millions</b>
Not later than one year	0.747	1.025
Later than one year and not later than five years	2.813	3.874
Later than five years	1.900	5.703
	<b>5.460</b>	<b>10.602</b>

### **Note 31: Private Finance Initiatives (PFI) and 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. These rights of occupation and use are enforced through the availability and performance measures and penalties mentioned below, specifically in relation to the educational use.

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 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 25.

#### 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

	<b>Repayments of Liability £m</b>	<b>Interest Charges £m</b>	<b>Service Charges £m</b>	<b>LifeCycle Replacement £m</b>	<b>Total Payments £m</b>
Within 1 year	1.197	3.742	1.965	0.585	<b>7.489</b>
Within 2 - 5 years	6.050	13.703	7.859	2.339	<b>29.951</b>
Within 6 - 10 years	11.461	13.230	9.824	2.924	<b>37.439</b>
Within 11 - 15 years	18.127	6.564	9.824	2.924	<b>37.439</b>
Within 16 - 20 years	2.662	-0.023	1.146	0.585	<b>4.370</b>
	<b>39.497</b>	<b>37.217</b>	<b>30.617</b>	<b>9.357</b>	<b>116.687</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 30 (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:

	<b>2020/21 £millions</b>	<b>2021/22 £millions</b>
Balance outstanding at start of year	41.584	40.588
Payments made during the year	-0.996	-1.091
<b>Balance outstanding at year-end</b>	<b>40.588</b>	<b>39.497</b>

The total estimated indexed payments under the contract amount to £180.923 million. These payments are scheduled to be funded from the following revenue streams:

<b>Source of Funding</b>	<b>Proportion of Costs</b>
Central Govt. Grant (PFI Credits)	82.5%
Delegated School Budgets	15.2%
SCC Contribution	2.3%
	<hr/> <b>100%</b> <hr/>

## Note 32: Heritage Assets - Summary of Transactions

	2020/21 £millions	2021/22 £millions
<b><u>Collections</u></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 2021/22 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 33: 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 Notes 32 and 33) 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 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 Nynhead 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 34: Capital Expenditure and 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.

<b>2020/21 £millions</b>		<b>2021/22 £millions</b>
423.076	Opening Capital Financing Requirement	458.016
	<u>Capital Investment:</u>	
85.121	- Property, Plant and Equipment (inc Infrastructure)	64.944
37.780	- Revenue Expenditure Funded from Capital Under Statute	44.583
-0.033	Reduction of capital debtors	-0.032
-0.046	Loan Premium (under the Capital Financing Regs (SI 2003 no.3146 as amended)	-0.045
	<u>Sources of Finance</u>	
-1.172	- Capital receipts	-0.885
-78.604	- Government grants and contributions	-84.308
	<u>- Sums set aside from revenue:</u>	
-1.308	- Direct revenue contributions	-2.639
-3.182	- Minimum Revenue Payments	-4.392
-3.616	- Other (including lease principal payments)	-3.449
<b><u>458.016</u></b>	<b>Closing Capital Financing Requirement</b>	<b><u>471.793</u></b>

<b>2020/21 £millions</b>		<b>2021/22 £millions</b>
	<u>Explanation of movements in year</u>	
-3.643	Increase/Decrease (-) in underlying need to borrow (supported by government financial assistance)	-4.393
38.583	Increase/Decrease (-) in underlying need to borrow (unsupported by government financial assistance)	18.170
<b><u>34.940</u></b>	<b>Increase/Decrease (-) in Capital Financing Requirement</b>	<b><u>13.777</u></b>

## Note 35: Financial Instruments

### Categories of Financial Instrument

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

31 March 2021			31 March 2022	
Non Current	Current		Non Current	Current
£millions	£millions		£millions	£millions
<b><u>Investments</u></b>				
-	155.237	Financial assets at amortised cost	-	210.199
38.843	-	Pooled Funds at fair value through profit or loss	44.499	-
<b>38.843</b>	<b>155.237</b>	<b>Total Investments</b>	<b>44.499</b>	<b>210.199</b>
<b><u>Receivables</u></b>				
18.557	35.465	Financial assets at amortised cost	17.649	38.009
1.787	24.500	Receivables that are not financial instruments	1.630	26.860
<b>20.344</b>	<b>59.965</b>	<b>Total Receivables</b>	<b>19.279</b>	<b>64.869</b>
<b><u>Cash and cash equivalents</u></b>				
-	58.113	Cash and cash equivalents at amortised cost	-	61.401
-	25.630	Cash equivalents at fair value through profit or loss	-	24.000
-	-6.605	Overdraft	-	-5.115
<b>-</b>	<b>77.138</b>	<b>Total Cash and cash equivalents</b>	<b>-</b>	<b>80.286</b>
<b><u>Other Assets</u></b>				
988.411	8.798	Other Assets that are not financial instruments	1,010.302	8.375
<b>988.411</b>	<b>8.798</b>	<b>Total Other Assets</b>	<b>1,010.302</b>	<b>8.375</b>
<b><u>Borrowings</u></b>				
-338.441	-13.082	Financial liabilities at amortised cost	-338.001	-16.033
<b>-338.441</b>	<b>-13.082</b>	<b>Total Borrowings</b>	<b>-338.001</b>	<b>-16.033</b>
<b><u>Payables</u></b>				
-0.259	-67.939	Financial liabilities at amortised cost	-0.260	-97.380
-	-38.710	Payables that are not financial instruments	-	-33.623
<b>-0.259</b>	<b>-106.649</b>	<b>Total Payables</b>	<b>-0.260</b>	<b>-131.003</b>
<b><u>Other Liabilities</u></b>				
-39.873	-1.097	PFI and finance leases carried at amortised cost	-38.671	-1.202
-1,033.921	-113.954	Other Liabilities that are not financial instruments	-898.632	-104.730
<b>-1,073.794</b>	<b>-115.051</b>	<b>Total Other Liabilities</b>	<b>-937.303</b>	<b>-105.932</b>

## Categories of Financial Assets and Financial Liabilities

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

31 March 2021			31 March 2022	
Non Current	Current		Non Current	Current
£millions	£millions		£millions	£millions
<b><u>Financial Assets:</u></b>				
18.557	242.210	Measured at amortised cost	17.649	304.494
38.843	25.630	Measured at fair value through profit or loss	44.499	24.000
<b>57.400</b>	<b>267.840</b>		<b>62.148</b>	<b>328.494</b>
<b><u>Financial Liabilities</u></b>				
-378.573	-82.118	Measured at amortised cost	-376.932	-114.615
<b>-378.573</b>	<b>-82.118</b>		<b>-376.932</b>	<b>-114.615</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 2021			31 March 2022			
Financial Liabilities - measured at amortised cost £millions	Financial Assets - measured at fair value through profit or loss £millions	Financial Assets - measured at amortised cost £millions		Financial Liabilities - measured at amortised cost £millions	Financial Assets - measured at fair value through profit or loss £millions	Financial Assets - measured at amortised cost £millions
19.665	-	-	- Interest expense	19.731	-	-
-	0.267	-	- Net loss on financial assets at fair value through profit and loss	-	-	-
<b>19.665</b>	<b>0.267</b>	-	<b>Total Expense in Surplus/Deficit on the Provision of Service</b>	<b>19.731</b>	-	-
-	-	-2.450	- Interest Income	-	-	-2.610
-	-	-	- Net gain on financial assets at fair value through profit and loss	-	-0.669	-
-	-	<b>-2.450</b>	<b>Total Income in Surplus/Deficit on the Provision of Service</b>	-	<b>-0.669</b>	<b>-2.610</b>
<b>19.665</b>	<b>0.267</b>	<b>-2.450</b>	<b>Net (Gain)/Loss for the Year</b>	<b>19.731</b>	<b>-0.669</b>	<b>-2.610</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 2022;
- 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 2021			31 March 2022		
Carrying Amount £millions	Fair value £millions		Fair Value Level	Carrying Amount £millions	Fair Value £millions
		<u>Finance asset measured at amortised cost</u>			
51.508	51.508	- Cash and Cash Equivalents		56.286	56.286
39.709	39.709	- Receivables (non-Lease)		41.376	41.376
14.313	29.613	- Receivables (Lease)	3	14.282	20.246
155.237	155.237	- Investments (exc Pooled Fund)		210.199	210.199
		<u>Finance asset measured at fair value through profit and loss</u>			
38.843	38.843	- Pooled Fund Investment	2	44.499	44.499
25.630	25.630	- Cash Equivalents	1	24.000	24.000
325.240	340.540	Total Financial Assets		390.642	396.606
1,023.496	1,023.496	Other assets that are not financial instruments		1,047.167	1,047.167
<b>1,348.736</b>	<b>1,364.036</b>	<b>Total Assets</b>		<b>1,437.809</b>	<b>1,443.773</b>
		<u>Financial liabilities at amortised cost</u>			
-68.198	-68.198	Payables		-97.640	-97.640
-7.220	-7.220	Short Term Borrowing		-10.050	-10.050
-160.273	-225.080	PWLB	2	-160.292	-207.207
-184.030	-295.027	Other long term loan	2	-183.692	-261.055
-40.970	-72.523	PF/Finance Lease liability	3	-39.873	-63.305
-460.691	-668.048	Total Financial Liabilities		-491.547	-639.257
-1,186.585	-1,186.585	Other liabilities that are not financial instruments		-1,036.985	-1,036.985
<b>-1,647.276</b>	<b>-1,854.633</b>	<b>Total Liabilities</b>		<b>-1,528.532</b>	<b>-1,676.242</b>
<b>-298.540</b>	<b>-490.597</b>	<b>Net Assets</b>		<b>-90.723</b>	<b>-232.469</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 2022) 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:

2020/21 £millions		2021/22 £millions
	<u>Fixed Interest Rate Deposits:</u>	
15.000	Santander UK 95-Day Notice A/c	20.000
-	- DBS Bank	20.000
-	- Sedgemoor District Council	15.000
-	- London Borough of Croydon	15.000
-	- Lloyds Bank	15.000
-	- Nordea Bank AB	15.000
-	- Woking Borough Council	10.000
-	- Lancashire County Council	10.000
-	- Thurrock Borough Council	10.000
-	- Bank of Montreal	10.000
-	- Duetsche Zentral Genossenschafts Bank	10.000
-	- Toronto-Dominion Bank	10.000
-	- London Borough of Enfield	10.000
-	- Oxford City Council	10.000
10.000	HSBC Evergreen Notice Account	-
10.000	Police & Crime Commissioner for Lancashire	-
119.930	Other Fixed Interest Rate Deposits	30.000
<u>154.930</u>		<u>210.000</u>
0.307	Interest due on temporary investments	0.199
<u><b>155.237</b></u>	<b>Total short-term investments</b>	<u><b>210.199</b></u>
14.010	CCLA Pooled Property Fund	16.431
14.941	RLAM Investment Grade Credit Fund	14.253
9.892	M&G Strategic Corporate Bond Fund	13.815
<u><b>38.843</b></u>	<b>Total long-term investments</b>	<u><b>44.499</b></u>

## Long-term Receivables

2020/21 £millions		2021/22 £millions
	<u>Loans to:</u>	
0.090	Central Government (Academy loans)	0.060
0.047	Other authorities (mostly for housing)	0.032
4.138	Other organisations/individuals	3.308
14.282	Leasing arrangements with Somerset Care Ltd	14.249
	<u>Payment in advance:</u>	
1.787	BSF Lifecycle costs	1.630
<u><b>20.344</b></u>		<u><b>19.279</b></u>



## Short-term borrowing

2020/21 £millions		2021/22 £millions
-7.220	Other organisations investing in the Comfund	-10.050
<u>-7.220</u>		<u>-10.050</u>

## Long-term borrowing

2020/21 £millions		2021/22 £millions
	Loans due to be repaid:	
-1.959	within one year	-2.131
-2.016	between one and two years	-6.893
-25.086	between two and five years	-31.155
-25.839	between five and 10 years	-19.817
-285.500	after more than 10 years	-280.136
-3.903	Interest due on long-term borrowing	-3.853
<u>-344.303</u>		<u>-343.984</u>

Long-term borrowing (including interest) that has become repayable within a year is shown in current liabilities on the Balance Sheet.

### Note 36: Nature and 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 Department for Levelling Up, Housing and Communities (DLUCH). 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 2021/22, can be found under the reports for the County Council meeting 17 February 2021, 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 DLUCH 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 (DLUCH 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 regular 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 & Governance) 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 CCLA investment), 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	24.000	0.026
	<b>Local Authorities</b>		
	AA-	105.000	0.084
	<b>UK banks</b>		
	AA-	20.000	0.016
	A+	55.000	-
	<b>Overseas Banks</b>		
	AA-	65.000	0.052
	A+	25.000	-
		<b>294.000</b>	<b>0.178</b>
<b>S&amp;P</b>	<b>Money-market funds</b>		
	AAA	24.000	-
	<b>Local Authorities</b>		
	AA	105.000	0.021
	<b>UK banks</b>		
	A+	55.000	0.028
	A	20.000	0.010
	<b>Overseas Banks</b>		
	AA-	65.000	0.020
	A+	20.000	0.010
A	5.000	0.002	
		<b>294.000</b>	<b>0.091</b>
<b>Moody's</b>	<b>Money-market funds</b>		
	AAA	24.000	-
	<b>Local Authorities</b>		
	Aa3	105.000	0.042
	<b>UK banks</b>		
	A1	75.000	0.045
	<b>Overseas Banks</b>		
	Aa1	30.000	-
Aa2	20.000	-	
Aa3	40.000	0.016	
		<b>294.000</b>	<b>0.103</b>
	<b>Investment and highest risk for 2021/22</b>	<b>294.000</b>	<b>0.178</b>
	<b>Investment and highest risk for 2020/21</b>	<b>235.630</b>	<b>0.159</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.

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

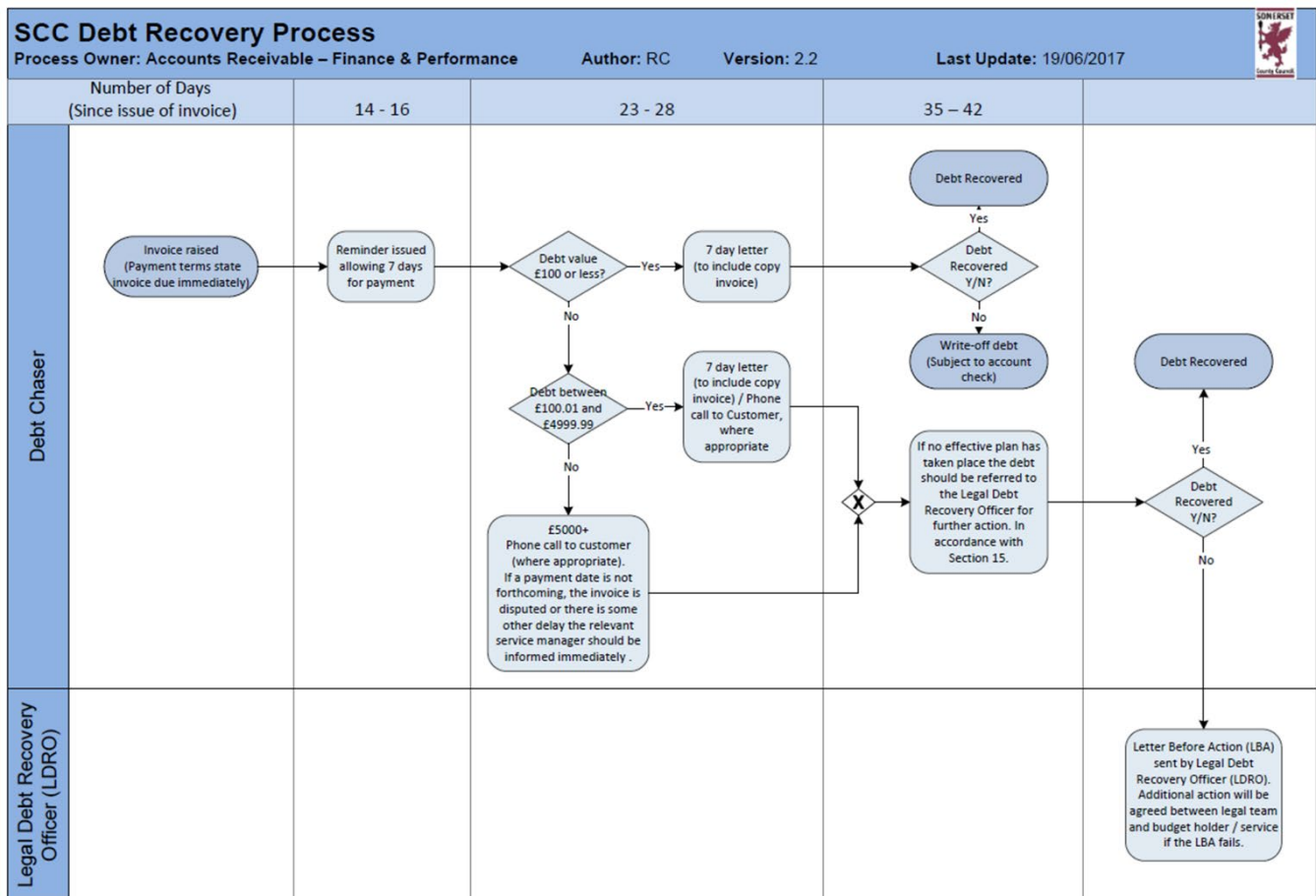
The standard position of the Council is that wherever possible payment must be obtained either prior to, or at the time of provision of goods or services and without recourse to raising invoices. If credit is to be extended, service teams ensure in advance that the customer is made aware of the Council's 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 customer's 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.

As at 31 March 2022, the gross past due sundry debtor amount (excluding debts to accrue) can be analysed as follows:

	<b>2021/22</b> <b>£millions</b>
Less than 3 months	6.157
3 to 6 months	0.488
6 months to 1 year	0.366
More than 1 year	0.700
	<hr/> <b>7.712</b> <hr/>

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

During the year, the Council wrote off financial assets with a contractual amount outstanding of £0.227m (£0.434m in 2020/21), with a further £0.526m 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 35 – Long-term Borrowing.

### **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 classed at 'loans and receivables' and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on 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 2021/22 with all other variables held constant, there would have been a reduction in interest receivable on investments of approximately £0.194m.

### **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 £1.500m 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 effect 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 37: Inventories

	Consumable Stores		Musical Instruments		Book Stocks		Total	Total
	2020/21	2021/2022	2020/21	2021/2022	2020/21	2021/2022	2020/21	2021/2022
	£millions	£millions	£millions	£millions	£millions	£millions	£millions	£millions
<b>Balance outstanding at start of year</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>
Purchases	0.908	0.730	0.049	0.003	0.591	0.576	1.548	1.309
Recognised as an expense in the year	-0.432	-0.740	-0.019	-0.071	-0.940	-0.722	-1.391	-1.533
<b>Balance outstanding at year-end</b>	<b>0.726</b>	<b>0.716</b>	<b>0.885</b>	<b>0.817</b>	<b>6.056</b>	<b>5.910</b>	<b>7.667</b>	<b>7.443</b>

## Note 38: Short term receivables and payments in advance

2020/21		2021/22
£millions		£millions
	Money owed to us by:	
18.241	Central Government	19.946
	Local Government:	
28.810	- Council Tax/NDR owed by local residents/businesses	31.634
4.818	- Other	5.000
10.592	NHS	7.521
0.007	Public Corporations	0.006
7.383	Other organisations/individuals	10.948
	Loss Allowance:	
-13.966	- Council Tax/NDR related	-14.545
-0.108	- Other trade debtors	-0.133
<u>55.777</u>	Short term Receivables	<u>60.377</u>
4.188	Payments made in advance	4.492
<u><b>59.965</b></u>		<u><b>64.869</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.26 for further details.

### Note 39: Short term payables and receipts in advance

2020/21 £millions		2021/22 £millions
	Money we owe to:	
	Government Departments:	
-0.376	- Central Government	-1.214
-29.086	- Local Government	-20.733
-1.654	- NHS	-1.498
-0.026	- Public Corporations	-0.035
-55.729	Other organisations	-82.903
-9.193	Employees (under IAS19)	-6.908
<u>-96.064</u>		<u>-113.291</u>
-4.257	Receipts in advance	-11.943
<u><b>-100.321</b></u>		<u><b>-125.234</b></u>

### Note 40: Other long-term liabilities

2020/21 £millions		2021/22 £millions
-39.873	Finance Lease Liability - due in more than 1 year	-38.671
-993.554	Pensions liability	-870.033
<u><b>-1,033.427</b></u>		<u><b>-908.704</b></u>

### Note 41: 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 2021/22.

2020/21 £millions		2021/22 £millions
-3.257	Total insurance provision (excl. MMI) set aside on 1 April	-3.510
	Add:	
-2.135	- premiums received from services	-1.936
	Less:	
0.921	- insurance premiums paid	1.302
0.470	- net claims paid	0.652
0.491	- professional and administrative costs	0.593
<b>-3.510</b>	<b>Total insurance provision set aside on 31 March</b>	<b>-2.899</b>
	<u>Non-Service</u>	
-0.843	NDR Collection Fund - Provision for appeals	-0.576
	<u>Children's Services</u>	
-0.525	Care Leavers Grant	-0.586
	<u>Other Services</u>	
-1.072	Highways Network	-1.846
-1.356	ECI Service	-0.780
-0.119	County Hall NNDR	-0.284
<b>-7.425</b>	<b>Total Provisions due in less than 1 year</b>	<b>-6.971</b>
	<u>Municipal Mutual Insurance (MMI) Provision</u>	
-0.259	Relating to asbestos claims paid by MMI	-0.260
<b>-0.259</b>	<b>Total Provisions due in more than 1 year</b>	<b>-0.260</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 £3.159m of claims not yet finally agreed (£3.769m in 2020/21) 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 £8.838m. 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 42: Revenue and 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

2020/21 £millions		2021/22 £millions
<b><u>Capital Grant Receipts in Advance</u></b>		
Where the conditions are likely to be met within 1 year:		
-14.698	- Standards Fund (Schools Department for Education)	-12.831
-26.203	- Department for Transport	-32.785
-21.810	- Local Enterprise Partnership - Local Growth Fund (MHCLG)	-14.842
-4.959	- Other	-0.024
<b>-67.670</b>		<b>-60.482</b>
Where the conditions are likely to be met in more than 1 year:		
-0.589	- Standards Fund (Schools Department for Education)	-0.589
-0.128	- Department for Transport	-0.014
-13.725	- Local Enterprise Partnership - Getting Building (MHCLG)	-11.472
-0.121	- Other	0.000
<b>-14.563</b>		<b>-12.074</b>
<b><u>Capital Contribution Receipts in Advance (RIA)</u></b>		
Where the conditions are likely to be met within 1 year:		
-3.686	- Section 106 Contributions	-2.545
-1.046	- Other Contributions to our Capital Schemes	-0.460
<b>-4.732</b>		<b>-3.005</b>
Where the conditions are likely to be met in more than 1 year:		
-12.128	- Section 106 Contributions	-12.886
-0.470	- Other Contributions to our Capital Schemes	-0.309
<b>-12.598</b>		<b>-13.195</b>
-72.402	Total Capital Grant/Contributions RIA's, where conditions are likely to be met within 1 year	-63.487
-27.161	Total Capital Grant/Contributions RIA's, where conditions are likely to be met in more than 1 year	-25.269
<b>-99.563</b>	<b>Total</b>	<b>-88.756</b>

## Revenue grants

2020/21 £millions		2021/22 £millions
<b><u>Revenue Grant/Contributions Receipts in Advance</u></b>		
Where the conditions are likely to be met within 1 year:		
-10.600	- Central Government	-6.895
-28.830	- NHS	-31.608
-0.086	- Other Local Authorities	-
-2.036	- Other organisations	-2.740
<b>-41.552</b>		<b>-41.243</b>
Where the conditions are likely to be met in more than 1 year:		
-7.584	- Central Government	-0.653
-2.787	- NHS	-
-2.835	- Other organisations	-2.677
<b>-13.206</b>		<b>-3.330</b>
<b><u>-54.758</u></b>		<b><u>-44.573</u></b>

### Note 43: Usable Reserves

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

2020/21 £millions		2021/22 £millions
<b><u>General Fund - Revenue</u></b>		
<b><u>Schools</u></b>		
24.506	General Fund - Schools	26.538
<b><u>Local Authority</u></b>		
29.873	General Fund - Other	27.102
92.089	Earmarked Reserves - set aside for revenue purposes	161.273
10.138	S31 Local Tax Income Guarantee Grant Reserve	4.293
<b>156.606</b>		<b>219.206</b>
<b><u>Other Usable Capital Reserves</u></b>		
9.939	Capital Receipts Reserve	13.661
0.867	Capital Grants Unapplied Reserve	0.827
2.807	Capital Contributions Unapplied Reserve	2.755
<b>13.613</b>		<b>17.243</b>
<b><u>170.219</u></b>	<b>Total Usable Reserves</b>	<b><u>236.449</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.

### 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.

Under current collection fund accounting rules, the S31 grant will not be fully discharged against the Collection Fund deficit until 2022/23. 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 is transferred from the Collection Fund Adjustment Account in 2022/23.

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

### 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 44: Unusable Reserves

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

2020/21 £millions		2021/22 £millions
192.344	Revaluation Reserve	227.721
354.568	Capital Adjustment Account	328.342
14.314	Deferred Capital Receipts Reserve	14.282
-993.554	Pensions Reserve	-870.033
-10.193	Collection Fund Adjustment Account	2.443
-9.193	Accumulated Compensated Absences Adjustment Account	-6.908
-14.735	Dedicated Schools Grant Adjustment Account	-20.109
-1.005	Financial Instruments Adjustment Account	-0.960
-1.305	Pooled Investment Funds Adjustment Account	-0.636
<b><u>-468.759</u></b>	<b>Total Unusable Reserves</b>	<b><u>-325.858</u></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.

2020/21 £millions		2021/22 £millions	2021/22 £millions
<b>174.443</b>	<b>Balance at 1 April</b>		<b>192.344</b>
41.499	Upward revaluation of assets	53.455	
-9.825	Revaluation/Impairment (losses) not charged to the Surplus/Deficit on the Provision of Services	-10.168	
		<hr/>	
<b>31.674</b>	Surplus/(Deficit) on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		<b>43.287</b>
-3.562	Difference between fair value depreciation and historical cost dep'n	-4.079	
-10.211	Accumulated gains on asset disposals	-3.831	
<b>-13.773</b>	Amount written off to the Capital Adjustment Account		<b>-7.910</b>
		<hr/>	
<b><u>192.344</u></b>	<b>Balance at 31 March</b>		<b><u>227.721</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 11 provides details of the transactions posted to the Account, apart from those involving the Revaluation Reserve.



2020/21 £millions		2021/22 £millions
<b>368.215</b>	<b>Balance at 1 April</b>	<b>354.568</b>
	<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u>	
-27.787	- Charges for depreciation and impairment of non current assets/assets held for sale	-37.363
-15.280	- Revaluation losses on Property, Plant and Equipment	-14.691
-0.458	- Amortisation of intangible assets	-0.399
-37.780	- Revenue expenditure funded from capital under statute	-44.583
	- 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	-32.773
-33.997		-32.773
-115.302		-129.809
13.773	Adjusting amounts written out of the Revaluation Reserve	7.910
-101.529	Net written out amount of the cost of non current assets consumed in the year	-121.899
	<u>Capital Financing applied in the year:</u>	
1.172	- use of the Capital Receipts Reserve to finance new capital expenditure	0.885
78.604	- Capital grants and contributions that have been applied to capital financing	84.308
6.798	- Statutory provision for the financing of capital investment charged against the General Fund balance	7.841
1.308	- Capital expenditure charged against the General Fund balance	2.639
87.882		95.673
<b>354.568</b>	<b>Balance at 31 March</b>	<b>328.342</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>14.344</b>	<b>Balance at 1 April</b>	<b>14.314</b>
-0.030	Amounts transferred to the Capital Receipts Reserve during the year	-0.032
<b>14.314</b>	<b>Balance at 31 March</b>	<b>14.282</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.

2020/21 £millions		2021/22 £millions
<b>-754.797</b>	<b>Balance at 1 April</b>	<b>-993.554</b>
-196.860	Remeasurement gains / losses (-) on pension assets/liabilities	177.118
-77.756	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	-91.065
35.859	Employer's pensions contributions and direct payments to pensioners payable in the year	37.468
<b><u>-993.554</u></b>	<b>Balance at 31 March</b>	<b><u>-870.033</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.

2020/21 £millions		2021/22 £millions
<b>3.733</b>	<b>Balance at 1 April</b>	<b>-10.193</b>
-0.802	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	7.354
-13.124	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	5.282
<b><u>-10.193</u></b>	<b>Balance at 31 March</b>	<b><u>2.443</u></b>

#### 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.

2020/21 £millions		2021/22 £millions
-6.990	<b>Balance at 1 April</b>	-9.193
6.990	Settlement or cancellation of accrual made at the end of the preceding year	9.193
-9.193	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	-6.908
<u>-9.193</u>	<b>Balance at 31 March</b>	<u>-6.908</u>

### Dedicated Schools Grant Adjustment Account

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 school's budget.

The new regulations confirm the existence of a deficit on the school's budget when the amount of expenditure incurred on the school's 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 school's budget) is recognised as an earmarked reserve (see Note 12 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.

There was no in-year surplus recognised as an earmarked reserve as at 31 March 2022.

2020/21 £millions		2021/22 £millions
-	<b>Balance as at 1 April</b>	<b>-14.735</b>
-11.079	Transfer of Schools Budget Deficit to new Adjustment Account at 1 April 2020	-
<b>-11.079</b>	<b>Restated Balance as at 1 April</b>	<b>-14.735</b>
-	In-year adjustments	-0.200
-3.656	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	-5.174
<b>-14.735</b>	<b>Balance at 31 March</b>	<b>-20.109</b>

The in-year adjustment of £0.200m reported in the table above is the correction of a prior year adjustment that had been recognised in error (between DSG and the Schools General Fund). Further details on the Dedicated Schools Grant can be found in Note 22.

#### 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 at 31 March 2022 will be charged to the General Fund over the next 21 years.

2020/21 £millions		2021/22 £millions
<b>-1.051</b>	<b>Balance at 1 April</b>	<b>-1.005</b>
0.046	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	0.045
<b>-1.005</b>	<b>Balance at 31 March</b>	<b>-0.960</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.

<b>2020/21</b> <b>£millions</b>		<b>2021/22</b> <b>£millions</b>
<b>-1.038</b>	<b>Balance at 1 April</b>	<b>-1.305</b>
-0.267	Revaluation gains/(losses) on Pooled Investment Funds	0.669
<b><u>-1.305</u></b>	<b>Balance at 31 March</b>	<b><u>-0.636</u></b>

#### Note 45: 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.

2020/21 £millions		2021/22 £millions
3.113	Net Cash in hand	1.401
80.630	Short term Investment (initial maturity term less than 3 months)	84.000
<b>83.743</b>	<b>Cash and cash equivalents sub total</b>	<b>85.401</b>
-6.605	Bank overdraft	-5.115
<b>77.138</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>80.286</b>

#### Note 46: Cash Flow Statement – Operating Activities

Adjustments to the net surplus or deficit on the provision of services for non-cash movements:

2020/21 £millions		2021/22 £millions
<b>40.933</b>	Net surplus(-)/deficit on the provision of services	<b>11.274</b>
-28.245	Depreciation and amortisation	-37.762
-15.083	Impairment and other non-cash adjustments	-13.615
-41.897	IAS 19 - Pension Liability	-53.597
-33.997	Carrying amount of non-current assets sold	-32.773
-50.427	Movement in working capital	1.140
<b>-169.649</b>		<b>-136.607</b>
84.286	Adjustment for items that are investing or financing activities	88.792
<b>-44.430</b>		<b>-36.541</b>

The cash flows for operating activities include the following items:

2020/21 £millions		2021/22 £millions
-2.489	Interest received	-2.731
19.636	Interest paid	19.783

## Note 47: Cash Flow Statement – Investing Activities

2020/21 £millions		2021/22 £millions
87.865	Purchase of property, plant and equipment and intangible assets	53.909
180.000	Purchase of short term and long term investments	215.000
2.818	Other payments for investing activities	0.019
-6.047	Proceeds from the sale of property, plant and equipment and intangible assets	-4.607
-127.000	Proceeds from short term and long term investments	-155.000
-128.061	Capital Grants received	-73.429
-0.405	Other receipts from investing activities	-1.033
<b>9.170</b>	<b>Net cash flows from investing activities</b>	<b>34.859</b>

## Note 48: Cash Flow Statement – Financing Activities

2020/21 £millions		2021/22 £millions
-0.066	Receipts from new long-term borrowing	-4.572
2.128	Repayments of short term and long term borrowing	2.009
1.001	Other payments for financing activities	1.097
<b>3.063</b>	<b>Net cash flows from financing activities</b>	<b>-1.466</b>

## Note 49: Reconciliation of Liabilities Arising from Financing Activities

2021/22

	Liabilities			
	Long Term Borrowing	Short Term Borrowing	Finance Leases	PFI
Balance at 1st April 2021	-344.303	-7.220	-0.382	-40.588
<b><u>Changes from financing cash flows</u></b>				
New borrowings taken out	-1.740	-2.830	-	-
Repayment of borrowings/interest	5.912	-	-	-
Payment of finance lease liabilities	-	-	0.005	1.091
Total changes from financing cash flows	4.172	-2.830	0.005	1.091
<b><u>Non-cash changes</u></b>				
Interest accrued at year-end	-3.853	-	-	-
<b>Balance at 31st March 2022</b>	<b>-343.984</b>	<b>-10.050</b>	<b>-0.377</b>	<b>-39.497</b>

2020/21

	<b>Liabilities</b>			
	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/interest	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>



## Note 50: Contingent Liabilities

There are several 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 many 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).
- There are several outstanding Insurance claims against the authority, where the likelihood of success for the claimant is negligible. The estimated value of these claims is approx. £1m. The outcome of these claims will be known in 2022/23.

## Note 51: 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 2022, 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:

<b>2020/21</b> <b>£millions</b>		<b>2021/22</b> <b>£millions</b>
-0.054	Total income	-0.054
<u>0.055</u>	Total spending	<u>0.055</u>
<b><u>0.001</u></b>	<b>(Surplus)/ Deficit</b>	<b><u>0.001</u></b>
0.522	Value of fund - brought forward	0.521
<u>-0.001</u>	Movement in year	<u>-0.001</u>
<b><u>0.521</u></b>	<b>Total value of the fund</b>	<b><u>0.520</u></b>

## **Note 52: 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 2022 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 were 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 it's 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:

2020/21			2021/22	
£millions	%		£millions	%
14.426	23.68	Pension costs charged to the accounts	14.696	23.68
<b>14.426</b>		<b>Total for the Year</b>	<b>14.696</b>	

There were no discretionary payments made during 2021/22.

### **National Employment Savings Trust**

The table below shows the costs in millions, and as a percentage of total pensionable pay:

2020/21			2021/22	
£millions	%		£millions	%
0.033	3.00	Pension costs charged to the accounts	0.036	4.00

### **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, should the employer remain in the pool. Each employer within the pool pays a contribution rate based on the cost of benefits of the combined membership of the pool. The Council recognises the cost of retirement benefits in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge 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**

**2020/21    2021/22  
£millions   £millions**

**Comprehensive Income and Expenditure Statement**

Net Cost of Services:

- current service cost	63.053	80.574
- past service cost and gains/losses arising from settlements	-3.708	-10.037

Financing and Investment Income and Expenditure:

- net interest expense	18.411	20.528
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**Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services**

**77.756      91.065**

**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)	-238.972	-73.537
- actuarial (gains) and losses arising on changes in demographic assumptions	-18.387	-
- actuarial (gains) and losses arising on changes in financial assumptions	478.012	-108.306
- experience (gain)/loss on defined benefit obligation	-23.793	4.725

**196.860    -177.118**

**Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement**

**274.616    -86.053**

**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

**-77.756      -91.065**

Actual amount charged against the General Fund Balance for pensions in the year:

- employers' contributions payable to the scheme

**35.859      37.468**

**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>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£millions</b>	<b>£millions</b>	<b>£millions</b>
Present value of the defined benefit obligation:			
- Funded obligation	-1,661.739	-2,148.658	-2,115.707
- Unfunded obligation	-39.316	-39.449	-36.467
	<u>-1,701.055</u>	<u>-2,188.107</u>	<u>-2,152.174</u>
Fair value of plan assets	946.258	1,194.553	1,282.141
<b>Net liability arising from defined benefit obligation</b>	<b><u>-754.797</u></b>	<b><u>-993.554</u></b>	<b><u>-870.033</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 £870.033 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 22 June 2022, the Government Actuary's Department (GAD) published its 2016 cost cap valuation report for the LGPS. The Pension Fund Actuary has advised that there is no immediate action the Fund needs to take, as there is still a challenge outstanding regarding the inclusion of McCloud in the cost cap. The Actuary will need to wait for the outcome of that challenge before it knows for sure the final outcome of the 2016 cost cap valuation. If the Government win the judicial review, the benefits will not change, and the chapter can be closed on the 2016 cost cap valuation. If the Government does not win, then the 2016 valuation may have to be revisited with the possibility that benefit improvements will be required and potentially backdated to April 2019.

For the purposes of the 2022 valuation, at this stage the Actuary are not proposing any change to their approach and are not anticipating this view to change. If any benefit changes are made then they will have a negligible effect on past service liabilities, and the Actuaries prudence allowance already allows for an element of regulatory uncertainty. In terms of contribution rates, The Actuary are suggesting it will not be making any changes to contributions because of the 2016 cost cap valuation. If a review of the cost cap valuation is required and leads to any changes in Scheme benefits, then this can be reflected in the following valuation.

The pension fund deficit as at 31 March 2022 has reduced by £123.521 million from 31 March 2021. 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 purposed 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.

<b>Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets:</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£millions</b>	<b>£millions</b>
<b><i>Opening balance at 1 April</i></b>	<b>946.258</b>	<b>1,194.553</b>
Interest income	15.972	21.565
<u>Remeasurement gain/(loss):</u>		
- return on plan assets (excluding the amount included in the net interest expense	238.972	73.537
Employer contributions - funded	32.599	34.434
Employer contributions - unfunded	3.260	3.034
Contributions by scheme participants	9.171	9.470
Benefits paid (including unfunded)	-50.573	-51.711
Other	-1.106	-2.741
<b><i>Closing balance at 31 March</i></b>	<b>1,194.553</b>	<b>1,282.141</b>

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2022 is estimated to be 8.04%. 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	2021/22		
	Quoted in an active market £millions	Unquoted £millions	Total £millions
Cash and cash equivalents	58.978	-	58.978
Equities:			
- Brunel UK equity fund	-	220.528	220.528
- Standard Life Smaller Companies Fund	-	6.411	6.411
Private Equity:			
- Private Equity	-	39.746	39.746
Overseas Equities:			
- Brunel passive global equity fund	-	353.871	353.871
- Brunel global high alpha equity fund	-	176.935	176.935
- Brunel emerging market equity fund	-	48.721	48.721
- Brunel global smaller market equity fund	-	85.903	85.903
	-	<b>932.117</b>	<b>932.117</b>
Bonds:			
- Brunel Corporate Sterling Corporate Bond	-	88.468	88.468
- Brunel Multi-asset credit fund	-	34.618	34.618
	-	<b>123.086</b>	<b>123.086</b>
Gilts:			
- Brunel Passive Index-Linked Gilt Fund	-	37.182	37.182
- Brunel Passive Gilt Fund	-	28.207	28.207
	-	<b>65.389</b>	<b>65.389</b>
Property:			
- UK Property Funds	-	102.571	102.571
	-	<b>102.571</b>	<b>102.571</b>
<b>Total assets</b>	<b>58.978</b>	<b>1,223.163</b>	<b>1,282.141</b>

## Reconciliation of Present Value of the Scheme Liabilities

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation):	2020/21	2021/22
	£millions	£millions
<b>Opening balance at 1 April</b>	<b>-1,701.055</b>	<b>-2,188.107</b>
Current service cost	-63.053	-80.574
Interest cost	-34.383	-42.093
Contributions by scheme participants	-9.171	-9.470
Past service costs, including curtailments	-0.312	-0.602
Settlements	5.126	13.380
Benefits paid (including unfunded)	50.573	51.711
<u>Remeasurement gains and (losses):</u>		
- actuarial gains/(losses) arising from changes in demographic assumptions	18.387	-
- actuarial gains/(losses) arising from changes in financial assumptions	-478.012	108.306
- experience gain/(loss) on defined benefit obligation	23.793	-4.725
<b>Closing balance at 31 March</b>	<b>-2,188.107</b>	<b>-2,152.174</b>

There was a total of £0.602m of capitalised redundancy costs included within the Past service costs in the table above during 2021/22.



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 2021/22, there were 12 transfers mostly in relation to Academy schools, where £13.380m of liabilities and £2.741m of assets were transferred to the new employer, resulting in a capitalised gain to the Council on settlements of £10.639m.

The value of the transferred defined benefit obligation for each settlement was calculated using assumptions derived based on market conditions at 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 £32.888m contributions to the scheme in 2022/23.

The weighted average duration of the defined benefit obligation for scheme members is 21 years for 2021/22 (21 years in 2020/21).

### **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 2022, 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 2021.

The principal assumptions used by the actuary have been:

2020/21		2021/22
<b>Mortality Assumptions:</b>		
<i>Longevity (in years) at 65 for current pensioners:</i>		
23.1	- Men	23.1
24.6	- Women	24.7
<i>Longevity (in years) at 65 for future pensioners:</i>		
24.4	- Men	24.4
26.0	- Women	26.1
2.85%	Rate of Inflation (CPI)	3.25%
3.85%	Rate of increase in salaries	4.25%
2.85%	Rate of increase in pensions	3.25%
2.00%	Rate of discounting scheme liabilities	2.60%

2020/21		2021/22
<b>Post Retirement Mortality:</b>		
S3PA	Base table	S3PA
90%/100%	Multiplier (Male/Female)	90%/100%
CMI_2020	Future Improvements Model	CMI_2020
1.25%	Long term rate of improvement (per annum)	1.25%
7.5	Smoothing parameter	7.5
0.5%	Initial addition parameter (per annum)	0.5%
25.0%	2020 weight parameter	25.0%

The Actuary allowed for actual pension increase experience for the period from 2021-2022. This assumes that pension increases are in line with the annual pension increases set by the HM Treasury Revaluation Order.

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	2,108,781	2,152,174	2,196,504
Projected service cost	65.740	68.057	70.448
<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	2,154,995	2,152,174	2,149,377
Projected service cost	68.094	68.057	68.020
<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	2,193,357	2,152,174	2,111,806
Projected service cost	70.428	68.057	65.758
<b>Adjustment to mortality age rating assumption</b>	<b>+1 Year</b>	<b>None</b>	<b>-1 Year</b>
Present value of total obligation	2,247,530	2,152,174	2,061,055
Projected service cost	70.857	68.057	65.356

## 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:

2020/21			2021/22	
£millions	%		£millions	%
0.773	14.38	Pension costs charged to the accounts	0.742	14.38

There were no discretionary payments made during 2021/22.

## Note 53: 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

# The Pension Fund

## Local Government Pension Scheme (LGPS)

The Council has a statutory obligation to operate a Pension Fund for Local Government staff in Somerset. A more detailed analysis of the Fund's financial year is available as a supplementary booklet from the Chief Financial Officer.

The following disclosures are an extract from the Somerset County Pension Fund Statement of Accounts, for the year-ending 31st March 2022.

### Fund Account

2020/2021		2021/2022		
£ millions	£ millions	£ millions	£ millions	Notes
		<b>Contributions and other income</b>		
22.585		Contributions from employees	24.077	4
88.932		Contributions from employers	93.882	4
3.043		Recoveries from member organisations	2.728	4
8.408		Transfer values received	11.494	5
<b>122.968</b>			<b>132.181</b>	
		<b>Less benefits and other payments</b>		
-84.305		Recurring pensions	-87.162	4
-10.871		Lump sum on retirement	-13.189	4
-1.912		Lump sum on death	-1.994	4
-17.031		Transfer values paid	-9.115	5
-0.377		Refund of contributions to leavers	-0.320	6
<b>-114.496</b>			<b>-111.780</b>	
	<b>8.472</b>	<b>Net additions from dealings with members</b>		<b>20.401</b>
		<b>Management Expenses</b>		
-1.270		Administrative expenses	-1.363	7
-7.183		Investment management expenses	-8.511	8
-0.681		Oversight and governance expenses	-0.583	9
<b>-9.134</b>			<b>-10.457</b>	
	<b>-0.662</b>	<b>Net additions including management expenses</b>		<b>9.944</b>
		<b>Investment income</b>		
15.109		Investment income received	14.981	10
4.037		Investment income accrued	0.620	10
-0.115		Less irrecoverable tax	0.000	
<b>19.031</b>			<b>15.601</b>	
		<b>Change in market value of investments</b>		
105.819		Realised profit or loss	37.169	13
439.074		Unrealised profit or loss	163.310	13
<b>544.893</b>			<b>200.479</b>	
	<b>563.924</b>	<b>Net return on investments</b>		<b>216.080</b>
	<b>563.262</b>	<b>Net increase/ (decrease) in the net assets available for benefits during the year</b>		<b>226.024</b>

Table continued on next page

## Fund Account (continued)

2020/2021		2021/2022		
£ millions	£ millions	£ millions	£ millions	Notes
		<b>Change in actuarial present value of promised retirement benefits</b>		
-1,265.728	Vested benefits	54.133		14
<u>4.219</u>	Non-vested benefits	<u>5.743</u>		14
<b>-1,261.509</b>	<b>Net change in present value of promised benefits</b>		<b>59.876</b>	
	<b>Net increase/(decrease) in the fund during the year</b>		<b>285.900</b>	
-698.247	Add net liabilities at beginning of year		-2,313.564	
-1,615.317				
<u><b>-2,313.564</b></u>	<b>Net liabilities at end of year</b>		<u><b>-2,027.664</b></u>	

## Net Asset Statement

On 31 March 2021 £ millions		On 31 March 2022 £ millions	Notes
	<b>Investment assets and liabilities</b>		
2,608.459	Investment assets	2,837.350	11
-0.011	Investment liabilities	0.000	11
3.937	Other investment balances	0.620	15
	<b>Current assets</b>		
4.432	Contributions due from employers	4.078	
0.501	Cash at bank	0.500	
3.755	Other debtors	4.713	
	<b>Current liabilities</b>		
0.000	Unpaid benefits	0.000	
0.000	Bank overdraft	0.000	
-2.001	Other creditors	-2.165	
<b>2,619.072</b>	<b>Net assets of the scheme available to fund benefits at end of year</b>	<b>2,845.096</b>	
	<b>Actuarial present value of promised retirement benefits</b>		
-4,848.897	Vested benefits	-4,794.764	14
-83.739	Non-vested benefits	-77.996	14
<b>-2,313.564</b>	<b>Net liabilities at end of year</b>	<b>-2,027.664</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 2021-2022 financial year were the second 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 2021/22 financial year and its financial position at 31 March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (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

2021/2022	Somerset County Council £ millions	Other scheduled employers £ millions	Admitted employers £ millions	Total £ millions
Employees' contributions				
- Normal	8.126	14.274	1.419	<b>23.819</b>
- Additional	0.108	0.149	0.001	<b>0.258</b>
Total	<u>8.234</u>	<u>14.423</u>	<u>1.420</u>	<b>24.077</b>
Employers' contributions				
- Normal	23.295	38.860	4.041	<b>66.196</b>
- Augmentation	0.346	0.484	0.168	<b>0.998</b>
- Deficit funding	9.670	13.663	3.355	<b>26.688</b>
Total	<u>33.311</u>	<u>53.007</u>	<u>7.564</u>	<b>93.882</b>
Recurring pension and lump sum payments	-48.225	-43.452	-10.668	<b>-102.345</b>
Money recovered from member organisations	1.452	1.262	0.014	<b>2.728</b>
	<u><b>-5.228</b></u>	<u><b>25.240</b></u>	<u><b>-1.670</b></u>	<u><b>18.342</b></u>

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>

**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	8.234	33.311	41.545
<b>Police &amp; Crime Commissioner</b>			
Avon & Somerset	5.990	17.416	23.406
<b>District councils</b>			
Mendip	0.390	1.899	2.289
Sedgemoor	0.729	3.508	4.237
South Somerset	0.761	3.503	4.264
Somerset West & Taunton	1.288	5.393	6.681
<b>Other bodies</b>			
Avon and Somerset Magistrates Courts	0.000	1.123	1.123
Exmoor National Park	0.137	0.583	0.720

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	0.005	0.006
Berrow Parish Council	0.001	0.003	0.004
Bishop Hull Parish Council	0.001	0.003	0.004
Bridgwater Town Council	0.014	0.053	0.067
Burnham & Highbridge Town Council	0.019	0.068	0.087
Castle Cary Town Council	0.003	0.010	0.013
Chard Town Council	0.017	0.057	0.074
Cheddar Parish Council	0.003	0.009	0.012
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	0.004	0.005
Crewkerne Town Council & Burial Board	0.008	0.032	0.040
East Coker Parish Council	0.001	0.002	0.003
Frome Town Council	0.050	0.173	0.223
Glastonbury Town Council	0.014	0.051	0.065
Iminster Town Council	0.007	0.024	0.031
Langport Town Council	0.001	0.006	0.007
Lower Brue Drainage Board	0.047	0.148	0.195
Minehead Town Council	0.010	0.037	0.047
Nether Stowey Parish Council	0.001	0.004	0.005
North Petherton Town Council	0.001	0.002	0.003
Puriton Parish Council	0.001	0.003	0.004
Shepton Mallet Town Council	0.008	0.027	0.035
Somerton Town Council	0.004	0.016	0.020
Street Parish Council	0.006	0.019	0.025
Watchet Town Council	0.004	0.007	0.011
Wellington Town Council	0.005	0.018	0.023
Wells Burial Board & Parish Council	0.028	0.089	0.117
West Coker Parish Council	0.001	0.003	0.004
Williton Parish Council	0.001	0.006	0.007
Wincanton Town Council	0.005	0.020	0.025
Yeovil Town Council	0.014	0.047	0.061

Table continued on next page

#### Note 4: Contributions and benefits (continued)

	Employees' contributions £ millions	Employers' contributions £ millions	Total £ millions
<b>Further-education colleges</b>			
Bridgwater and Taunton College	0.808	2.693	3.501
Richard Huish Sixth Form College	0.160	0.503	0.663
Strode College	0.163	0.625	0.788
Yeovil College	0.216	0.612	0.828
<b>Academies</b>			
Ansford Academy	0.036	0.142	0.178
Ashill Primary Academy	0.003	0.013	0.016
Avishayes Academy	0.020	0.083	0.103
Axbridge Academy	0.014	0.057	0.071
Barwick and Stoford School	0.001	0.002	0.003
Bath & Wells Academy Trust	0.329	1.317	1.646
Bishop Fox's Academy	0.061	0.247	0.308
Blackbrook Primary School	0.015	0.067	0.082
Brent Knoll Primary School	0.012	0.049	0.061
Bridgwater College Academy	0.165	0.674	0.839
Brookside Academy	0.068	0.279	0.347
Bruton Sexeys Academy	0.062	0.250	0.312
Brymore Academy	0.064	0.256	0.320
Buckland St. Mary Church of England School	0.004	0.018	0.022
Buckler's Mead Academy	0.047	0.189	0.236
Castle Academy	0.078	0.301	0.379
Castle Primary School	0.010	0.044	0.054
Charlton Horethorn School	0.004	0.016	0.020
Cheddar First School	0.016	0.073	0.089
Chilton Trinity Academy	0.044	0.176	0.220
Countess Gytha Primary School	0.013	0.053	0.066
Courtfields Academy	0.052	0.209	0.261

Table continued on next page

**Note 4: Contributions and benefits (continued)**

	<b>Employees' contributions £ millions</b>	<b>Employers' contributions £ millions</b>	<b>Total £ millions</b>
<b>Academies (continued)</b>			
Crispin Academy	0.055	0.219	0.274
Critchill School	0.033	0.138	0.171
Danesfield Academy	0.022	0.090	0.112
Draycott and Rodney Stoke First School	0.004	0.016	0.020
East Brent School	0.007	0.030	0.037
East Huntspill Primary School	0.005	0.021	0.026
Enmore Academy	0.006	0.028	0.034
Fairlands Middle School	0.021	0.091	0.112
Hambridge Primary School	0.010	0.040	0.050
Hamp Academy	0.024	0.097	0.121
Hatch Beauchamp Primary School	0.003	0.011	0.014
Hayesdown Academy	0.017	0.074	0.091
Haygrove Academy	0.066	0.258	0.324
Hemington Primary School	0.004	0.018	0.022
Holy Trinity Church of England School	0.028	0.118	0.146
Holyrood Academy	0.072	0.299	0.371
Horrington Primary School	0.008	0.033	0.041
Hugh Sexey's School	0.032	0.131	0.163
Huish Academy	0.031	0.130	0.161
Huish Episcopi Academy	0.086	0.341	0.427
Huish Episcopi Primary Academy	0.011	0.047	0.058
Isambard Kingdom Brunel School	0.012	0.048	0.060
King Alfred School	0.068	0.305	0.373
King Arthur's School	0.021	0.083	0.104
King Edward Road Nursery	0.010	0.040	0.050
King Ina (Monteclefe)	0.025	0.107	0.132
Kings of Wessex Academy	0.080	0.297	0.377
Kings of Wessex Leisure	0.026	0.055	0.081
Kingsmead Academy	0.058	0.234	0.292

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#### Note 4: Contributions and benefits (continued)

	Employees' contributions £ millions	Employers' contributions £ millions	Total £ millions
<b>Academies (continued)</b>			
Leigh On Mendip First School	0.007	0.028	0.035
Lympsham School	0.011	0.047	0.058
Maiden Beech Academy	0.015	0.062	0.077
Manor Court Primary School	0.025	0.113	0.138
Mark Academy	0.011	0.048	0.059
Mendip School	0.063	0.261	0.324
Middlezoy Primary School	0.005	0.018	0.023
Milford Junior School	0.032	0.130	0.162
Minehead First School	0.027	0.113	0.140
Minehead Middle School	0.057	0.222	0.279
Minerva Primary School	0.019	0.078	0.097
Neroche Primary School	0.012	0.053	0.065
North Cadbury School	0.008	0.032	0.040
Northgate Primary School	0.025	0.105	0.130
Nunney First School	0.004	0.018	0.022
Oakfield Academy	0.053	0.155	0.208
Old Cleeve Academy	0.011	0.048	0.059
Othery Primary School	0.003	0.014	0.017
Otterhampton Primary School	0.009	0.037	0.046
Pawlett Primary School	0.003	0.013	0.016
Pen Mill Academy	0.013	0.055	0.068
Preston Academy	0.062	0.252	0.314
Preston C of E Primary School	0.068	0.250	0.318
Primrose Lane Primary School	0.021	0.086	0.107
Priorswood Academy	0.013	0.054	0.067
Puriton Primary School	0.010	0.042	0.052
Redstart Academy	0.041	0.161	0.202
Ruishton Primary School	0.019	0.081	0.100

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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>			
Selwood Academy	0.034	0.134	0.168
Selworthy School	0.082	0.349	0.431
Shipham Church of England First School	0.008	0.035	0.043
Spaxton Primary School	0.006	0.026	0.032
St. Dunstan's Academy	0.029	0.122	0.151
St. Cuthbert's Academy	0.012	0.051	0.063
St. Michael's Academy	0.027	0.112	0.139
St. Michael's Church of England School	0.009	0.040	0.049
St. Peter's Academy	0.009	0.039	0.048
St Peters Nursery	0.008	0.035	0.043
Stanchester Academy	0.032	0.132	0.164
Steiner Academy, Frome	0.020	0.120	0.140
Stogursey Primary School	0.006	0.026	0.032
Tatworth Academy	0.010	0.044	0.054
Taunton Academy	0.141	0.590	0.731
The Blue School, Wells	0.103	0.411	0.514
Weare Academy	0.014	0.062	0.076
Wedmore Academy	0.016	0.069	0.085
Wellesley Park Primary School	0.019	0.081	0.100
West Huntspill Primary School	0.009	0.037	0.046
West Monkton Primary School	0.057	0.234	0.291
West Somerset Community College	0.043	0.182	0.225
Westfield Academy	0.074	0.285	0.359
Westover Green Academy	0.042	0.153	0.195
Whitstone Academy	0.040	0.158	0.198
Willowdown Academy	0.024	0.100	0.124
Winsham Primary School	0.004	0.018	0.022
Woolavington Academy	0.014	0.062	0.076
<b>Total other scheduled employers</b>	14.423	53.007	67.430

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#### Note 4: Contributions and benefits (continued)

	Employees' contributions £ millions	Employers' contributions £ millions	Total £ millions
<b>Admitted bodies</b>			
Abri	0.243	1.288	1.531
Aster Communities Ltd	0.033	2.309	2.342
BAM FM	0.003	0.012	0.015
Capita	0.002	0.009	0.011
Dimensions	0.377	0.858	1.235
Edward and Ward Ltd	0.003	0.002	0.005
Everyone Active	0.072	0.258	0.330
Freedom Leisure	0.011	0.044	0.055
Glen Cleaning Company Ltd	0.012	0.054	0.066
Homes in Sedgemoor	0.145	0.441	0.586
Idverde Ltd	0.011	0.043	0.054
Imperial Cleaning	0.000	0.000	0.000
KGB South West	0.011	0.049	0.060
Leisure East Devon	0.002	0.004	0.006
Lifestyle Fitness	0.002	0.008	0.010
Magna West Somerset Housing Association	0.056	0.264	0.320
Mama Bear's	0.002	0.007	0.009
MD Building Services	0.018	0.061	0.079
National Autistic Society	0.008	0.045	0.053
NSL Ltd	0.016	0.061	0.077
Pabulum	0.003	0.012	0.015
SASP	0.009	0.004	0.013
Shared Lives South West	0.001	0.006	0.007
Society of Local Council Clerks	0.042	0.137	0.179
Somerset Care Ltd	0.021	0.267	0.288
Somerset Skills & Learning	0.070	0.187	0.257
South West Audit Partnership	0.128	0.549	0.677
South West Heritage	0.053	0.164	0.217
South West Provincial Councils	0.045	0.343	0.388
Suez Recycling	0.021	0.078	0.099
<b>Total admitted employers</b>	1.420	7.564	8.984
<b>Total</b>	24.077	93.882	117.959

## Note 5: Transfer values

2020/2021 £ millions		2021/2022 £ millions
0.000	Group transfer values received	0.950
8.408	Individual transfer values received	10.543
<b>8.408</b>		<b>11.493</b>
-7.955	Group transfer values paid	-1.434
-9.076	Individual transfer values paid	-7.681
<b>-17.031</b>		<b>-9.115</b>

## Note 6: Refunds

2020/2021 £ millions		2021/2022 £ millions
-0.377	Contributions refunded to members who leave service	-0.316
-0.014	Interest accumulated on refunds agreed in the past	-0.006
<b>-0.391</b>		<b>-0.322</b>
0.000	Deductions from contributions equivalent premium	0.000
0.014	Less payments to Department for Work and Pensions contributions equivalent premium	0.002
<b>-0.377</b>		<b>-0.320</b>

## Note 7: Administrative expenses

2020/2021 £ millions		2021/2022 £ millions
0.000	Benefits administration costs charged by Somerset CC	0.000
<u>-1.262</u>	Benefits administration costs charged by Devon CC	<u>-1.339</u>
<b>-1.262</b>		<b>-1.339</b>
0.000	Legal advice costs charged by Somerset CC	0.000
<u>-0.008</u>	External legal advice	<u>-0.024</u>
<b>-0.008</b>		<b>-0.024</b>
<u><b>-1.270</b></u>		<u><b>-1.363</b></u>

## Note 8: Investment management expenses

2020/2021 £ millions		2021/2022 £ millions
	<b>Fund manager fees</b>	
-0.184	LaSalle	0.000
-0.049	Maple-Brown Abbott	0.000
-0.043	Somerset County Council	-0.031
-0.634	Abrdn	-0.078
-0.558	Other fund managers	-0.515
<b>-1.468</b>		<b>-0.624</b>
	<b>Other expenses</b>	
-0.073	Transaction costs	0.000
-0.035	Custody fees	-0.058
<b>-0.108</b>		<b>-0.058</b>
	<b>Pooling</b>	
-0.991	Brunel Fees	-0.881
-3.143	3rd Party Fund Manager Fees	-4.838
-1.086	Property unit trust managers' fees	-1.217
-0.164	Custody fees	-0.645
-0.223	Other costs	-0.248
<b>-5.607</b>		<b>-7.829</b>
<b>-7.183</b>		<b>-8.511</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.

No performance related fees were invoiced to the Fund by fund managers.

The pooling category above includes fees directly invoiced by Brunel as well as costs deducted directly from pooled investments provided by Brunel.

Aberdeen Standard have changed their name to Abrdn.

The transaction costs shown above are broken down as follows:

2020/2021				2021/2022	
£ millions	£ millions			£ millions	£ millions
Broker	Taxes and	Manager	Asset Class	Broker	Taxes and
comm- issions	Fees			comm- issions	Fees
<b>Purchase Costs</b>					
0.002	0.002	Somerset County Council	Passive global equity	0.000	0.000
0.000	0.000	Abrdn	UK equity	0.000	0.000
0.000	0.000	Somerset County Council	Passive US equity	0.000	0.000
0.000	0.000	Jupiter	European equity	0.000	0.000
0.005	0.002	Maple-Brown Abbott	Far East equity	0.000	0.000
0.000	0.000	Aberdeen Standard	Bonds	0.000	0.000
0.000	0.000	Brunel	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>0.007</u>	<u>0.004</u>			<u>0.000</u>	<u>0.000</u>
<b>Sales Costs</b>					
0.010	0.003	Somerset County Council	Passive global equity	0.000	0.000
0.000	0.000	Abrdn	UK equity	0.000	0.000
0.000	0.000	Somerset County Council	Passive US equity	0.000	0.000
0.000	0.000	Jupiter	European equity	0.000	0.000
0.023	0.026	Maple-Brown Abbott	Far East equity	0.000	0.000
0.000	0.000	Aberdeen Standard	Bonds	0.000	0.000
0.000	0.000	Brunel	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>0.029</u>			<u>0.000</u>	<u>0.000</u>
<u><b>0.040</b></u>	<u><b>0.033</b></u>			<u><b>0.000</b></u>	<u><b>0.000</b></u>
	<u><b>0.073</b></u>				<u><b>0.000</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.

Aberdeen Standard have changed their name to Abrdn.

## Note 9: Oversight and governance expenses

2020/2021 £ millions		2021/2022 £ millions
-0.010	Committee services costs charged by Somerset CC	-0.010
-0.232	Investments administration costs charged by Somerset CC	-0.227
<b>-0.242</b>		<b>-0.237</b>
-0.142	Actuary's fees	-0.105
0.057	Recharge of Actuary's fees to employers	0.073
<b>-0.085</b>		<b>-0.032</b>
-0.022	External audit fees	-0.037
0.000	Refund of external audit fees	0.013
0.000	Non-audit fees of external auditor	-0.014
0.000	Recharge of non-audit fees to employers	0.000
<b>-0.022</b>		<b>-0.038</b>
0.000	Internal audit costs charged by South West Audit Partnership	0.000
-0.078	Professional services and subscriptions	-0.051
-0.209	IT systems	-0.197
0.000	Performance measurement fees	0.000
0.000	External legal advice	-0.003
-0.022	Voting advice fees	0.000
-0.018	Pooling costs	-0.017
-0.005	Other expenses	-0.008
<b>-0.681</b>		<b>-0.583</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 2021/2022 financial year are £34,596. The discrepancy relates to invoices being received by the Fund after the accounts are closed and not being accrued for in relation to invoices for both the 2020/21 and 2021/22 financial years. Similar discrepancies appear in the 2020/2021 audit plan relating to the 2020/21 fee, shown as £30,121. The £34,596 does not include the fees for IAS assurance work undertaken by Grant Thornton on behalf of employers, which is shown as non-audit fees above.

## Note 10: Investment income

<b>2020/2021</b>		<b>2021/2022</b>
<b>£ millions</b>		<b>£ millions</b>
10.106	Bonds	2.795
0.382	Index linked bonds	0.050
0.132	UK equities	0.074
2.062	Overseas equities	0.054
5.753	Property unit trusts	12.332
0.651	Cash invested internally	0.293
0.000	Private equity	0.000
0.059	Stock lending	0.003
<b>19.145</b>		<b>15.601</b>

## Note 11: Investment assets and liabilities

31 March 2021				31 March 2022			
£ millions	£ millions	%	%	£ millions	£ millions	%	%
<b>UK equities</b>							
450.502		17.3		Brunel UK equity fund	489.006	17.2	
12.994		0.5		Standard Life smaller companies fund	13.260	0.5	
	<b>463.496</b>		<b>17.8</b>		<b>502.266</b>		<b>17.7</b>
<b>Overseas equities</b>							
0.375		0.0		Europe	0.000	0.0	
681.900		26.1		Brunel passive global equity fund	782.616	27.6	
360.872		13.8		Brunel global high alpha equity fund	392.475	13.8	
184.984		7.1		Brunel global smaller companies fund	189.091	6.7	
122.078		4.7		Brunel emerging market equity fund	108.096	3.8	
	<b>1,350.209</b>		<b>51.7</b>		<b>1,472.278</b>		<b>51.9</b>
<b>Bonds</b>							
67.294		2.6		UK fixed-interest - public sector	0.000	0.0	
108.801		4.2		- corporate sector investment grade	0.000	0.0	
9.003		0.4		- corporate sector high yield	0.000	0.0	
0.557		0.0		Overseas - public sector	0.000	0.0	
86.920		3.3		- corporate sector investment grade	0.000	0.0	
39.441		1.5		- corporate sector high yield	0.000	0.0	
74.302		2.9		UK index-linked - public sector	0.000	0.0	
0.795		0.0		- corporate sector	0.000	0.0	
3.314		0.1		Overseas index-linked - public sector	0.000	0.0	
0.000		0.0		Brunel passive gilt fund	62.263	2.2	
0.000		0.0		Brunel passive index-linked gilt fund	80.882	2.9	
0.000		0.0		Brunel sterling corporate bond fund	196.828	6.9	
0.000		0.0		Brunel multi-asset credit funds	77.723	2.7	
	<b>390.427</b>		<b>15.0</b>		<b>417.696</b>		<b>14.7</b>
<b>Property</b>							
174.870		6.7		UK property funds	227.892	8.0	
0.020		0.0		Overseas property funds	0.000	0.0	
	<b>174.890</b>		<b>6.7</b>		<b>227.892</b>		<b>8.0</b>
<b>Private equity</b>							
10.399		0.4		Neuberger Berman Crossroads 2010 fund	10.190	0.4	
14.982		0.6		Neuberger Berman Crossroads XX fund	8.211	0.3	
22.313		0.9		Neuberger Berman Crossroads XXI fund	20.955	0.7	
21.711		0.8		Neuberger Berman Crossroads XXII fund	33.762	1.2	
0.574		0.0		Brunel private equity funds	10.188	0.4	
1.640		0.1		South West regional venture fund	1.640	0.1	
0.840		0.0		Brunel	0.840	0.0	
	<b>72.459</b>		<b>2.8</b>		<b>85.786</b>		<b>3.1</b>

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## Note 12: Analysis of pooled fund investments

31 March 2021 £ millions		31 March 2022 £ millions
	<b>Unit trusts</b>	
128.972	UK property funds	166.720
	<b>Unitised insurance policies</b>	
681.900	Brunel passive global equity fund	782.616
12.994	Standard Life smaller companies fund	13.260
0.000	Brunel passive gilt fund	62.263
0.000	Brunel passive index-linked gilt fund	80.882
0.000	Brunel sterling corporate bond fund	196.828
<b>694.894</b>		<b>1,135.849</b>
	<b>Limited liability partnerships</b>	
69.405	Neuberger Berman private equity funds	73.118
0.574	Brunel private equity funds	10.188
1.640	South West regional venture fund	1.640
<b>71.619</b>		<b>84.946</b>
	<b>UK authorised contractual scheme</b>	
450.502	Brunel UK equity fund	489.006
360.872	Brunel global high alpha equity fund	392.475
184.984	Brunel global smaller companies fund	189.091
122.078	Brunel emerging market equity fund	108.096
<b>1,118.436</b>		<b>1,178.668</b>
	<b>Other managed funds</b>	
45.898	UK property funds	61.172
0.020	Overseas property funds	0.000
0.000	Brunel multi-asset credit funds	77.723
<b>45.918</b>		<b>138.895</b>
<b>2,059.839</b>	<b>Total</b>	<b>2,705.078</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
2020/2021	Total	2,046.706	9.654	1,731.892	-1,724.697	105.819	439.074	2,608.448
Somerset County Council	Global equity	0.375	0.000	0.000	-0.381	-0.008	0.014	0.000
Abrdn	UK equity	12.994	0.000	0.000	0.000	0.000	0.266	13.260
Abrdn	Bonds	390.427	0.000	300.590	-700.685	47.445	-37.777	0.000
Abrdn	Derivatives	0.518	0.000	347.123	-347.569	0.698	-0.770	0.000
LaSalle / Brunel	Property	174.890	0.000	41.031	-11.999	-19.383	43.353	227.892
Neuberger Berman	Global private equity	69.405	0.000	1.142	-15.818	2.754	15.635	73.118
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	450.502	0.000	0.000	0.000	0.000	38.504	489.006
Brunel	Passive global equity	681.900	0.000	0.000	0.000	-0.036	100.752	782.616
Brunel	Global high alpha equity	360.872	0.000	0.000	0.000	0.000	31.603	392.475
Brunel	Global smaller co.'s	184.984	0.000	0.000	0.000	0.000	4.107	189.091
Brunel	Emerging market equity	122.078	0.000	0.000	0.000	0.000	-13.982	108.096
Brunel	UK Government Gilts	0.000	0.000	67.444	0.000	-0.004	-5.177	62.263
Brunel	UK Gov't index linked Gilts	0.000	0.000	80.872	0.000	-0.004	0.014	80.882
Brunel	Sterling corporate bonds	0.000	0.000	210.024	0.000	0.000	-13.196	196.828
Brunel	Multi-asset credit	0.000	0.000	126.567	-47.660	0.150	-1.334	77.723
Brunel	Global private equity	0.574	0.000	8.393	0.000	-0.071	1.292	10.188
Somerset County Council	Cash	156.449	-30.651	0.000	0.000	5.628	0.006	131.432
<b>2021/2022</b>	<b>Total</b>	<b>2,608.448</b>	<b>-30.651</b>	<b>1,183.186</b>	<b>-1,124.112</b>	<b>37.169</b>	<b>163.310</b>	<b>2,837.350</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 2022 was £2,617,060,000. This investment is also disclosed separately from any other investment in note 11, note 16 and note 31 and a written disclosure is made in note 25 with regard to related parties.

Aberdeen Standard have changed their name to Abrdn.

#### **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 2022, 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 2021</b>		<b>31 March 2022</b>
	<b>Financial assumptions</b>	
2.85%	CPI increases	3.20%
3.85%	Salary increases	4.20%
2.85%	Pension increases	3.20%
2.00%	Discount Rate	2.60%
	<b>Life expectancy (from age 65)</b>	
23.1	Retiring today - Males	23.1
24.6	- Females	24.7
24.4	Retiring in 20 years - Males	24.4
26.0	- Females	26.1

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.

It is expected that RPI will be on average 1.0% p.a. lower than it would have otherwise been from 2030 as a result of the proposed alignment of RPI to CPIH (and CPI) from that date. We have therefore assumed that the annual increase in CPI inflation will be 1.0% p.a. lower than the market implied increases in RPI for each year prior to 2030, and will be in line with RPI inflation thereafter. This results in an assumed gap between the two inflation measures of between 0.25% p.a. and 0.85% p.a. depending on the term of the liabilities (for terms ranging from 30 years down to 5 years).

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	4,872.760	
<b>Sensitivity to</b>	<b>+0.1%</b>	<b>-0.1%</b>
Discount rate	4,769.674	4,978.178
Salary increase	4,880.955	4,864.639
Pension increases and deferred revaluation	4,969.261	4,778.289
<b>Sensitivity to</b>	<b>+ 1 year</b>	<b>- 1 year</b>
Life expectancy assumptions	5,077.664	4,676.374

The table below shows a breakdown of the change in the present value of promised retirement benefits that occurred during the year.

<b>2020/2021</b>		<b>2021/2022</b>
<b>£ millions</b>		<b>£ millions</b>
125.726	Current service cost	210.913
85.430	Interest cost	97.832
1,208.548	Change in financial assumptions	-301.406
-38.980	Change in demographic assumptions	0.000
-47.028	Experience loss/(gain) on defined benefit obligations	10.424
0.000	Liabilities assumed/(extinguished) on settlements	-5.407
-95.258	Estimated benefits paid net of transfers in	-97.257
0.472	Past service costs, including curtailments	0.923
22.599	Contributions by scheme members	24.102
<b>1,261.509</b>		<b>-59.876</b>

## Note 15: Other investment balances

<b>31 March 2021</b> <b>£ millions</b>		<b>31 March 2022</b> <b>£ millions</b>
<b>Assets</b>		
4.037	- Accrued income	0.620
8.316	- Payments due on investments sold	0.000
1.063	- Cash collateral provided	0.000
<u>13.416</u>		<u>0.620</u>
<b>Liabilities</b>		
-9.479	- Payments not made on purchases and losses due on sales	0.000
0.000	- Cash collateral held	0.000
<u>-9.479</u>		<u>0.000</u>
<u>3.937</u>		<u>0.620</u>

## Note 16: Management structure

31 March 2021		Manager	Asset class	31 March 2022	
£ millions	%			£ millions	%
0.375	0	Somerset County Council	Passive global equity	0.000	0
12.994	0	Abrdn	UK equity	13.260	0
390.945	15	Abrdn	Bonds	0.000	0
0.020	0	LaSalle	Property	0.000	0
69.405	3	Neuberger Berman	Global private equity	73.118	2
1.640	0	Technology Venture Partners	UK venture capital	1.640	0
0.840	0	Brunel	UK venture capital	0.840	0
156.449	6	Somerset County Council	Cash	131.432	5
<b>632.668</b>	<b>24</b>	<b>Not-pooled sub total</b>		<b>220.290</b>	<b>7</b>
450.502	17	Brunel	UK Equity	489.006	17
681.900	26	Brunel	Passive global equity	782.616	28
360.872	14	Brunel	Global high alpha equity	392.475	14
184.984	7	Brunel	Global smaller companies	189.091	7
122.078	5	Brunel	Emerging market equity	108.096	4
0.000	0	Brunel	UK Government Gilts	62.263	2
0.000	0	Brunel	UK Gov't index linked Gilts	80.882	3
0.000	0	Brunel	Sterling corporate bonds	196.828	7
0.000	0	Brunel	Multi-asset credit	77.723	3
174.870	7	Brunel	Property	227.892	8
0.574	0	Brunel	Global private equity	10.188	0
<b>1,975.780</b>	<b>76</b>	<b>Pooled sub total</b>		<b>2,617.060</b>	<b>93</b>
<b>2,608.448</b>	<b>100</b>	<b>Net investment assets</b>		<b>2,837.350</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 2022 was £2,617,060,000. This investment is also disclosed separately from any other investment in note 11, note 13 and note 31 and a written disclosure is made in note 25 with regard to related parties.

Aberdeen Standard have changed their name to Abrdn.

## Note 17: Classification of financial instruments

31 March 2021 £ millions			31 March 2022 £ millions		
Fair value through profit & loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through profit & loss	Assets at amortised cost	Liabilities at amortised cost
			<b>Investment assets and liabilities</b>		
2,608.459			2,837.350		
-0.011			0.000		
	3.937			0.620	
			<b>Current assets</b>		
	4.432			4.078	
	0.501			0.500	
	3.755			4.713	
			<b>Current liabilities</b>		
		0.000			0.000
		0.000			0.000
		-2.001			-2.165
<b>2,608.448</b>	<b>12.625</b>	<b>-2.001</b>	<b>2,837.350</b>	<b>9.911</b>	<b>-2.165</b>
<b>Net assets of the scheme available to fund benefits at end of year</b>					

## Note 18: Net gains and losses on financial instruments

<b>2020/2021</b>		<b>2021/2022</b>
<b>£ millions</b>		<b>£ millions</b>
544.893	Fair value through profit and loss	200.479
0.000	Amortised cost - realised gains (losses) on derecognition	0.000
0.000	Amortised cost - unrealised gains (losses)	0.000
<b><u>544.893</u></b>		<b><u>200.479</u></b>

## Note 19: Major holdings

31 March 2021			Description	31 March 2022		% of net investments
Rank	£ millions	Stock		Rank	£ millions	
1	681.900	Brunel passive global equity fund	Pooled fund of developed market equities	1	782.616	27.6
2	450.502	Brunel UK equity fund	Pooled fund of UK equities	2	489.006	17.2
3	360.872	Brunel global high alpha equity fund	Pooled fund of developed market equities	3	392.475	13.8
-	0.000	Brunel sterling corporate bond fund	Pooled fund of corporate bonds	4	196.828	6.9
4	184.984	Brunel global smaller companies fund	Pooled fund of developed market equities	5	189.091	6.7
5	122.078	Brunel emerging market equity fund	Pooled fund of emerging market equities	6	108.096	3.8
-	0.000	Brunel passive index-linked gilt fund	Pooled fund of UK Gov't index-linked gilts	7	80.882	2.9
-	0.000	Brunel passive gilt fund	Pooled fund of UK Gov't gilts	8	62.263	2.2
-	0.000	Brunel Neuberger Berman MAC fund	Pooled fund of multi-asset credit	9	46.421	1.6
7	21.711	Neuberger Berman Crossroads XXII fund	Private equity fund	10	33.762	1.2
10	18.762	IPIF	Pooled fund of UK property	11	26.693	0.9
9	20.027	Nuveen UK Property Fund	Pooled fund of UK property	12	24.183	0.9
8	20.464	CBRE UK Property Fund	Pooled fund of UK property	13	23.993	0.8
25	4.616	Clearbell UK Property Fund	Pooled fund of UK property	14	22.708	0.8
6	22.313	Neuberger Berman Crossroads XXI fund	Private equity fund	15	20.955	0.7
11	17.592	Blackrock UK PUT	Pooled fund of UK property	16	20.739	0.7
13	15.057	AEW Real Return Fund	Pooled fund of UK property	17	19.564	0.7
15	14.935	Octopus Healthcare fund	Pooled fund of UK property	18	18.815	0.7
20	8.354	Hermes Property fund	Pooled fund of UK property	19	18.734	0.7
12	15.946	Nuveen Central London Office fund	Pooled fund of UK property	20	16.464	0.6

The largest five 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 2021 £ millions				31 March 2022 £ millions		
Asset	Liability	Net value		Asset	Liability	Net value
<b>Forward foreign-exchange contracts</b>						
0.529	-0.011	0.518	Abrdn fixed Interest	0.000	0.000	0.000
<b>0.529</b>	<b>-0.011</b>	<b>0.518</b>		<b>0.000</b>	<b>0.000</b>	<b>0.000</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>0.529</b>	<b>-0.011</b>	<b>0.518</b>		<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

Aberdeen Standard have changed their name to Abrdn. Following the movement of the bond portfolio from Abrdn to Brunel the Fund no longer has any direct exposure to derivatives.

Abrdn used to 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 Abrdn 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 were used by Abrdn 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 Abrdn 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 were used by Abrdn 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 Abrdn 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 2021 £ millions				31 March 2022 £ millions		
Asset exposure value	Liability exposure value	Net value		Asset exposure value	Liability exposure value	Net value
<b>Forward foreign-exchange contracts</b>						
57.552	-57.034	0.518	Abrdn fixed Interest	0.000	0.000	0.000
<b>57.552</b>	<b>-57.034</b>	<b>0.518</b>		<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>Government bond futures</b>						
13.595	-13.595	0.000	UK gilt future	0.000	0.000	0.000
5.051	-5.051	0.000	European bond future	0.000	0.000	0.000
6.876	-6.876	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
6.934	-6.934	0.000	US treasury future	0.000	0.000	0.000
<b>32.456</b>	<b>-32.456</b>	<b>0.000</b>		<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>Swaps</b>						
0.095	-0.095	0.000	Inflation swaps	0.000	0.000	0.000
0.734	-0.734	0.000	Interest rate swaps	0.000	0.000	0.000
<b>0.829</b>	<b>-0.829</b>	<b>0.000</b>		<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>90.837</b>	<b>-90.319</b>	<b>0.518</b>		<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

The exposure currencies of the forward foreign exchange contracts held by Abrdn are shown in the table below.

31 March 2021 £ millions			31 March 2022 £ millions		
Asset exposure value	Liability exposure value	Net value	Asset exposure value	Liability exposure value	Net value
<b>Abrdn fixed Interest</b>					
57.288	-0.264	57.024	0.000	0.000	0.000
0.000	-3.215	-3.215	0.000	0.000	0.000
0.264	-43.981	-43.717	0.000	0.000	0.000
0.000	-9.574	-9.574	0.000	0.000	0.000
<b>57.552</b>	<b>-57.034</b>	<b>0.518</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

#### Note 21: Capital commitments (investments)

As at 31 March 2022 the fund had outstanding capital commitments (investments) totalling £74.842m (31 March 2021 - £71.287m). 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 2021 £ millions			31 March 2022 £ millions	
Total commitment	Outstanding commitment		Total commitment	Outstanding commitment
83.351	27.651	Neuberger Berman PE funds	87.343	27.760
68.500	24.490	Property funds	21.000	13.425
19.523	19.146	Brunel PE funds	42.423	33.657
<b>171.374</b>	<b>71.287</b>		<b>150.766</b>	<b>74.842</b>

## Note 22: Stock lending

Following the transition of assets to Brunel the Fund no longer directly undertakes stock lending. Stock lending is permitted by some of the collective investment funds managed by Brunel that we invest in.

31 March 2021 £ millions		31 March 2022 £ millions
33.907	Value of stock on loan	0.000
35.301	Value of collateral held against loaned stock	0.000

31 March 2021 %		31 March 2022 %
	<b>Form of collateral provided</b>	
46.2	UK Government debt	0.0
3.9	US Government debt	0.0
49.9	Euro area Governments debt	0.0
0.0	UK equities	0.0
0.0	Overseas equities	0.0
0.0	Other	0.0
<b>100.0</b>		<b>0.0</b>



## Note 23: Membership statistics

As at 31 March	2016	2017	2018	2019	2020	2021	2022
<b>Active scheme members</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>21,378</b>
<b>Pensioners</b>							
Current (in payment)	14,779	15,421	16,322	17,326	18,289	18,921	19,690
Deferred (future liability)	20,452	22,268	25,119	26,741	26,449	26,543	26,906
Undecided leavers	2,507	3,778	2,617	2,337	1,808	1,838	1,586
<b>Total (active plus pensioners)</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>	<b>69,560</b>
Active members for each current pensioner	1.53	1.40	1.30	1.18	1.14	1.09	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 2021</b> <b>£ millions</b>	<b>31 March 2022</b> <b>£ millions</b>
<b>Value of additional voluntary contributions</b>	
4.472 Prudential	4.238
0.201 Utmost (formally Equitable Life)	0.200
<hr/> <b>4.673</b>	<hr/> <b>4.438</b>

<b>2020/2021</b> <b>£ millions</b>	<b>2021/2022</b> <b>£ millions</b>
<b>Additional voluntary contributions paid during the year</b>	
0.468 Prudential	0.511
0.000 Utmost (formally Equitable Life)	0.000
<hr/> <b>0.468</b>	<hr/> <b>0.511</b>

## **Note 25: Related parties**

Committee members Gordon Bryant and Paul Butler 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 members Nigel Behan and Rachel Ellins were active members of the scheme during the year. Pension Board members Antony White and Roderick Bryant were deferred members of the scheme during the year.

Via collective investment funds 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 the fund managers that Brunel employ within the pooled funds we invest in without referring to the county council, its officers or other member bodies.

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 £881,000 in fees for services in the 2021-2022 financial year as disclosed in note 8.

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 31.

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 2022 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.

Year to 31 March 2022							
Post title	Salary (including fees and allowances) £	Compensation for loss of office £	Benefits in kind £	Total wages and benefits but not including pensions contributions 2021/22 £	Employer's pension contributions £	Total wages and benefits including pensions contributions 2021/22 £	
Director of Finance and Performance	123,300	-	-	123,300	22,300	145,600	

For comparison purposes the equivalent disclosure for the financial year ended 31 March 2021 is shown in the table below.

<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

## **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 2022.

## **Note 29: Post balance sheet events**

There were no post balance sheet events as at 30 June 2022.

## **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 2022 being £2,837m.

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 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 2022 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	502.266	17.90%	89.906	-89.906
Overseas equities	1472.278	15.30%	225.259	-225.259
UK bonds	259.091	7.70%	19.950	-19.950
Overseas bonds	77.723	13.20%	10.259	-10.259
UK index-linked bonds	80.882	7.20%	5.824	-5.824
Property	227.892	6.20%	14.129	-14.129
Private equity*	85.786	15.30%	13.125	-13.125
Cash	131.432	0.00%	0.000	0.000
<b>Net investment assets</b>	<b><u>2,837.350</u></b>		<b><u>378.452</u></b>	<b><u>-378.452</u></b>

\* Includes level 3 assets, further details can be found in note 31 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 £131.4m is subject to credit risk.

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.

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 by not having available cash. 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. This gives the fund access to in excess of £130m 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.

### 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 2022 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		13.260		13.260
Overseas equities				0.000
Brunel pooled equity funds		1,961.284		1,961.284
Bonds				0.000
Brunel pooled bond funds		417.696		417.696
Property funds		227.892		227.892
Private Equity funds			85.786	85.786
Derivatives				0.000
Cash	131.432			131.432
<b>Net investment assets</b>	<b><u>131.432</u></b>	<b><u>2,620.132</u></b>	<b><u>85.786</u></b>	<b><u>2,837.350</u></b>

For comparison purposes the equivalent disclosure for the financial year ended 31 March 2021 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		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
Brunel pooled bond funds				0.000
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>

There have been no transfers of assets between levels within the fair value hierarchy during the financial year ended 31 March 2022.

The following table shows a reconciliation of the movement in level 3 investments during the financial year ended 31 March 2022.

<b>Asset class</b>	<b>Fair Value as at 31 March 2021 £ 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 2022 £ millions</b>
Global private equity	69.979	0.000	0.000	9.535	-15.818	2.683	16.927	83.306
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>72.459</b>	<b>0.000</b>	<b>0.000</b>	<b>9.535</b>	<b>-15.818</b>	<b>2.683</b>	<b>16.927</b>	<b>85.786</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 2022 was £2,617,060,000. 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 25 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. The Pension Fund has yet to adopt the following accounting standards:

### Annual Improvements to IFRS Standards 2018–2020 (Programme notes 4).

The annual IFRS improvement programme notes 4 changed standards:

- IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
- IAS 37 (Onerous contracts) – clarifies the intention of the standard
- IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
- IAS 41 (Agriculture) – amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique

### Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

These amendments prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use.

We do not expect any of the amendments above, to have a material impact on our accounts when they are applied prospectively from 1st April 2022.



**Jason Vaughan**  
**Director of Finance and Governance**  
**30 June 2022**

# 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 (Payables)**

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 (Receivables)**

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:

Paul Griffin CPFA  
Service Manager – Chief Accountant  
County Hall  
Taunton  
Somerset  
TA1 4DY.

Phone: 01823 359574

E-mail: [pxgriffin@somerset.gov.uk](mailto:pxgriffin@somerset.gov.uk)

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.



**Language Line**

