



Informal Consultative Meeting of Audit Committee

**Thursday 30th September 2021
10.00 am**

**A virtual meeting via Zoom Meeting
Software**

The following members are requested to attend this meeting:

Chairman: Martin Carnell
Vice-chairman: Mike Hewitson

Robin Bastable
Mike Best
Dave Bulmer

Malcolm Cavill
Brian Hamilton
Tim Kerley

Paul Maxwell
Vacancy

Any members of the public wishing to address the meeting at Public Question Time need to email democracy@southsomerset.gov.uk by 9.00am Wednesday 29th September 21.

The meeting will be viewable online by selecting the committee meeting at:
https://www.youtube.com/channel/UCSDst3IHGj9WoGnwJGF_soA

For further information on the items to be discussed, please contact
democracy@southsomerset.gov.uk

This Agenda was issued on Wednesday 22 September 2021.

Jane Portman, Chief Executive Officer

This information is also available on our website
www.southsomerset.gov.uk and via the mod.gov app

Information for the Public

In light of the coronavirus pandemic (COVID-19), Audit Committee will meet virtually via video-conferencing to consider reports. As of 7 May 2021 some interim arrangements are in place for committee meetings.

At the meeting of Full Council on 15 April 2021 it was agreed to make the following changes to the Council's Constitution:

- a) To continue to enable members to hold remote, virtual meetings using available technology;
- b) To amend Part 3 (Responsibility for Functions) of the Council's Constitution to allow those remote meetings to function as consultative bodies and delegate decisions, including Executive and Quasi-Judicial decisions, that would have been taken by those meetings if the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 had continued in force to the Chief Executive (or the relevant Director in the Chief Executive's absence) in consultation with those meetings and those members to whom the decision would otherwise have been delegated under Part 3 of the Constitution;
- c) The delegated authority given under (b) will expire on 31 July 2021 unless continued by a future decision of this Council;

For full details and to view the report please see -

<https://modgov.southsomerset.gov.uk/ieListDocuments.aspx?CId=137&MId=2981&Ver=4>

Further to the above, at the meeting of Full Council on 8 July 2021, it was agreed to extend the arrangements for a further 6 months to 8 January 2022.

For full details and to view the report please see -

<https://modgov.southsomerset.gov.uk/ieListDocuments.aspx?CId=137&MId=3033&Ver=4>

Information about Audit Committee

The purpose of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance, to the extent that it affects the authority's exposure to risk and weakens the control environment and to oversee the financial reporting process.

The Audit Committee should review the Code of Corporate Governance seeking assurance where appropriate from the Executive or referring matters to management on the scrutiny function.

The terms of reference of the Audit Committee are:

Internal Audit Activity

1. To approve the Internal Audit Charter and annual Internal Audit Plan;
2. To receive quarterly summaries of Internal Audit reports and seek assurance from management that action has been taken;
3. To receive an annual summary report and opinion, and consider the level of assurance it provides on the council's governance arrangements;

4. To monitor the action plans for Internal Audit reports assessed as “partial” or “no assurance;”
5. To consider specific internal audit reports as requested by the Head of Internal Audit, and monitor the implementation of agreed management actions;
6. To receive an annual report to review the effectiveness of internal audit to ensure compliance with statutory requirements and the level of assurance it provides on the council’s governance arrangements;

External Audit Activity

7. To consider and note the annual external Audit Plan and Fees;
8. To consider the reports of external audit including the Annual Audit Letter and seek assurance from management that action has been taken;

Regulatory Framework

9. To consider the effectiveness of SSDC’s risk management arrangements, the control environment and associated anti-fraud and corruption arrangements and seek assurance from management that action is being taken;
10. To review the Annual Governance Statement (AGS) and monitor associated action plans;
11. To review the Local Code of Corporate Governance and ensure it reflects best governance practice. This will include regular reviews of part of the Council’s Constitution and an overview of risk management;
12. To receive reports from management on the promotion of good corporate governance;

Financial Management and Accounts

13. To review and approve the annual Statement of Accounts, external auditor’s opinion and reports to members and monitor management action in response to issues raised;
14. To provide a scrutiny role in Treasury Management matters including regular monitoring of treasury activity and practices. The committee will also review and recommend the Annual Treasury Management Strategy Statement and Investment Strategy, MRP Strategy, and Prudential Indicators to Council;
15. To review and recommend to Council changes to Financial Procedure Rules and Procurement Procedure Rules;

Overall Governance

16. The Audit Committee can request of the Section 151 Officer, the Monitoring Officer, or the Chief Executive (Head of Paid Services) a report (including an independent review) on any matter covered within these Terms of Reference;
17. The Audit Committee will request action through District Executive if any issue remains unresolved;
18. The Audit Committee will report to each full Council a summary of its activities.

Members questions on reports prior to the Meeting

Members of the Committee are requested to contact report authors on points of clarification prior to the Committee meeting.

Audit Committee

Meetings of the Audit Committee are usually held bi-monthly including at least one meeting with the Council's external auditor, although in practice the external auditor attends more frequently. However during the coronavirus pandemic these meetings will be held remotely via Zoom video-conferencing and the starting time may vary.

Agendas and minutes of this committee are published on the Council's website at <http://modgov.southsomerset.gov.uk/ieDocHome.aspx?bcr=1>

Agendas and minutes can also be viewed via the mod.gov app (free) available for iPads and Android devices. Search for 'mod.gov' in the app store for your device, install, and select 'South Somerset' from the list of publishers and then select the committees of interest. A wi-fi signal will be required for a very short time to download an agenda but once downloaded, documents will be viewable offline.

Public participation at meetings (held via Zoom)

Public question time

We recognise that these are challenging times but we still value the public's contribution to our virtual meetings.

If you would like to address the virtual meeting during Public Question Time, please email democracy@southsomerset.gov.uk by 9.00am on Wednesday 29th September 2021. When you have registered, the Chairman will invite you to speak at the appropriate time during the virtual meeting.

The period allowed for participation in Public Question Time shall not exceed 15 minutes except with the consent of the Chairman and members of the Committee. Each individual speaker shall be restricted to a total of three minutes.

This meeting will be streamed online via YouTube at:
https://www.youtube.com/channel/UCSDst3IHGj9WoGnwJGF_soA

Virtual meeting etiquette:

- Consider joining the meeting early to ensure your technology is working correctly.
- Please note that we will mute all public attendees to minimise background noise. If you have registered to speak during the virtual meeting, the Chairman or Administrator will un-mute your microphone at the appropriate time. We also respectfully request that you turn off video cameras until asked to speak.
- Each individual speaker shall be restricted to a total of three minutes.
- When speaking, keep your points clear and concise.
- Please speak clearly – the Councillors are interested in your comments.

Recording and photography at council meetings

Recording of council meetings is permitted, however anyone wishing to do so should let the Chairperson of the meeting know prior to the start of the meeting. The recording should be overt and clearly visible to anyone at the meeting, but non-disruptive. If someone is recording the meeting, the Chairman will make an announcement at the beginning of the meeting. If anyone making public representation does not wish to be recorded they must let the Chairperson know.

The full 'Policy on Audio/Visual Recording and Photography at Council Meetings' can be viewed online at:

<http://modgov.southsomerset.gov.uk/documents/s3327/Policy%20on%20the%20recording%20of%20council%20meetings.pdf>

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Informal Consultative Meeting of Audit Committee

Thursday 30 September 2021

Agenda

Preliminary Items

1. Minutes

To approve as a correct record the minutes of the previous meetings held on 25 March, 27 May and 29 July 2021. The draft minutes can be viewed here: <https://modgov.southsomerset.gov.uk/ieListMeetings.aspx?CId=135&Year=0>

2. Apologies for absence

3. Declarations of Interest

In accordance with the Council's current Code of Conduct (as amended 26 February 2015), which includes all the provisions relating to Disclosable Pecuniary Interests (DPI), personal and prejudicial interests, Members are asked to declare any DPI and also any personal interests (and whether or not such personal interests are also "prejudicial") in relation to any matter on the agenda for this meeting.

4. Public question time

5. Date of next meeting

Councillors are requested to note that the next Audit Committee meeting is scheduled to be held at 10.00am on 28 October 2021 and will be held via Zoom.

Items for Discussion

6. Draft (Unaudited) Statement of Accounts (Pages 7 - 139)

7. 2020/21 Annual Governance Statement (Pages 140 - 152)

8. Update from Audit Committee Terms of Reference Working Group (Pages 153 - 157)

9. Audit Committee Forward Plan (Pages 158 - 159)



Draft (Unaudited) Statement of Accounts 2020/21

Executive Portfolio Holder:	Peter Seib, Finance and Legal Services
Director:	Nicola Hix, Support Services & Strategy
S151 Officer:	Karen Watling, Interim S151 Officer
Lead Officer:	Paul Matravers, Lead Specialist – Finance / Deputy S151 Officer
Contact Details:	paul.matravers@southsomerset.gov.uk or 01935 462275

Purpose of the Report

1. The purpose of this report is to present the 2020/21 Draft (Unaudited) Statement of Accounts to Audit Committee for review and discussion.

Forward Plan

2. This report appeared on the Audit Committee Forward Plan with an anticipated Committee date of 30th September 2021. The Audit Committee's approval of the audited 2020/21 Annual Statement of Accounts is anticipated to be sought at its meeting on 25th November 2021.

Public Interest

3. As a local authority SSDC is required to demonstrate compliance with the underlying principles of good governance and that a framework exists to demonstrate this. By preparing and publishing the annual Statement of Accounts the Council achieves the objective of accountability.

Recommendations

4. That Audit Committee:
 - a) Reviews the draft statement of accounts.
 - b) Notes that it is anticipated that the audited statement of accounts, along with the external auditor's opinion on them, will be presented to its meeting on 25th November 2021.

Background

5. The Accounts and Audit Regulations (England) 2015 came into force on 1 April 2015, bringing a requirement for the Responsible Finance Officer (the S151 Officer) to certify the annual accounts no later than 31 May and to publish these, along with the audit opinion and after having been approved by Members, no later than 31 July.
6. The Accounts and Audit (Coronavirus) Amendments Regulations 2020 (SI 2020/404) superseded these requirements and extended the statutory audit deadline for 2020/21 for all local authorities, to 30 September 2021. Due to the completion of the statement of accounts taking longer than anticipated and therefore not being provided to the external auditors in line with the agreed timetable SSDC's accounts will not be signed off by the



required date. It is anticipated that the audited statement of accounts will be presented at the 25 November Audit Committee.

7. Under the Accounts and Audit Regulations (England) 2015 regulations, the Responsible Finance Officer was required to ensure that the period for the exercise of public rights includes the first 10 working days of June. The period for the exercise of public rights (which includes the rights of objection, inspection and questioning of the external auditor) may only be exercised within a 30 day period.
8. However, the Accounts and Audit (Coronavirus) Amendments Regulations 2020 superseded this requirement. The regulations now state that Local authorities had to commence the public inspection period on or before the first working day of August 2021. The accounts, confirmed by the Responsible Finance Officer, were published on the 30 July 2021 and the 30 day inspection period ended on 10 September 2021.
9. In previous years Audit Committee considered the Statement of Accounts once it had been audited alongside the external audit opinion and the audit findings report.
10. The interim S151 Officer has decided to take a change in approach with the statements being presented at this Audit Committee for review in their draft pre-audited stage. This will allow Audit Committee to take more time in reviewing the statements in detail and asking officers questions on the figures and information included in the accounts. The subsequent meeting in November will enable committee members to focus on the audit finding report, the audit opinion and the changes to the statements as a result of the audit. Members will also then be asked to agree the audited Statement of Accounts for the financial year 2020/21.

Key Features of the 2020/21 Statement of Accounts

11. The Statement of Accounts must include a narrative statement, including commentary by the authority on its financial performance and economy, efficiency and effectiveness in its use of resources over the relevant financial year.
12. The external auditor – Grant Thornton – has yet to review the annual Statement of Accounts and supporting working papers, the audit is anticipated to start in October and that their opinion as to whether the Statements present a true and fair view of the financial position of South Somerset District Council at 31 March 2021, and its income and expenditure for the year end, will be presented at Audit Committee in November 2021.
13. A copy of the Draft Statement of Accounts has been circulated separately with this agenda. The Statement of Accounts contains four core statements and the Group Accounts, reflecting the financial position of the Council as at 31 March 2021. These are:
 - Comprehensive Income and Expenditure Statement
 - Movement in Reserves Statement
 - Balance Sheet
 - Cash Flow Statement
 - Group Accounts
14. There is also an additional statement and notes relating to the Collection Fund (which deals with the collection and distribution of Council Tax and Business Rates).

15. It is a statutory requirement for all local authority financial statements to be International Financial Reporting Standards (IFRS) compliant.
16. The accounts include a section for Group Accounts. The Council is required to consolidate into its own accounts (as a single entity) the financial activities of outside organisations such as subsidiaries, joint ventures and associates. In previous years our arrangements in respect of Groups have not been material, i.e. the figures involved were not significant enough to report separately.
17. The Group accounts follow the same format of the single entity accounts and include the four core statements (as listed in 19 above), accounting policies for the groups and notes to the financial statements where there are material differences to the disclosures made in the single entity accounts.

Comprehensive Income and Expenditure Statement

18. This account gives detailed information about the total expenditure on the services the Council provides. It also shows the council tax and government grants received to help pay for those services. The net operating expenditure figure is reconciled to the outturn spend position reported to District Executive in the following way:

CIES extract for 2020/21

	£'000
Total Spend Reported to the District Executive	92,165
Amounts not reported to management but included on Costs of Services in Comprehensive Income and Expenditure Statement.	-54,307
Net Cost of Services (Statement of Accounts Note 7)	37,858

Movement in Reserve Statement

19. Reserves represent the Council's net worth and shows its spending power. This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' reserves.

MIRS extract for 2020/21

	Useable Reserves	Unusable Reserves	Total £'000
31 March 2020	48,549	-36,674	11,875
Movement	20,888	-40,959	-20,071
31 March 2021	69,437	-77,633	-8,196

20. With regard to unusable reserves, the pension reserve liability increased by £21.097m due to actuarial assumptions, asset valuations and employer contributions.

Balance Sheet

21. The Balance Sheet provides a snapshot of our financial position as at the 31 March 2021. The Council's net assets amounted to (£8.196m) (£11.875 at 31 March 2020). This comprises both usable resources and unusable reserve account balances.



South Somerset District Council

22. The balance in the statement of accounts include the large pension fund liability balance, which will be recovered over the long term, with the Council making contributions and lump sum payments each year to reduce the balance.
23. In practice, the amount of “net worth” that can be used is £69.437m. This can be broken down into:
- | | |
|--------------------------|----------|
| Usable Capital Receipts | £18.222m |
| Capital Grants Unapplied | £7.785m |
| Earmarked Reserves | £38.464m |
| General Fund Balances | £4.316m |
| Share in Joint Venture | £0.650m |
24. In addition, Members will note the contingent liabilities disclosed in note 49. Contingent liabilities are possible future obligations; they are not accounted for within the balance sheet as the obligation will only be confirmed if uncertain events happen in the future. Any claims would need to be funded from SSDC balances.

Cash Flow Statement

25. This statement outlines the changes in cash and cash equivalents of the Council during 2020/21.
26. There has been a net decrease in cash and cash equivalents of £6.270m.
27. Cash Equivalents are short-term highly liquid investments that are readily convertible within 24 hours to known amounts of cash and which are subject to an insignificant risk of change in value.

Collection Fund

28. The total amount of Council Tax due for the year, which the council has collected on behalf of all of the precepting authorities (e.g. Somerset County Council, Police and Crime Commissioner, Devon & Somerset Fire & Rescue Authority and town/parish councils), was £114.695m. There is a deficit balance of £1.244m on the Council Tax element of the Collection Fund account at the year-end. This deficit is split in proportion to the amount of each authority’s precept.
29. Business Rates Retention (BRR) is intended to provide incentives for local authorities to drive economic growth locally. The funding regime is based on performance and has increased the need to monitor and proactively agree priorities to maximise business rate income. Business rates income collected is distributed between Central Government, South Somerset District Council, Somerset County Council, and Fire and Rescue Authority under the Business Rates Retention (BRR) funding system. For 2020/21 the distribution was Central Government 50%, SSDC 40%, SCC 9%, and Fire 1%.
30. The final business rates funding end of the year position for 2020/21 has delivered positive news regarding the resources available to all parties within the Somerset Business Rates Pool. There is a pooling gain of £5.154m at the year-end, and this Council’s share is £0.811m.



Auditor's Opinion

31. Grant Thornton UK LLP will issue their audit opinion at the conclusion of the audit of the accounts, if the opinion is unqualified it is good news and endorses that the accounts provide a true and fair view of the financial statements as at 31st March 2021.
32. Grant Thornton will also provide an opinion if the Council has proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money conclusion and provides a positive endorsement that the Council has proper arrangements in all significant respects to ensure it delivered value for money.
33. The audit of the accounts will identify any material misstatements. In 2019/20 there were material misstatements, a number of misclassification and disclosure requirements which have had to be addressed. If this is the case in the 2020/21 audit these misstatements will be addressed with the audit finding report providing details of the misclassifications and misstatements.

Financial Implications

34. There are no financial implications associated with these recommendations.

Council Plan Implications

35. The Statement of Accounts are closely linked to the Council Plan, and maintaining financial resilience and effective resource planning is important to enable the council to continue to fund its priorities for the local community.

Carbon Emissions and Climate Change Implications

36. There are no carbon emissions or climate change implications in this report.

Equality and Diversity Implications

37. There are no equality or diversity implications

Privacy Impact Assessment

38. There is no personal information included in this report.

Background Papers

39. There are two background papers:
 - Revenue outturn 2020/21
 - Capital outturn 2020/21



South Somerset District Council

Draft (Unaudited) Statement of Accounts 2020/2021



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Foreword

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

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

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

The Ministry of Housing, Communities and Local Government (MHCLG) introduced the Accounts and Audit (Amendment) Regulations 2021, which changed the statutory audit deadlines for all Local Authorities. Draft accounts must be issued by 31st July 2021 whilst the publication deadline for audited accounts has moved from 31st July to 30th September 2021.

The requirement for the public inspection period to include the first 10 working days of June has also been removed. Instead the Council must commence this on or before the first working day of August 2021.

These draft Accounts were submitted to the External Auditors on 30th July 2021, which is, unfortunately, behind the deadline agreed with them. Consequently, and due to their other audit work commitments, they will not commence the external audit until later in the year

meaning the publication deadline of 30th September will not be achieved this year.

The Council will follow best practice principles and submit the draft accounts to the Audit Committee on 30th September 2021 to allow Members the opportunity to review them before they are asked to formally approve the audited Statements later in the year.

I wish to thank the Finance Team and all other officers involved in the production of these Statements.



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

Narrative Report

1. Introduction

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

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

This narrative report will provide the reader with:

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

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

2. South Somerset District Council

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

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

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

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

The Council employs 372.2 full time equivalent (FTE) employees (as at 31 March 2021). The actual number of employees is 402 of whom 313 are full time and 89 are part-time employees.

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

3. Strategic direction of the Council

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

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

Our Vision

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

Our Values



Customers' first - Designing plans and services around our customers



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



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



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



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



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

Our five Areas of Focus for 2020/21 were:

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

Table One: Our priority projects for 2020/21

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

4. The impact of Covid-19

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

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

Some of the way we responded to the pandemic include:

- **Enabled staff to work from home during Covid-19** - Setup and deployed 90 new laptops. Re-provisioned 30 existing laptops
Deployed over 50 headsets and monitors. Setup and deployed 10 mobile Wi-Fi hotspot devices for staff without broadband / internet at home.
- **SSDC staff redeployed** to work at the Wellbeing Hub, Street Scene, customer connect, grants, housing and more recently the testing and vaccine rollout.
- **Supported COVID-19 community resilience initiatives** via the Brokerage Cell including facilitating financial assistance to 9 Food Banks, project funding to support vulnerable young adults and covering costs of call outs to clinically and Extremely Vulnerable/ shielding.

- **More than 1,000 food parcels and essential supplies provided** to those who were shielded, facing financial hardship, or supporting children entitled to free school meals.
- **The Connect team established a new ongoing Covid support telephone line** that has, at times, required 7 days a week cover to support the needs for food, medicines, transport, finance, and general welfare amongst a multitude of other things.
- **Worked with partners to develop digital applications** for Test and Trace Isolation Payment, Local Restriction Support Grant, Additional Restrictions Grant & Restart Business Grants.
- **Distributed over £55m of grants** to support local businesses since the start of the pandemic with **4,000+** business support grant applications received by 26 March 2021.
- **Formed and lead a Multi-Agency Redundancy Task Force** with 28 support organisations and co-ordinated a programme of support from various support agencies including Yeovil College, Somerset Skills and Learning, Department for Work and Pensions, Citizens Advice South Somerset and Bridgwater and Taunton College.
- **Ensured the safe re-opening of high streets** in partnership with Town Councils, the County Council, Police, and other key stakeholders. Made **1,000+** visits to local businesses to help them stay Covid-safe in addition to the high visibility patrols carried out by Covid wardens.
- **30,000+ calls were made for Covid vaccinations** between SSDC colleagues, and other Somerset Councils. Actively involved in the Covid Vaccination centres both onsite and in making calls 7 days a week to book appointments.

- **Facilitated virtual council meetings during the Covid-19 pandemic**, resulting in better attendance to these meetings.
- **Produced a Recovery & Growth Plan** in partnership with other Somerset Councils.

Impact on Council Finances

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

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

5. 2020/21 achievements

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

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

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

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

The 10-year Economic Development Strategy has been embedded ensuring that we are well placed to attract new businesses, help start-ups, and encourage diversity and innovation. All our teams have worked hard to help businesses and individuals across the district in terms of employment support and the payment of business grants during the pandemic.

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

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

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

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

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

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

[Annual Achievements Report 2020-21](#)

6. 2020/21 Financial Performance

Background Context

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

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

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

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

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

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

Revenue Budget

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

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

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

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

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

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

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

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

It should be noted that it has been particularly challenging this year for officers to forecast the year-end outturn. There were many

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

Net Revenue Outturn: total net expenditure for 2020/21 was **£15.554m** resulting in a balanced outturn position against the approved net budget.

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

Table 2: Government Grants received in 2020/21

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

We used £4.695m of the grants received to fund budget pressures arising from the pandemic (of £4.330m) and to fund budget carry forwards into the new financial year (of £0.365m). The carry forward amounts are largely to fund the completion of work that was disrupted or paused as priorities changed during the year in response to the pandemic. The total amount carried forward was capped to ensure a balanced budget position was achieved at year-

end.

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

Table 3: Revenue Budget Net Outturn for 2020/21

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

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

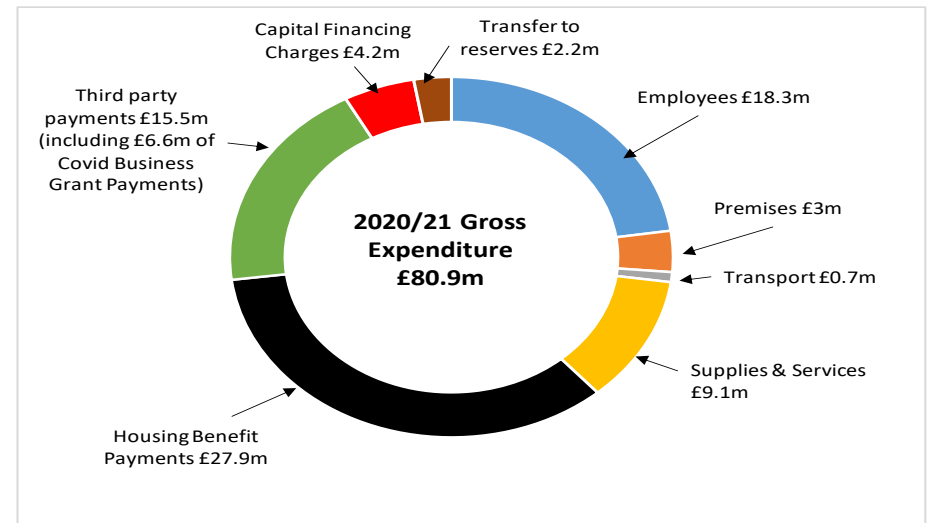
- Lost income from the Octagon Theatre and Westlands Entertainment Venue as the venues had to be closed for the majority of the year.
- Reduced income from fees, charges and rental income in general but from car parking and Building Control in particular.
- Increase in the Bad Debts provision for Council Tax due to a decision to suspend recovery for most of the year.
- Providing financial support to the Council's Leisure Centres' operator during the Covid 19 lockdowns.

- Additional costs incurred by Somerset Waste Partnership in respect of kerbside collections and recycling sites.
- Additional payments made under the Discretionary Housing Payments Scheme and Council Tax Support Scheme (CTS).
- Underachievement of the 2020/21 additional income/savings target agreed in the budget.

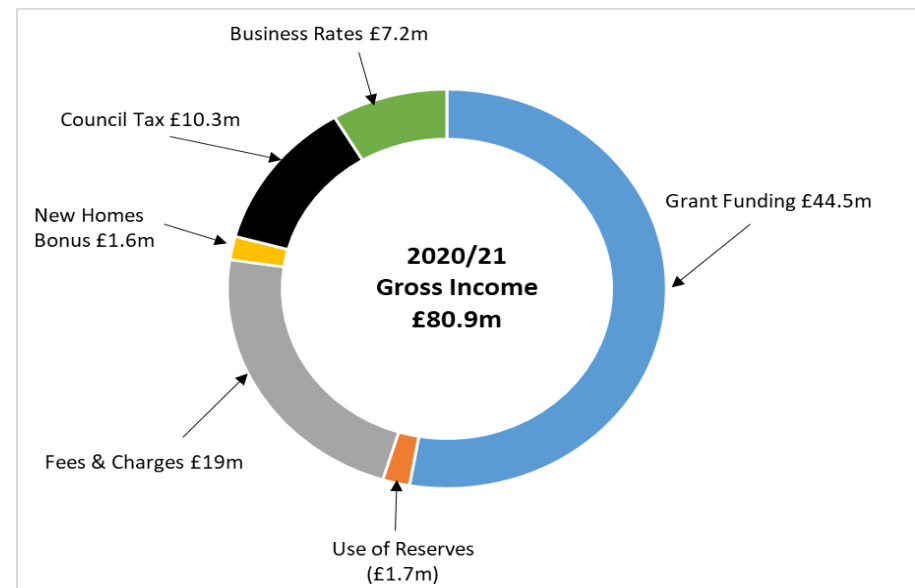
The Covid-19 pandemic has also significantly impacted Business Rates income collection. The 2020/21 outturn is a deficit position of £10.2m largely arising from central government's decision to grant reliefs to retail, leisure, and hospitality businesses during the year. The Council has received £11.8m of Section 31 grant to compensate for the loss of income arising from this decision. Owing to the complex accounting arrangement for Business Rates this income has to be accounted for in 2021/22 and therefore this amount has been transferred to an earmarked reserve.

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

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



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



Capital Budget

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

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

[2020-21 Capital Budget](#)

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

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

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

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

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

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

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

Pie chart 3: Capital expenditure by Directorate

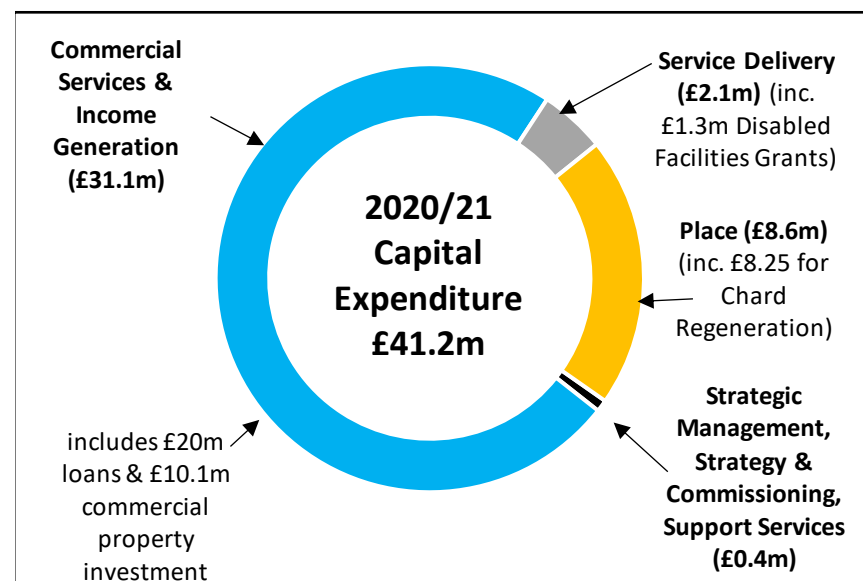


Table 4: showing details of capital expenditure (over £50k)

£20m Commercial Loans including £18.69m to SSDC Opium Power for the Battery Storage Scheme at Fareham – to be repaid in line with loan agreements.

£10.20m in acquiring 4 commercial Investment Properties (Trafalgar House in Taunton, 27-29 Sherwood Road in Bromsgrove, NHS Cook & Chill in Redruth, and Fitness First in Poole) – generating new income to fund services to our communities.

£8.64m on Town Centre Regeneration – the majority of this expenditure was for the Chard Regeneration Project - improving the town centre to stimulate economic growth.

£1.32m Disabled Facilities & Home Repair Grants – enabling aids and adapting private properties to support living at home.

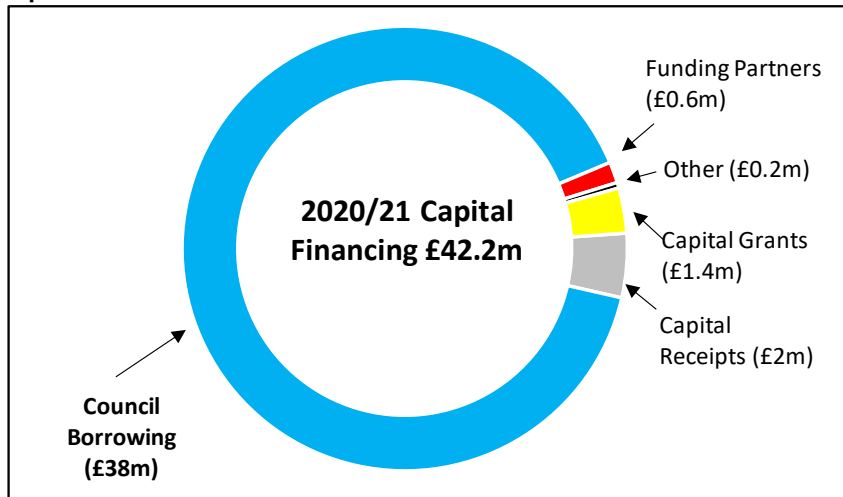
£365k Affordable Housing Scheme contributions – enabling delivery of affordable housing in the District.

£328k Sports, Leisure and Play facilities – improving facilities

to aid healthy living and enjoyment in the community.
£297k Yeovil Crematorium – updating and improving the Crematorium to deliver an improved service to the community.
£223k John O’Donnell Pavilion – upgrading and improving to provide better leisure and recreation services.
£165k ICT Services – enhancing facilities to enable home working during Covid and ensuring the ongoing security and efficiency of digital systems.
£108k Yeovil Innovation Centre – improving facilities for local businesses.
£95k Area Capital Grants – allocation of grants to small local parishes, initiatives and businesses.
£54k Streetscene Vehicles – keeping the district’s streets and green spaces clean.

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

Pie chart 4: Funding of 2020/21 capital expenditure



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

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

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

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

Reserves Position

Revenue earmarked reserves total £38.465m as at end of March 2021 (they were £21.877m as at the end of March 2020).

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

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

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

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

Capital reserves are £18.222m as at the end of the year (corresponding position last year was £14.433m).

7. Medium Term Financial Plan and Outlook

The Medium Term Financial Plan (MTFP) is currently being refreshed for District Executive to consider at its meeting on 2nd September 2021. This section of the Narrative Report will therefore be updated in the audited Statement of Accounts and will be published on our website later this year.

The current MTFP, agreed by Full Council in February 2021, forecasts an overall "budget gap" of £1.2m over the four financial years 2022/23 to 2025/26. Further details on the current MTFP can be found here.

[2021/22 Medium Term Financial Plan](#)

The S151 Officer advises that the key considerations and uncertainties that will need to be factored into the refreshed MTFP position are as follows.

Reorganisation of local government in Somerset: on 21st July 2021 the Secretary of State, Robert Jenrick, announced proposals to

reorganise Somerset's councils into a single unitary authority commencing in April 2023. The proposal requires parliamentary approval.

On-going impact of Covid-19 on the Council's finances: At this point in time we do not know whether previously seen levels of car parking and other income will return to pre-pandemic levels. In addition, whilst the Government responded with substantial financial support to cost and income pressures in 2020/21, doubt remains about the Government's commitment to covering any future costs.

Economic uncertainty: The next few years will continue to be extremely challenging, with a post Brexit future adding to the enormous economic uncertainties created by the Covid-19 Pandemic. The uncertainties could impact on interest and inflation rates, property and rental values, as well as the national and local business economy. Adverse impacts would affect various aspects of the Council's budget including income collected from fees, charges, Council Tax and Business Rates. Pressures on expenditure budgets could also be experienced: for example the Council has already seen current inflationary pressures within the construction industry adversely impacting our regeneration projects.

Government Spending Review: The government is due to announce the results of a three year spending review later this year. This will determine how much money local government in aggregate will receive from central government (but not the amounts to individual local authorities).

Uncertainty over local government finance reforms:

Government's plans to reform local government finance has been delayed twice and it looks likely to be postponed again for a further year into 2023/24. The reforms comprise:

- Fair Funding review – a reassessment of local government's expenditure needs.
- Business Rates retention: Councils to keep 75% instead of 50% of Business Rates raised in their area.
- Business Rates base "reset", which would result in more money being redistributed to councils who are unable to grow Business Rates in their area.
- Replacement of New Homes Bonus with an alternative, and as yet unknown, scheme.

One-year Financial Settlements: The Government's short-term approach to funding local government impacts on our ability to robustly model future years. The last two spending reviews have been one-year settlements, and while we appreciate the reasons for this, it means local government has not had a multi-year settlement since 2015. Councils cannot manage their spending and borrowing without the medium-term funding certainty that multi-year funding settlements bring. However it is likely that the 2021/22 Financial Settlement will be another one-year "roll over".

Increasing capital borrowing requirement: The Council's underlying need to borrow (its indebtedness) has, and is, increasing through the need to finance its commercial property acquisitions and regeneration programme. Currently the capital borrowing requirement is being supported through short term loans from other Local Authorities and by the Council temporarily using its cash balances. As capital expenditure increases the Council will need to raise increased funds through external loans, and this will have a consequential cost on the revenue budget which is not yet fully reflected in the current MTFP. The increasing capital borrowing requirement, and current funding strategy, exposes the Council to

any increase in interest rates.

Borrowing Options: In November 2020 Government changed the Public Works Loan Board (PWLB) lending terms effectively making it difficult for councils who undertake commercial investment (investment purely for yield) to access PWLB loans (the predominant source of loan finance for local government). Arling Close, the Council's Treasury Management advisers, are concluding their review of the Council's alternative borrowing options and this advice will be included in the MTFP refresh report going to District Executive in September. It should be noted however that the current MTFP assumes financing costs based on PWLB interest rates and alternative sources of loan finance could prove more costly.

8. 2020/21 Statement of Accounts

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

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

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

The Statement also includes the financial performance and position of the Council's subsidiaries Elleston Services Ltd and SSDC Opium Power Limited.

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

Expenditure and Funding Analysis

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

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

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

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

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

Comprehensive Income and Expenditure Statement (CIES)

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

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

Movement in Reserves Statement (MIRS)

The MIRS shows the movement from the start of the year to the end on the different reserves held by the council. It shows how the

movements are broken down between gains and losses incurred in accordance with the Code and the statutory adjustments required to return to the amounts chargeable to the budget as required under local government legislation.

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

Reserves are analysed into two categories: usable and unusable.

Usable reserves

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

Unusable reserves

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

Cash Flow Statement

Cash Flow Statement

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

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

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

Collection Fund

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

Group Financial Statements

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

The Council is presenting Group Accounts by consolidating the financial performance and position of Elleston Services Ltd and SSDC Opium Power Limited into the overall group. South Somerset District Council wholly owns (100%) Elleston

Services Ltd which was established in April 2019 to deliver Landscape Services. The company did not trade in 2020/21 and is currently revising its Business Plan to take account of changed circumstances arising from the Covid-19 pandemic.

The Council has 50% ownership in SSDC Opium Power Limited. The company is a subsidiary as, despite the ownership ratio, the Council has the right to exercise control with a deciding vote on the Board. The company was established in 2018 to deliver green energy schemes (battery energy storage). The company made a trading loss of £654k during 2020/21 as full capacity has only been reached in 2021/22.

The accounts for both of these companies can be reviewed at Companies House. The external auditors for both entities are Old Mill Accountants and Financial Planners.

Additional disclosures

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

Accounting Policies

These set out the accountancy rules the Council has followed in

preparing the financial statements. They are largely specified by International Financial Reporting Standards and CIPFA's Code of Practice.

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

Critical Judgements

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

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

Property, plant & equipment

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

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

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

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

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Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The council is required to: -

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

S151 Officer Responsibilities

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

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

- Page 3 of 3
- Selected suitable accounting policies and then applied them consistently;
 - Made judgements and estimates that were reasonable and prudent;
 - Complied with the CIPFA Code of Practice.

The S151 officer has also:

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

Certification of the Accounts

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

Signed

K Watling CPFA
S151 Officer

30 July 2021

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the authority's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/201 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

2. Accruals of Income and Expenditure

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

- Page 34
- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract. With effect from 1st April 2018, IFRS15 *Revenue from Contracts with Customers* has been adopted, which resulted in no material impact to the council's recognition of revenues.
 - Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
 - Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
 - Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
 - Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Cash and Cash Equivalents

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

Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to

known amounts of cash with insignificant risk of changes in value. The council will include deposits in Money Market Funds and Business Reserves in Cash Equivalents.

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

4. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

5. Charges to Revenue for Non-Current Assets

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

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

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

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

6. Council Tax and Non Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the

collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and National Non-Domestic Rates

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

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

7. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post-Employment Benefits

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

The Local Government Pension Scheme (LGPS)

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

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

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

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

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with

debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

8. Events after the Reporting Period

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

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

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

Financial Instruments

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

Financial Liabilities

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

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

Financial Assets

A financial asset is a right to future economic benefits controlled by the council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the council. The financial assets held by the council during the year are accounted for under the following classifications:

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

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

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

Expected Credit Loss Model

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

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

Fair Value Measurement

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2021.

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

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

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

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

10. Government Grants and Contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are

satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income and Expenditure (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

Community Infrastructure Levy

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

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charges for this authority may be used to fund revenue expenditure.

11. Heritage Assets

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

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

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

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

12. Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate

resources being available) and the authority will be able to generate future economic benefits or deliver service potential by being able to use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the authority can be determined by reference to an active market. In practice, no intangible asset held by the authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might have fallen in value – 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 and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

13. Interests in Companies and Other Entities

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

14. Inventories and Long Term Contracts

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

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

15. Investment Properties

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance.

However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

16. Joint Operations

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

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

17. Leases

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

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

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

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

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Authority as Lessor

Finance Lease

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

Lease rentals are apportioned between:

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

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

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for

capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

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

18. Overheads and Support Services

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

19. Property, Plant and Equipment

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

Recognition

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

- The expenditure incurred is below £10,000, except Capital Grants where the limit is £250. In such cases expenditure is charged direct to the revenue accounts.
- The asset is acquired through an operating lease when rental payments are charged to the revenue account.

Measurement

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

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

Depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the assets in the balance

sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

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

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

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

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

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

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

Disposals and Non-Current Assets Held for Sale

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

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

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

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

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

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

Component Accounting

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

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

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

- Land and individual buildings will be valued separately.
- Assets are deemed to be material and considered for componentisation when the cost or value in the Balance Sheet is at least £500,000 (approximately 1% of the authority's non-current assets).
- Each asset will be reviewed individually by the valuer to determine whether any part of a material asset has a differing useful life or method of depreciation. The assets will be reviewed by the following:
 - Sub Structure
 - Superstructure (frame, upper floors, roof, stairs, external walls, windows, external doors, internal walls, partitions, internal doors)
 - Internal finishes (walls, floors and ceilings)
 - Fixtures (sanitary, water, disposal equipment)
 - Engineering services (heating, air treatment, gas installations, lifts, protective, communications)
 - External works

- Where component spend is worth 20% of the total cost value of the asset it is deemed to be significant. Where information is not readily available to determine the value of components, a best estimate will be accounted for and detail of how the estimate was arrived at, in liaison with relevant professional advice, will be documented.

20. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

21. Related Party Transactions

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

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

22. Reserves

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

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

23. Revenue Expenditure Funded from Capital Under Statute

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

24. VAT

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

Comprehensive Income and Expenditure Statement (Brackets represent income)

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

Restated Gross Expenditure year ended 31-Mar-20	Restated Gross Income year ended 31-Mar-20	Restated Net Cost of Services year ended 31-Mar-20	Service	Note Number	Gross Expenditure year ended 31-Mar-21	Gross Income year ended 31-Mar-21	Net Cost of Services year ended 31-Mar-21
1,273	(81)	1,192	Chief Executive		2,197	(281)	1,916
20,621	(10,254)	10,367	Director of Commercial Services and Income Generation		19,145	(7,722)	11,423
41,132	(33,748)	7,384	Director of Service Delivery		51,399	(35,095)	16,304
5,676	(1,264)	4,412	Director of Strategy and Commissioning		4,762	(557)	4,205
6,657	(784)	5,873	Director of Support Services		14,022	(10,012)	4,010
75,359	(46,131)	29,228	Cost of Services		91,525	(53,667)	37,858
5,474	(851)	4,623	Other Operating expenditure	10	5,881	(700)	5,181
	(11)	(11)	Net Loss/(Gain) on Disposal of Property, Plant and Equipment	12	0	14	14
5,356	(2,880)	2,476	Financing and Investment Income and Expenditure	13	2,382	(3,959)	(1,577)
	(28,019)	(28,019)	Taxation and Non-Specific Grant Income	14	0	(31,378)	(31,378)
86,189	(77,892)	8,297	(Surplus)/Deficit on Provision of Services		99,788	(89,690)	10,098
		3,670	(Surplus)/Deficit on revaluation of Property, Plant and Equipment	33			(4,932)
		3,208	(Surplus)/Deficit on revaluation of Pooled Funds	33			(2,117)
		995	Re-measurement of the Net Defined Benefit Liability	47			17,034
		(30)	Share of Other Income and Expenditure of Joint Operations	21			(12)
		7,843	Other Comprehensive Income and Expenditure				9,973
		16,140	Total Comprehensive Income and Expenditure				20,071

Movement in Reserves Statement

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

	General Fund Balance	Earmarked Reserves	Total General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Joint Operations Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2019	(4,594)	(17,506)	(22,100)	(22,798)	(1,694)	(608)	(47,200)	19,185	(28,015)
Movement in reserves during 2019/20:									
Total Comprehensive Income and Expenditure	8,297	0	8,297	0	0	(30)	8,267	7,873	16,140
Adjustments between accounting basis and funding basis under regulations (note 9)	(13,174)	0	(13,174)	4,365	(807)	0	(9,616)	9,616	0
Net Increase/Decrease before transfers to Earmarked Reserves	(4,877)	0	(4,877)	4,365	(807)	(30)	(1,349)	17,489	16,140
Transfers (to)/from Earmarked Reserves (note 32)	(4,371)	4,371	0	0	0	0	0	0	0
(Increase)/Decrease in 2019/20	(506)	(4,371)	(4,877)	4,365	(807)	(30)	(1,349)	17,489	16,140
Balance at 31 March 2020	(5,100)	(21,877)	(26,977)	(18,433)	(2,501)	(638)	(48,549)	36,674	(11,875)
Movement in reserves during 2020/21:									
Total Comprehensive Income and Expenditure	10,098	0	10,098	0	0	(12)	10,086	9,985	20,071
Adjustments between accounting basis and funding basis under regulations (note 9)	(25,901)	0	(25,901)	211	(5,284)	0	(30,974)	30,974	0
Net Increase/Decrease before transfers to Earmarked Reserves	(15,803)	0	(15,803)	211	(5,284)	(12)	(20,888)	40,959	20,071
Transfers to/from Earmarked Reserves (note 32)	16,587	(16,587)	0	0	0	0	0	0	0
(Increase)/Decrease in 2020/21	784	(16,587)	(15,803)	211	(5,284)	(12)	(20,888)	40,959	20,071
Balance at 31 March 2021	(4,316)	(38,464)	(42,780)	(18,222)	(7,785)	(650)	(69,437)	77,633	8,196

Balance Sheet (Brackets represent liabilities)

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

As at 31 March 2020		Note No.	As at 31 March 2021	
			£'000	£'000
47,011	Property, Plant & Equipment	15	47,423	
71,973	Investment Properties	17	79,809	
1,083	Intangible Assets	20	701	
638	Investment in Joint Ventures	21	650	
0	Assets Held for Sale	18	490	
1,792	Heritage Assets	22	1,792	
2,106	Long Term Investments	35	0	
17,417	Long Term Debtors	24	33,827	
142,020	TOTAL LONG TERM ASSETS			164,692
28,471	Short Term Investments	34	24,899	
4,592	Inventories	24	4,923	
10,909	Short Term Debtors	25	32,846	
2,009	Cash & Cash Equivalents	26	490	
293	Bank Accounts	26	(5,905)	
46,274	CURRENT ASSETS			57,253
(79,500)	Short term Borrowing	27	(98,000)	
0	Bank Overdraft	26	0	
(1,048)	Third Party Cash	26	(855)	
(10,923)	Short term Creditors	28	(23,919)	
(91,471)	CURRENT LIABILITIES			(122,774)
(880)	Provisions	30	(1,468)	
(4,091)	Developers Contributions Deferred	31	(4,829)	
(23)	Long Term Liabilities – Creditors	29/34	(33)	
(20)	Long Term Liabilities – Finance Lease	45/34	(5)	
(79,934)	Liability related to defined benefit pension scheme	47	(101,031)	
(84,948)	LONG TERM LIABILITIES			(107,367)
11,875	NET ASSETS			(8,196)
47,911	Usable Reserves	32	68,787	
638	Usable Reserve – Share in Joint Operations	32/21	650	
(36,674)	Unusable Reserves	33	(77,633)	
11,875	TOTAL RESERVES			(8,196)

Cash Flow Statement (Brackets on this page represent income)

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

	Year Ended 31 March 2020 £'000		Year Ended 31 March 2021 £'000
	(8,297)	Net surplus/(deficit) on the provision of services	(10,098)
	12,459	Adjustments to net surplus or deficit on the provision of services for non-cash movements (note 35)	3,815
	(1,106)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (note 35)	(1,817)
	3,056	Net cash flows from operating activities	(8,100)
	(61,562)	Investing Activities (note 36)	(17,909)
	59,969	Financing Activities (note 37)	18,485
	1,463	Net increase or decrease in cash and cash equivalents	(7,524)
	(209)		1,254
	1,254	Cash and Cash Equivalents (including bank overdraft) at 31 March (note 26)	(6,270)

Notes to the Core Financial Statements

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

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

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

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

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

2. Critical Judgements in applying accounting policies

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

Provision for appeals on business rates

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

- SSDC Opium Power Limited is a joint venture or subsidiary

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

- The effect of COVID-19 pandemic and future funding of local government
Expected reviews of the future level of funding for local government have caused a high degree of uncertainty. The impact of this on the finances of the council will be material with an expectation that various income streams will be reduced, altered and in some cases cease. This has been compounded by the Covid-19 pandemic, which resulted in national lockdowns and restrictions being imposed. Councils have received some of the necessary funding and have been reimbursed for the majority of the lost income that is normally collected through Fees and Charges. The various funding received, including successful applications to the grant funds created by central government, have been sufficient to protect the assets of the council from impairment and reduced the need to draw on the available short-term reserves.

- Bad debt provision

Based on historic trends and adjusted for any material movements during the year. An estimation of the impact that the Covid-19 lockdown will have on rates of debt recovery has been carried out.

- Technical estimates supplied by a third party and in-house experts:

Pensions Valuations - The council has also placed reliance on a report received from Barnett Waddingham (actuary engaged by Somerset County Council).

Property Valuations - The council's in-house qualified experts have provided fair values for Property for 2020/21.

The detailed reports outline the overall valuations and the key assumptions made in arriving at the final figures for pension and property valuations included in the 2020/21 accounts. The councils' external auditors will examine the reports as part of the audit of the council's accounts.

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls, conversely if useful lives were increased the carrying amount of assets would increase.
Pension Valuation	The Local Government Pension Scheme, that the council is a member of, holds assets in the form of a Property portfolio. The assets provide returns on the investment to offset the liabilities in the form of pension contributions to members. The council has 7% of its pension assets invested in Real Estate which accounts for £8.389m of the total assets held.	As with the valuation of the council's directly owned assets, there is a similar level of uncertainty of the Pension Scheme property asset value as at the balance sheet date.

Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The council has engaged Barnett Waddingham as its consulting actuary to provide the authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. A sensitivity analysis is included in the Defined Benefit Pension Schemes (note 47).
Investment Properties	<p>Investment properties are measured (valued) initially at cost and subsequently at fair value, being the price that would be received to sell an asset in the market.</p> <p>Properties are not depreciated but are revalued annually according to market conditions at year end. This takes the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date.</p>	<p>A variation in the annual estimated valuations could result in a movement being recorded inappropriately in the Comprehensive Income and Expenditure Statement.</p> <p>If the value of the council's investment properties were to reduce by 10%, this would result in a charge to the Comprehensive Income and Expenditure Statement of approximately £7.980m</p> <p>If the value of the council's investment properties were to increase by 10%, this would result in a gain to the Comprehensive Income and Expenditure Statement of approximately £7.980m.</p>
Debtors	At 31 March 2021, the Authority had a balance for sundry debtors of £3.018m. A review of significant balances suggested that an impairment allowance of £1.005m was appropriate. However, in the current economic climate it is not certain that this will be sufficient.	An understanding of doubtful debts would lead to a future adjustment and impairment to be reflected. The impairment allowances held are based on policies adapted to the nature of the debt and service area, historic experience and success rates experienced in collection. If collection rates were to deteriorate by 5% or 10% then the council would need to review its policies on the calculation of its impairment allowance for doubtful debts.

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4. Material items of income and expenditure

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

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

5. Events after the reporting period

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

6. Expenditure & Funding Analysis

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

2019/20				2020/21			
Page 58	Restated Net Expenditure Chargeable to the General Fund	Restated Adjustments between the Funding and Accounting Basis	Restated Net Expenditure in the Comprehensive Income & Expenditure Statement	Service	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement
	£'000	£'000	£'000		£'000	£'000	£'000
	560	632	1,192	Chief Executive	803	1,113	1,916
	6,434	3,933	10,367	Director of Commercial Services and Income Generation	6,215	5,208	11,423
	2,662	4,722	7,384	Director of Service Delivery	4,144	12,159	16,303
	2,427	1,985	4,412	Director of Strategy and Commissioning	0	4,205	4,205
	4,274	1,599	5,873	Director of Support Services	81,003	(76,992)	4,010
	16,357	12,871	29,228	Net Cost of Services	92,165	(54,307)	37,857
	(21,234)	303	(20,931)	Other Income and Expenditure	(107,967)	80,208	(27,759)
	(4,877)	13,174	8,297	Surplus or Deficit	(15,803)	25,901	10,098
	22,100			Opening General Fund Balance	26,977		
	0			Less deficit on General Fund	0		
	4,877			Add Surplus on General Fund	15,803		
	26,977			Closing General Fund Balance at 31 March	42,780		

Notes to the expenditure and funding analysis

Adjustments between Funding and Accounting Basis 2020/21					
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts		Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
		(Note 1)	(Note 2)	(Note 3)	
		£'000	£'000	£'000	£'000
Chief Executive		600	2	403	1,006
Director of Commercial Services and Income Generation		3,130	1,958	1,481	6,570
Director of Service Delivery		6,265	22	47	6,334
Director of Strategy and Commissioning		696	109	177	982
Director of Support Services		(10,479)	60	3,568	(6,850)
Net Cost of Services		212	2,152	5,676	8,041
Other income and expenditure from the Expenditure and Funding Analysis		9,404	1,911	6,545	17,860
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services		9,616	4,063	12,221	25,901

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

Note 1: Adjustments for Capital Purposes

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

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

Note 2: Net change for the Pensions Adjustments

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

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

Note 3: Other Differences

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

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

Segmental Income

2019/20			2020/21	
Revenues from external customers	Grants & Contributions		Revenues from external customers	Grants & Contributions
£'000	£'000		£'000	£'000
6	75	Chief Executive	281	0
14,336	340	Director of Commercial Services and Income Generation	11,487	2,064
3,374	32,503	Director of Service Delivery	3,035	34,961
1,073	193	Director of Strategy and Commissioning	172	385
2,689	893	Director of Support Services	3,731	14,381
21,478	34,004	Total income analysed on a segmental basis	18,706	51,791

7. Expenditure and Income analysed by nature

	2019/20		2020/21
	£'000	Expenditure/Income	£'000
Page 61	17,780	Expenditure	
	61,973	Employee benefits expenses	20,580
	5,316	Other services expenses	73,326
	367	Depreciation, amortisation, impairment	5,257
	5,472	Interest Payments	966
	2	Precepts and levies	5,879
	0	Payments to housing capital receipts pool	2
	0	Loss on the disposal of assets	0
	90,910	Total Expenditure	106,010
		Income	
(18,522)	Fees, charges and other service income	(17,929)	
(11)	(Gain) on the disposal of assets	14	
(2,880)	Interest and investment income	(3,959)	
(23,873)	Income from council tax and NDR	(22,296)	
(37,327)	Government grants and contributions	(51,742)	
(82,613)	Total Income	(95,912)	
8,297	Surplus or Deficit on the Provision of Services	10,098	

8. Contracts with Service Recipients

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

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

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

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

9. Adjustments between accounting basis and funding basis under regulations

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

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Table on following page

2020/21	Movement in Usable Reserves			
	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments involving the Capital Adjustment Account:				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</i>				
Charges for depreciation, amortisation and impairment of non-current assets	(2,792)	0	0	(2,792)
Revaluation losses on Property, Plant and Equipment	(2,465)	0	0	(2,465)
Capital grants and contributions applied	1,836	0	192	2,028
Capital grants and contributions unapplied	5,477	0	(5,477)	0
Revenue expenditure funded from capital under statute	(10,795)	0	0	(10,795)
Movement in market value of Investment Property	(2,510)	0	0	(2,510)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(155)	0	0	(155)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>				
Statutory provision for the financing of capital investment	828	0	0	828
Capital expenditure charged against the capital fund	120	0	0	120
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure	841	(841)	0	0
Use of Capital Receipts Reserve to finance capital expenditure		2,026	0	2,026
Transfer from the Deferred Capital Receipts reserve to the Capital Receipts Reserve upon receipt of cash	0	(976)	0	(976)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(2)	2	0	0
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 47)	(7,799)	0	0	(7,799)
Employer's pensions contributions and direct payments to pensioners payable in the year	3,736	0	0	3,736
Adjustments involving the Collection Fund Adjustments Account:				
Amount by which council tax income and non-domestic rates credited to the Comprehensive Income and Expenditure Statement is different from council tax income and non-domestic rates calculated for the year in accordance with statutory requirements	(12,186)	0	0	(12,186)
Adjustment involving the Accumulating Compensated Absences Adjustment Accounts:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(36)	0	0	(36)
TOTAL ADJUSTMENTS	(25,901)	211	(5,284)	(30,974)

2019/20 Comparative figures	Movement in Usable Reserves			
	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments involving the Capital Adjustment Account:				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</i>				
Charges for depreciation, amortisation and impairment of non-current assets	(2,682)	0	0	(2,682)
Revaluation losses on Property, Plant and Equipment	(2,633)	0	0	(2,633)
Capital grants and contributions applied	1,149	0	181	1,330
Capital grants and contributions unapplied	988	0	(988)	0
Revenue expenditure funded from capital under statute	(4,553)	0	0	(4,553)
Movement in market value of Investment Property	(5,424)	0	0	(5,424)
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	(7)	0	0	(7)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>				
Statutory provision for the financing of capital investment	520	0	0	520
Capital expenditure charged against the capital fund	551	0	0	551
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure	870	(870)	0	0
Use of Capital Receipts Reserve to finance capital expenditure	0	5,468	0	5,468
Transfer from the Deferred Capital Receipts reserve to the Capital Receipts Reserve upon receipt of cash	0	(236)	0	(236)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(2)	2	0	0
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 47)	(6,228)	0	0	(6,228)
Employer's pensions contributions and direct payments to pensioners payable in the year	3,885	0	0	3,885
Adjustments involving the Collection Fund Adjustments Account:				
Amount by which council tax income and non-domestic rates credited to the Comprehensive Income and Expenditure Statement is different from council tax income and non-domestic rates calculated for the year in accordance with statutory requirements	515	0	0	515
Adjustment involving the Accumulating Compensated Absences Adjustment Accounts:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(122)	0	0	(122)
TOTAL ADJUSTMENTS	(13,174)	4,364	(807)	(9,616)

10. Other operating income and expenditure

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

11. Easements and other capital receipts

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

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

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

13. Financing and investment income and expenditure

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

14. Taxation and non-specific grant income

Previous year 2019/20 £'000		Current year 2020/21 £'000
(15,498)	Council tax income	(16,217)
(8,375)	Non domestic rates	(6,079)
(4,146)	Non ring-fenced government grants	(9,082)
(28,019)	Total Taxation and Non Specific Grant Income	(31,378)

15. Property, plant and equipment

Movement in 2020/21:

	Total Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Total Property Plant & Equipment
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation					
As at 1 April 2020	44,945	5,212	1,097	726	51,980
Additions	601	167	0	86	854
Disposals	(170)	(0)	0	0	(170)
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	4,809	(0)	0	0	4,809
Revaluation Increases/(decreases) recognised in the surplus/deficit on the provision of Services	(4,095)	(802)	0	0	(4,897)
Impairment (losses)/reversals recognised in the surplus/deficit on the provision of services	102	17	0	0	119
Reclassification - Other	(685)	0	0	0	(685)
As at 31 March 2021	45,507	4,593	1,097	812	52,009
Accumulated Depreciation					
As at 1 April 2020	(2,793)	(2,023)	(152)	0	(4,968)
Depreciation charge	(1,338)	(877)	(16)	0	(2,232)
Depreciation written out to the surplus/deficit on the Provision of Services	2,094	500	0	0	2,593
Derecognition – Disposals	15	0	0	0	15
Derecognition – Reclassification	5	0	0	0	5
As at 31 March 2021	(2,017)	(2,400)	(168)	0	(4,586)
Net Book Value					
At 31 March 2021	43,490	2,193	929	812	47,424
At 31 March 2020	42,152	3,189	945	726	47,012

Comparative movements in 2019/20:

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

16. Property, Plant and Equipment valuation

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

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

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

The following table shows the progress of the rolling programme:

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

17. Investment Property

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

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

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

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

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

Previous year 2018/19 £'000	Significant Unobservable Inputs (Level 2)	Current year 2019/20 £'000
71,793	Commercial Building	79,809
71,793	Investment Property	79,809

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

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

18. Assets Held for Sale

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

19. Capital commitments

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

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

20. Intangible assets

The council accounts for its software as intangible 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. The intangible assets include software. 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. Software assets are assigned useful lives of between 3 and 5 years.

The movement on Intangible Asset balances during the year is as follows:

	31-Mar-20 £'000	31-Mar-21 £'000
Balance at start of year:		
• Gross carrying amounts	1,909	2,225
• Accumulated amortisation	(636)	(1,142)
Net carrying amount at start of year	1,273	1,083
Additions	316	178
Disposals	0	0
Amortisation for the period	(506)	(560)
Amortisation on disposal	0	0
Net Carrying amount at end of year	1,083	701
Comprising:		
• Gross carrying amounts	2,225	2,403
• Accumulated amortisation	(1,142)	(1,702)
Total Intangible Assets	1,083	701

21. Joint Venture

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

SSDC Opium Power Ltd is now treated as a subsidiary as detailed in the note 1b prior period adjustments.

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

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

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

22. Heritage Assets

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

23. Long term debtors

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

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

Further information relating to long-term debtors is contained within Note 34 on Financial Instruments.

24. Inventories

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

25. Short term debtors

31 March 2020 £'000		31 March 2021 £'000
497	Central Government Bodies	14,290
363	Other Local Authorities	1,414
2	NHS Bodies	35
10,047	Other Entities and Individuals	17,107
10,909	Total Short Term Debtors	32,846

26. Cash and cash equivalents

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

31 March 2020 £'000		31 March 2021 £'000
11	Cash held by the Authority	10
1,998	Short-term deposits with Business Reserve accounts and Money Market Funds	480
2,009	Total Cash and Cash Equivalents	490
0	Bank overdrafts	0
293	Bank Accounts	(5,905)
(1,048)	Cash held on behalf of others	(855)
1,254	Net Cash and Cash Equivalents as per Cashflow statement	(6,270)

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

27. Short-term Borrowings

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

28. Short-term creditors

31 March 2020		31 March 2021
£'000		£'000
(3,296)	Central Government Bodies	(15,515)
(1,856)	Other Local Authorities	(1,771)
(1)	NHS Bodies	0
(5,770)	Other Entities and Individuals	(6,633)
(10,923)	Total Short Term Creditors	(23,919)

29. Long term liabilities – creditors

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

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

30. Provisions

31 March 2020		31 March 2021
£'000		£'000
(792)	Business Rates Provisions for Appeals	(1,380)
(88)	MMI Provision	(88)
(880)	Total Provisions	(1,468)

The Business Rates Provision is reviewed each year to ensure it is adequate. It is used to offset any loss on business rates appeals and is replenished to ensure it mitigates our risk appropriately. During the year we have increased the provision by £588k.

31. Developers contribution deferred

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

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

32. Usable Reserves

31 March 2020		31 March 2021
£'000		£'000
(5,100)	General Fund Balance	(4,316)
(21,877)	Earmarked Reserves	(38,464)
(18,433)	Capital Receipts Reserve	(18,222)
(2,501)	Capital Grants Unapplied	(7,785)
(638)	Authority's share of Joint Operation	(650)
(48,549)	Total Usable Reserves	(69,437)

Capital Receipts Reserve

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

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

Capital Grants Unapplied

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

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

Transfers to/from earmarked reserves

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

	Balance as at 31 March 2019 £'000	Transfers in 2019/20 £'000	Transfers out 2019/20 £'000	Balance as at 31 March 2020 £'000	Transfers in 2020/21 £'000	Transfers out 2010/21 £'000	Balance as at 31 March 2021 £'000
Capital Fund	(1,277)	(199)	550	(926)	(359)	120	(1,164)
Cremator Replacement Reserve	(549)	0	0	(549)	0	0	(549)
Internal Borrowing Repayments	(118)	(91)	0	(209)	(112)	0	(321)
Elections Reserve	(230)	(40)	96	(174)	(40)	0	(214)
Sports Facilities Reserve	(31)	(10)	0	(41)	(10)	0	(51)
Yeovil Athletics Track Repairs	(167)	(19)	7	(179)	(19)	0	(198)
Planning Delivery Reserve	(16)	0	0	(16)	0	0	(16)
Bristol to Weymouth Rail Reserve	(28)	(48)	0	(76)	0	4	(72)
Yeovil Refresh Reserve	(112)	0	0	(112)	0	0	(112)
Replacement Reserve	(10)	0	0	(10)	0	0	(10)
Insurance Fund	(50)	0	0	(50)	0	0	(50)
Transformation Fund	(229)	(179)	269	(139)	0	48	(91)
Treasury Management Reserve	(150)	(450)	0	(600)	(150)	0	(750)
Revenue Grant Reserve	(504)	(35)	83	(456)	(76)	6	(525)
MTFP Support Fund	(5,019)	(1,000)	2,743	(3,276)	(1,603)	0	(4,879)
CTAX/Housing Benefits Reserve	(822)	(172)	290	(704)	(895)	308	(1,291)
Closed Churchyards Reserve	(11)	(12)	8	(15)	(4)	0	(19)
Health Inequalities	(32)	0	0	(32)	0	0	(32)
Deposit Guarantee Claims Reserve	(4)	0	1	(3)	(9)	0	(12)
Park Homes Replacement Reserve	(226)	(30)	0	(256)	(30)	0	(286)
Planning Obligations Admin Reserve	(30)	0	0	(30)	0	0	(30)
Artificial Grass Pitch Reserve	(128)	(22)	4	(146)	(16)	0	(162)
Business Support Scheme (flooding)	(122)	0	11	(111)	0	10	(101)
Regeneration Fund	(2,094)	(1,482)	311	(3,265)	(64)	332	(2,997)
NNDR Volatility Reserve	(3,955)	(1,241)	2,500	(2,696)	(1,900)	4	(4,592)
Ticket Levy Income	(64)	(158)	136	(86)	(135)	101	(120)
Waste Reserve	(294)	0	194	(100)	0	0	(100)

Community Housing Fund	(211)	0	0	(211)	0	41	(170)
Community Safety Reserve	(79)	(20)	31	(68)	0	25	(43)
Housing and Homelessness Reserve	(458)	(321)	377	(402)	(434)	395	(441)
Commercial Investment Reserve	(132)	(6,168)	0	(6,300)	(306)	0	(6,606)
Spatial Policy Reserve	(334)	(63)	92	(305)	(48)	95	(258)
YIC Maintenance Reserve	(20)	(20)	0	(40)	0	0	(40)
Climate Change Fund	0	(350)	56	(294)	(2)	129	(167)
Community Initiatives Reserve	0	0	0	0	(524)	361	(163)
Local Government Change	0	0	0	0	(420)	420	0
Community Resilience Reserve	0	0	0	0	(126)	0	(126)
NNDR S31 Coll. Fund 2020/21	0	0	0	0	(11,704)	0	(11,704)
Total Reserves	(17,506)	(12,130)	7,758	(21,877)	(18,986)	2,399	(38,464)

33. Unusable reserves

31 March 2020			31 March 2021	
£'000			£'000	
(17,832)	Revaluation Reserve		(22,119)	
2,779	Pooled Fund Adjustment Account		662	
(26,736)	Capital Adjustment Account		(12,696)	
(281)	Deferred Capital Receipts		(276)	
79,934	Pensions Reserve		101,031	
(1,558)	Collection Fund Adjustment Account		10,628	
367	Accumulating Compensated Absences Adjustment Account		403	
36,673	Total Unusable Reserves		77,633	

Revaluation Reserve

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

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

Pooled Fund Adjustment Account

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

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

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

Capital Adjustment Account

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

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

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

Deferred Credits Account

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

Pensions Reserve

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

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

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

Collection Fund Adjustment Account

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

31 March 2020			31 March 2021	
£'000			£'000	
(1,043)		Balance at start of year		(1,558)
24		Collection Fund Adjustment in year for council Tax		93
(539)		Collection Fund Adjustment in year for non-domestic rates		12,093
(1,558)		Total Collection Fund Adjustment Account		10,628

Accumulating Compensated Absences Adjustment Account

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

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

34. Financial Instruments

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

Financial Instruments Balances

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

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

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

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

Financial Instruments Gains/Losses

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

31 March 2020					31 March 2021			
Financial Liabilities Amortised Cost	Financial Assets			Financial Assets	Financial Liabilities Amortised Cost	Financial Assets		
	Amortised Cost	Fair Value through Profit & Loss	Total			Amortised Cost	Fair Value through Profit & Loss	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
1,351			1,351	Interest expense	2,776			2,776
				Losses on derecognition				
				Losses from change in fair value			0	0
1,351		0	1,351	Interest payable and similar charges	2,776			2,776
	(1,687)	(1,195)	(2,882)	Interest income		(2,966)	(996)	(3,962)
				Gains on derecognition			0	0
		(25)	(25)	Gains from change in fair value			(5)	(5)
	(1,687)	(1,220)	(2,907)	Interest & Investment Income		(2,966)	(1,001)	(3,967)
				Net impact on (surplus)/deficit on provision of services	2,776	(2,966)	(1,001)	(1,191)
		3,208	3,208	(Gain)/Losses on revaluation			2,117	2,117
1,351	(1,687)	1,988	1,652	Net (Gain)/Loss for the year	2,776	(2,966)	1,116	926

Financial Instruments – Fair Values

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

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

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

Financial Liabilities

31 March 2020		Financial Liabilities	Fair Value Level	31 March 2021	
Carrying Amount £'000	Fair Value £'000			Carrying Amount £'000	Fair Value £'000
Page 89	79,500	Financial Liabilities held at Amortised Cost			
	51	Long Terms Loans from PWLB			
		Other Long Term Loans	2	98,000	98,317
		Finance Lease		20	20
		79,902	Total		98,337
2,472		Liabilities for which fair value is not disclosed	*	4,231	
82,023		Total Financial Liabilities		102,251	
		Recorded on Balance Sheet as:			
2,449		Short Term Creditors		4,198	
79,531		Short Term Borrowing		98,015	
23		Long Term Creditors		33	
20		Long Term Borrowing		5	
82,023				102,251	

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

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

Financial Assets

31 March 2020		Financial Assets	Fair Value Level	31 March 2021	
Carrying Amount £'000	Fair Value £'000			Carrying Amount £'000	Fair Value £'000
		Financial Assets held at Fair Value			
		Money Market Funds	1		
22,577	22,577	Bond, Equity and Property Funds	1	24,899	24,899
		Covered Bonds & Floating Rate Notes	1		
		Financial Assets held at Amortised Cost			
1,254	1,254	Bank Accounts		(6,270)	(6,270)
8,005	8,005	Term Deposits		0	0
18,358	18,358	Loans made for Service Purposes	2	36,082	36,082
50,194	50,194	Total		54,711	54,711
2,097		Assets for which fair value is not disclosed		3,306	
52,291		Total Financial Assets		58,017	
		Recorded on Balance Sheet as:			
2,105		Long Term Investments		0	
17,417		Long Term Debtors		33,827	
8,005		Short Term Investments		0	
3,038		Short Term Debtors		5,562	
21,726		Cash & Cash Equivalents		18,628	
52,291				58,017	

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

Financial Instruments – Risk

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

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

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This guidance emphasizes that priority is to be given to security and liquidity rather than yield. The council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

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

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

Credit Risk: Investments

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

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

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

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

Liquidity Risk

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

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

The council's current borrowing matures throughout 2021/22 there will be a need to replace this borrowing. There will be an additional borrowing requirement going forward, the council ensure that borrowing costs are kept to a minimum and seek advice from its Treasury Management advisors to ensure this is achieved.

Market risk – Interest rate risk

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

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

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

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

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

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

Market Risk – Price risk

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

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

Market risk – Foreign exchange risk

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

35. Cash Flow Statement – Operating activities

The cash flows for operating activities include the following items:

Previous Year 2019/20 £'000		Current Year 2020/21 £'000
2,258	Interest received	3,959
(243)	Interest paid	(966)
2,015	Net Cash Flows from Operating Activities relating to interest	2,993

Previous Year 2019/20 £'000		Current Year 2020/21 £'000
2,683	Depreciation and amortisation	3,102
2,633	Impairment and downward valuations	2,186
5,431	Movement in market value of investment property	2,510
1,653	Increase/(decrease) in creditors	13,006
(1,401)	(Increase)/decrease in debtors	(21,892)
(774)	(Increase)/decrease in inventories	(331)
413	Increase/(decrease) in developer contributions	737
(522)	Increase/(decrease) in provisions	589
2,343	Movement in pension liability	4,063
0	Carrying amounts of non-current assets and non-current assets held for sale, sold or derecognized	(155)
12,459	Total Adjustments for Non-Cash Movements	3,815

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

36. Cash Flow Statement – Investing activities

Previous Year 2019/20 £'000		Current Year 2020/21 £'000
(53,360)	Purchase of property, plant and equipment, investment property and intangible assets	(11,066)
(175,234)	Purchase of short-term and long-term investments	(1,750)
(7,594)	Other payments for investing activities	(16,495)
1,106	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,817
172,265	Proceeds from sale of short-term and long-term investments	9,500
1,255	Other receipts from investing activities	85
(61,562)	Net Cash Flows from Investing Activities	(17,909)

37. Cash Flow Statement – Financing activities

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

38. Trading operations

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

The MOT Station is operated by the Streetscene service.

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

39. Members' Allowances

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

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

40. Officers' Remuneration

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

2019/20			Remuneration Band	2020/21		
Total	Left during year	Compensation for loss of office		Total	Left during year	Compensation for loss of office
8			£50,000 - £54,999	10		
14			£55,000 - £59,999	13	1	
6	1		£60,000 - £64,999	9	1	
4			£65,000 - £69,999	4	1	
			£70,000 - £74,999	3	1	
3			£75,000 - £79,999	2		
			£80,000 - £84,999	2	1	
			£85,000 - £89,999	2		
			£100,000 - £104,999	1		
			£105,000 - £109,999	1		
3			£110,000 - £114,999	2	1	
1			£150,000 - £154,999	1		

Senior Officers

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

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

Senior Officers' Emoluments

Current year 2020/21	Name of officer	Post Term	Salary (including Fees & Allowances)	Benefits in kind	Compen- sation for loss of office	Total Remuneration (excl. pension contribution)	Pension Contribution	Total Remuneration (incl. pension contribution)
Post Title			£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive	A Parmley	April '20 - March '21	119	0	0	119	21	140

Previous year 2019/20	Name of officer	Post Term	Salary (including Fees & Allowances)	Benefits in kind	Compen- sation for loss of office	Total Remuneration (excl. pension contribution)	Pension Contribution	Total Remuneration (incl. pension contribution)
Post Title			£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive	A Parmley	April '19 - March '20	115	2	0	117	18	135

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

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

During 2020/21, the council's Monitoring Officer was employed by Eastleigh Borough Council (EBC) and SSDC paid EBC for their services, the total cost being £24,014.

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

Exit Packages

The total cost of £360k for 2020/21 (£9.83k for 2019/20) has been charged to the authority's Comprehensive Income and Expenditure Statement in the current year.

Exit Package Costs Band (including special payments)	Number of Compulsory Redundancies		Number of Voluntary/Efficiency of service		Total Number of Exit Packages		Total Cost of Exit Packages	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20 £'000	2020/21 £'000
£0 - £20,000	0	1	2	0	2	1	10	3
£20,001 - £40,000	0	6	0	0	0	6	0	189
£40,001 - £60,000	0	1	0	0	0	1	0	44
£60,001 - £80,000	0	2	0	0	0	2	0	123
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
TOTAL	0	10	2	0	2	10	10	359

Termination Benefits

The authority terminated the contracts of ten employees in 2020/21, incurring liabilities of £359k (£9.3k in 2019/20). These officers left the authority as an efficiency of service.

41. Audit Costs

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

Previous Year		Current Year
2019/20 £'000		2020/21 £'000
45	Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor	55
14	Fees payable to Grant Thornton UK LLP for the certification of grant claims and returns	14
59	Total Audit Costs	69

42. Grant Income

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

Previous Year		Current Year
2019/20 £'000		2020/21 £'000
2,138	Capital Grants	7,313
2,008	New Homes Bonus	1,603
0	Revenue Support Grant (UK Government)	0
0	Other non-specific Government Grant	166
4,146	Total Grants credited to taxation and Non-Specific Grant income and Expenditure	9,082
2,752	Business Rates Tax loss reimbursement	27,383
224	Cost of Collection – Business Rates	224
29,602	Housing Benefits	28,676
0	COVID related grants	8,153
388	Homelessness Grants	644
215	Miscellaneous Grants	4,721
33,181	Total Grants credited to services	69,801
37,327	Total Grants	78,883

43. Related Party Transactions

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

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

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

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

Organisation	SSDC Contribution in 2020/21		SSDC Councillor
Ham Hill Community Land Trust	40,653.00	Community led housing fund	Cllr G Tucker
Parrett Drainage Board	68,104.11	As a special levy	Cllr M Stanton Cllr G Tucker
Dorset Healthcare	23,090.00	Civil injunction preparatory work	Cllr A Soughton
Eagle Plant	13,555.85	Hire of equipment	Cllr T O'Brien
Breston Grove Medical Centre	27,951.00	Medical References	Cllr O Patrick
South West Councils	11,567.80	Subscriptions & Training	Cllr V Keitch
Crewkerne Leisure Management Ltd	13,930.58	National Leisure Recovery Fund	Cllr M Best
UNISON	15,646.91	Employee subscriptions	Cllr D Bulmer
Westfield Community Association	19,097.96	Park grant	Cllr J Clark

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

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

44. Capital expenditure and financing

Previous Year 2019/20			Current Year 2020/21	
£'000	£'000		£'000	£'000
	39,361	Opening Capital financing Requirement		96,973
		Capital Expenditure		
310		Intangible Non-Current Assets	261	
52,260		Non-Current Assets	10,701	
785		Assets under Construction	458	
7,574		Long Term Debtors	20,036	
4,553		Revenue Expenditure funded from Capital under Statute	10,795	
	65,482	Sources of Finance		42,251
(5,468)		Use of Capital Receipts	(2,026)	
(1,331)		Government Grants & Other Contributions	(2,028)	
(551)		Capital expenditure charged against the capital fund	(120)	
(520)		Minimum Revenue Provisions	(828)	
	(7,870)			(5,002)
	96,973	Closing Capital Financing Requirement		134,222

45. Leases

Authority as Lessee

Finance Leases

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

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

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

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

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

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

Operating Leases

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

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

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

Page 104	Previous Year		Current Year
	2019/20 £'000		2020/21 £'000
	75	Minimum lease payments	54
	34	<ul style="list-style-type: none"> • Vehicles, Plant and Equipment • Property 	23
	109	Total Operating Lease Payments Charge to the Comprehensive Income and Expenditure Statement	77

Authority as Lessor

Operating Leases

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

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

31 March 2020		31 March 2021
£'000		£'000
5,506	No later than one year	6,705
15,324	Later than one year and not later than five years	18,395
15,385	Later than five years	26,742
36,215	Total future lease payments receivable	51,842

46. Impairment Losses

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

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

47. Defined benefit pension schemes

Participation in Pension Schemes

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

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

Transactions Relating to Post-Employment Benefits

The council recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are actually

paid as pensions. However, the charge the council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund Balance via the Movement in Reserves Statement.

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

Previous Year 2019/20			Current Year 2020/21	
£'000	£'000		£'000	£'000
		Comprehensive Income and Expenditure Statement		
		Cost of Services:		
3,902		• Current service costs	5,337	
454		• Past service and curtailment costs	47	
75		• Administration Expenses	51	
	4,431			5,435
		Financing and Investment Income and Expenditure		
4,275		• Interest Cost	3,489	
(2,478)		• Return on Assets	(1,625)	
	1,797			1,864
	6,228	Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement		7,299
£'000	£'000		£'000	£'000
		Other Post Employment benefit charged to the Comprehensive Income and Expenditure Statement		
		Remeasurement of the net defined benefit liability comprising:		
9,997		Return on plan fund assets in excess of interest	(24,806)	
(16,402)		Change in financial assumptions	46,152	
1,070		Change in demographic assumptions	(1,936)	
6,330		Experience (gain)/losses on defined benefit obligation	(2,376)	
		Other actuarial (gains)/losses on assets		
	995	Total remeasurement of net defined benefit liability		17,034
	7,223	Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement		24,333
		Movement in Reserves Statement		
		Reversal of net charges made to the surplus or deficit for the provision of services for post-employment benefits in accordance with the code		
		Actual amount charged against the General Fund Balance for pensions in the year:		
(3,677)		• Employer's contributions payable to scheme	(3,536)	
(208)		• Retirement benefits payable to pensioners	(200)	
	(3,885)			(3,736)

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

Assets and Liabilities in Relation to Retirement Benefits

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

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

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

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

Reconciliation of Present Value of the scheme liabilities

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

Reconciliation of Fair Value of Scheme Assets

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

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

The return on equities and property is then assumed to be a margin above gilt yields.

Sensitivity Analysis

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

Projected Pension Expense for the year to 31 March 2021

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

Basis for Estimating Assets and Liabilities

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

The principal assumptions used by the actuary have been:

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

Assumed life expectations from aged 65 (years) are:

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

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

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

48. Contingent liabilities

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

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

49. Dorcas House

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

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

	Previous Year 2019/20 £'000		Current Year 2020/21 £'000
Page 111	(3)	Total Income for the Year	(3)
	0	Total Expenditure of the Year	0
	(3)	Deficit/(Surplus) for the Year	(3)

(Brackets represent income)

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

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

Collection Fund Account

Income and Expenditure Account for the year ended 31 March 2021

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

Previous Year 2019/20		Year Ended 31 March 2021		
Collection Fund £'000		Business Rates £'000	Council Tax £'000	Collection Fund £'000
	Income			
(109,296)	Council Tax Receivable		(114,695)	(114,695)
(46,075)	Business Rates Receivable	(23,756)		(23,756)
	Apportionment of Previous Year Deficit			
0	Central Government	0	0	0
(170)	Somerset County Council	0	(168)	(168)
(28)	Police and Crime Commissioner for Avon & Somerset	0	(30)	(30)
(12)	Devon & Somerset Fire & Rescue	0	(12)	(12)
(35)	South Somerset District Council (including Parishes)	0	(35)	(35)
(155,616)	Total Income	(23,756)	(114,940)	(138,696)
	Expenditure			
	Precepts and Demands			
10,801	Central Government	22,855	0	22,855
87,675	Somerset County Council	4,114	78,268	82,382
13,127	Police and Crime Commissioner for Avon & Somerset	0	13,831	13,831
5,646	Devon & Somerset Fire & Rescue	457	5,357	5,814
34,963	South Somerset District Council (including Parishes)	18,564	16,359	34,923
	Apportionment of Previous Year Surplus			
742	Central Government	1177	0	1,177
134	Somerset County Council	1030	0	1,030
0	Police and Crime Commissioner for Avon & Somerset	0	0	0
15	Devon & Somerset Fire & Rescue	40	0	40
594	South Somerset District Council (including Parishes)	1712	0	1,712
	Charges to Collection Fund			
344	Write offs of uncollectable amounts	379	172	551
1,079	Increase/(Decrease) in bad debt	923	1,592	2,515
(1,484)	Increase/(Decrease) in Provision for Appeals	1,652	0	1,652
224	Cost of Collection	224	0	224
1	Legal Fees	0	0	0
147	Transitional Protection Payments	209	0	209
154,008	Total Expenditure	53,336	115,579	168,915
(1,608)	(Surplus)/Deficit for Year	29,580	639	30,219
(1,802)	(Surplus)/Deficit Balances at Start of Year	(4,015)	605	(3,410)
(3,410)	(Surplus)/Deficit Balances at End of Year	25,565	1,244	26,809

Previous Year 2019/20	Attributable to:	Year Ended 31 March 2021		
Collection Fund £'000		Business Rates £'000	Council Tax £'000	Collection Fund £'000
(1,191)	Central Government	12,796		12,796
(631)	Somerset County Council	2,289	855	3,144
73	Police and Crime Commissioner for Avon & Somerset	0	150	150
(11)	Devon & Somerset Fire & Rescue	256	59	315
(1,650)	South Somerset District Council (including Parishes for Council Tax)	10,224	180	10,404
(3,410)		25,565	1,244	26,809

(Brackets represent income or liabilities)

Notes to the Collection Fund

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

1. Income from Council Tax

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

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

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

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Details of the precepts are shown below:

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

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

Previous Year 2019/20 £	Council Tax Levy at Band D	Current Year 2020/21 £
1,239.73	Somerset County Council	1,289.20
217.81	Police and Crime Commissioner for Avon & Somerset	227.81
86.51	Devon & Somerset Fire & Rescue Authority	88.24
167.11	South Somerset District Council	172.11
1,711.16		1,777.36
91.05	Add Town & Parish Councils (average)	97.09
1,802.21	Average Council Tax Levy at Band D	1,874.45

2. Council Tax Surplus/Deficit on collection fund

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

3. Income collectable from business rate payers

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

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

4. Debtors for Local Taxation

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

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

Group Accounts

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

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

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

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

Elleston Services Ltd

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

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

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

SSSC Opium Power Limited

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

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

Group Accounting Policies

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

Subsidiaries

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

Basis of the Preparation of the Group Financial Statements

The Group accounts have been prepared using the Group accounts requirements of the 2019/20 Code. Companies or other reporting entities that are under the ultimate control of the council have been included in the council's Group accounts, to the extent that they are material to the users of the financial statements in relation to their ability to see the complete economic activities of the council and its exposure to risk through interests in other entities and participation in their activities. The subsidiaries have been consolidated by:

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

Group Comprehensive Income and Expenditure Statement

(Brackets represent income)

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

Restated Gross Expenditure year ended 31 March 2020	Restated Gross Income year ended 31 March 2020	Restated Net Cost of Services year ended 31 March 2020	Service	Note Number	Gross Expenditure year ended 31 March 2021	Gross Income year ended 31 March 2021	Net Cost of Services year ended 31 March 2021
1,273	(81)	1,192	Chief Executive		2,197	(281)	1,916
20,621	(10,252)	10,369	Director of Commercial Services and Income Generation		19,145	(7,722)	11,423
41,132	(33,748)	7,384	Director of Service Delivery		51,399	(35,095)	16,304
5,676	(1,264)	4,412	Director of Strategy and Commissioning		4,762	(557)	4,205
6,657	(784)	5,873	Director of Support Services		14,022	(10,012)	4,010
76	(2)	74	Subsidiary Companies		1,188	(1,450)	(262)
75,435	(46,131)	29,304	Cost of Services		92,713	(55,117)	37,596
5,474	(851)	4,623	Other Operating expenditure		5,881	(700)	5,181
0	(11)	(11)	Net Loss/(Gain) on Disposal of Property, Plant and Equipment	1	0	14	14
5,356	(2,252)	3,104	Financing and Investment Income and Expenditure		2,382	(3,044)	(662)
0	(28,019)	(28,019)	Taxation and Non-Specific Grant Income		0	(31,378)	(31,378)
86,265	(77,264)	9,001	(Surplus)/Deficit on Provision of Services		100,976	(90,224)	10,752
		5,190	(Surplus)/Deficit on revaluation of Property, Plant and Equipment				(4,962)
		3,208	(Surplus)/Deficit on revaluation of Pooled Funds				(2,117)
		995	Remeasurement of the Net Defined Benefit Liability				17,034
		(30)	Share of Other Income and Expenditure of Joint Operations				(12)
		9,363	Other Comprehensive Income and Expenditure				9,943
		18,363	Total Comprehensive Income and Expenditure				20,695

The Deficit on the Provision of Services of £10.752m includes a Deficit of £0.33m attributable to the Minority Interest (19/20: Deficit £0.35m). The Minority Interest represents 50% of the Income and Expenditure of SSDC Opium Power Limited, the subsidiary undertaking.

Group Movement in Reserves Statement

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

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

Movement in reserves during 2020/21:												
Total Comprehensive Income and Expenditure	10,098	0	0	-12	10,086	9,985	20,071	327	-15	312	312	20,695
Adjustments between accounting basis and funding basis under regulations (note 9)	-25,901	211	-5,284	0	-30,974	30,974	0	0	0	0		0
Net Increase/Decrease before transfers to Earmarked Reserves	-15,803	211	-5,284	-12	-20,888	40,959	20,071	327	-15	312	312	20,695
Transfers to/from Earmarked Reserves (note 32)	0	0	0	0	0	0	0	0	0	0		0
Increase/Decrease in 2020/21	-15,803	211	-5,284	-12	-20,888	40,959	20,071	327	-15	312	312	20,695
Balance at 31 March 2021	-42,780	-18,222	-7,785	-650	-69,437	77,633	8,196	790	745	1,535	1,535	11,266

2021

Group Balance Sheet (Brackets represent liabilities)

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

As at 31 March 2020		Note No.	As at 31 March 2021	
£'000			£'000	£'000
58,583	Property, Plant & Equipment	2	58,542	
71,973	Investment Properties		79,809	
1,083	Intangible Assets		701	
638	Investment in Joint Operations		650	
0	Assets Held for Sale		490	
1,792	Heritage Assets		1,792	
2,106	Long Term Investments		0	
4,582	Long Term Debtors	3	21,778	
140,757	TOTAL LONG TERM ASSETS			163,762
28,471	Short Term Investments		24,899	
4,592	Inventories		4,923	
9,973	Short Term Debtors		30,711	
2,146	Cash & Cash Equivalents	4	545	
293	Bank Accounts		(5,905)	
45,475	CURRENT ASSETS			55,173
(79,500)	Short term Borrowing		(98,000)	
	Bank Overdraft		0	
(1,048)	Third Party Cash		(855)	
(383)	Trade Creditors		(15)	
(10,923)	Short term Creditors	5	(23,919)	
(91,854)	CURRENT LIABILITIES			(122,789)
(880)	Provisions	6	(1,513)	
(4,091)	Developers Contributions Deferred		(4,829)	
(23)	Long Term Liabilities – Creditors		(33)	
(20)	Long Term Liabilities – Finance Lease		(5)	
(79,934)	Liability related to defined benefit pension scheme		(101,031)	
(84,948)	LONG TERM LIABILITIES			(107,411)
9,430	NET ASSETS			(11,266)
47,449	Usable Reserves		67,997	
638	Usable Reserve – Share in Joint Operations		650	
(37,434)	Unusable Reserves		(78,378)	
(1,223)	Unusable Reserves – Minority Interest		(1,535)	
9,430	TOTAL RESERVES			(11,266)

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

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

Year Ended 31 March 2020 £'000		Year Ended 31 March 2021 £'000
(9,001)	Net surplus/(deficit) on the provision of services	(10,752)
16,594	Adjustments to net surplus or deficit on the provision of services for non-cash movements (note 7)	3,902
(1,106)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (note 7)	(1,817)
6,487	Net cash flows from operating activities	(8,667)
(64,887)	Investing Activities (note 8)	(17,425)
59,969	Financing Activities	18,485
1,569	Net increase or decrease in cash and cash equivalents	(7,607)
(179)	Cash and Cash Equivalents (including bank overdraft) at 1 April	1,390
1,390	Cash and Cash Equivalents (including bank overdraft) at 31 March	(6,216)

Notes to the Group Financial Statements

1. Financing and investment income and expenditure

Previous year 2019/20 £'000		Current year 2020/21 £'000
997	Interest Payable and similar charges	1,881
2,251	Net interest on the net defined benefit liability	1,911
(263)	(Surplus)/Deficit on Trading Undertaking (note 39)	(211)
3,001	(Surplus)/Deficit on Investment Properties (note 18)	(2,107)
5,986	Total Financing and Investment Expenditure	1,474
(2,882)	Interest receivable and similar income	(3,959)
3,104	Total Financing and Investment Income and Expenditure	(2,485)

2. Property, Plant and Equipment

Movement in 2020/21:

	Total Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Assets Under Construction £0'00	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Total Property Plant & Equipment £'000
Cost or Valuation							
As at 1 April 2020	45,188	5,212	11,329	1,097	726	0	63,552
Additions	601	254	0	0	86	0	941
Disposals	(170)	0	0	0	0	0	(170)
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	4,809	0	0	0	0	0	4,809
Revaluation Increases/(decreases) recognised in the surplus/deficit on the provision of Services	(4,065)	(802)	0	0	0	0	(4,867)
Impairment (losses)/reversals recognised in the surplus/deficit on the provision of services	102	17	0	0	0	0	119
Reclassification - Other	(685)	11,329	(11,329)	0	0	0	(685)
As at 31 March 2021	45,780	16,010	0	1,097	812	0	63,699
Accumulated Depreciation							
As at 1 April 2020	(2,793)	(2,023)	0	(152)	0	0	(4,968)
Depreciation charge	(1,338)	(1,448)	0	(16)	0	0	(2,803)
Depreciation written out to the surplus/deficit on the Provision of Services	2,094	500	0	0	0	0	2,594
Derecognition – Disposals	15	0	0	0	0	0	15
Derecognition – Reclassification	5	0	0	0	0	0	5
As at 31 March 2021	(2,017)	(2,971)	0	(168)	0	0	(5,157)
Net Book Value							
At 31 March 2021	43,763	13,039	0	929	812	0	58,542
At 31 March 2020	42,395	3,189	11,329	945	726	0	58,584

Comparative movement in 2019/20:

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

3. Long term debtors

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

31 March 2020		31 March 2021
£'000		£'000
4,154	Loans	21,502
3	Mortgages	1
276	Rights to receipts – long term lease	270
16	Car/bike/learning loans	5
4,449	Total Long Term Debtors	21,778

4. Short term debtors

31 March 2020		31 March 2021
£'000		£'000
497	Central Government Bodies	14,290
363	Other Local Authorities	1,414
2	NHS Bodies	35
9,111	Other Entities and Individuals	14,974
9,973	Total Short Term Debtors	30,712

5. Trade Creditors

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

6. Provisions

31 March 2020		31 March 2021
£'000		£'000
(792)	Business Rates Provisions for Appeals	(1,380)
(88)	MMI Provision	(88)
0	Tax on loss	(45)
(880)	Total Provisions	(1,513)

7. Cash Flow Statement – Operating activities

The cash flows for operating activities include the following items:

Previous year 2019/20 £'000		Current Year 2020/21 £'000
1,631	Interest received	3,959
(243)	Interest paid	(1,881)
1,388	Net Cash Flows from Operating Activities relating to interest	2,078

Previous year 2019/20 £'000		Current Year 2020/21 £'000
2,683	Depreciation and amortisation	3,102
2,633	Impairment and downward valuations	2,186
5,431	Movement in market value of investment property	2,510
4,806	Increase/(decrease) in creditors	13,006
(419)	(Increase)/decrease in debtors	(21,937)
(774)	(Increase)/decrease in inventories	(331)
413	Increase/(decrease) in developer contributions	737
(522)	Increase/(decrease) in provisions	678
2,343	Movement in pension liability	4,063
0	Carrying amounts of non-current assets and non-current assets held for sale, sold or derecognized	(155)
16,594	Total Adjustments for Non-Cash Movements	3,859

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

8. Cash Flow Statement – Investing activities

Previous year 2019/20 £'000		Current Year 2020/21 £'000
(56,685)	Purchase of property, plant and equipment, investment property and intangible assets	(10,582)
(175,234)	Purchase of short-term and long-term investments	(1,750)
(7,594)	Other payments for investing activities	(16,495)
1,106	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,817
172,265	Proceeds from sale of short-term and long-term investments	9,500
1,255	Other receipts from investing activities	85
(64,887)	Net Cash Flows from Investing Activities	(17,425)

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

Glossary of Terms

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

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

Accruals

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

Accumulated Absences Account

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

Agency Work

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

Amortised Cost

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

Annual Governance Statement (AGS)

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

Apportionments

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

Appropriation

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

Asset

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

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

Audit of Accounts

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

Available-for-Sale Assets

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

Available-for-Sale Financial Instruments Reserve

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

Balances

is the accumulated surplus of revenue income over expenditure.

Balance Sheet

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

Budget

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

Capital Adjustment Account

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

Capital Charges

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

Capital Contributions/Grants

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

Capital Expenditure (Outlay)

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

Capital Discharged

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

Capital Financing Charges

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

Capital Programme

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

Capital Receipts

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

Cash Equivalents

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

Cash Flow Statement

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

Cash Limited Budgets

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

Central Government Grants

comprise three types:

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

CIPFA

is the Chartered Institute of Public Finance and Accountancy.

Code

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

Collection Funds

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

Collection Fund Adjustment Account

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

Community Assets

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

Component Accounting

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

Comprehensive Income and Expenditure Statement (CIES)

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

Consistency

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

Corporate and Democratic Core

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

Creditors

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

Debtors

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

Depreciation

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

Derecognition

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

Earmarked Revenue Reserves

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

Easement

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

Effective Interest Rate

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

Emoluments

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

Employment Costs

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

Eurobonds

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

Fair Value (Financial Instruments)

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

Fair Value (Tangible Assets)

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

Fair Value through Profit and Loss (FVPL)

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

Fees and Charges

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

Finance Leases

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

Financial Instruments

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

Financial Instruments Adjustment Account

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

Financing Transactions

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

General Fund Balance

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

Gilt

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

Housing Benefits

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

Impairment

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

Income

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

Infrastructure

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

Intangible Assets

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

Internal Service Recharge

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

IFRS

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

Investment

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

Liability

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

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

Liquid Resources

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

Loans and Receivables

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

Long-term Investments

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

Materiality

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

Minimum Revenue Provision

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

Money Market Funds

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

Movement in Reserves Statement (MIRS)

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

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

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

Net Book Value

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

Net Current Replacement Cost

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

Net Realizable Value

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

New Homes Bonus

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

Non-Current Asset

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

Non-Current Asset Held for Sale

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

Non-operational Assets

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

Operational Assets

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

Operating Leases

are leases which are not finance leases.

Other Operating Costs

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

Pooled Fund Adjustment Account

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

Precept

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

Provisions

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

PWLB

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

Prudence

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

Rateable Value

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

Related Parties

are when at any time during the financial period: -

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

Related Party Transaction

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

Remuneration

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

Reserves

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

Residual Value

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

Revaluation Reserve

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

Revenue Expenditure

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

Revenue Expenditure Funded Capital under Statute

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

Revenue Support Grant

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

Slippage

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

Usable Reserves

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

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2020-21 Annual Governance Statement

Executive Portfolio Holder: Val Keitch – Leader of the Council
Lead Officers: Karen Watling – S151 Officer
Jill Byron – Monitoring Officer
Contact Details: Karen.Watling@southsomerset.gov.uk
Jill.Byron@southsomerset.gov.uk

Purpose of the Report

This report has been prepared for the Audit Committee to approve the Annual Governance Statement (AGS) for 2020-21.

Recommendations

Audit Committee approves the draft 2020-21 Annual Governance Statement.

Background

As a local authority SSDC is required to demonstrate compliance with the underlying principles of good governance and that a framework exists to demonstrate this. One of the Council's requirements in demonstrating this is to produce an Annual Governance Statement (AGS).

The Chartered Institute of Public Finance and Accountancy (CIPFA) provide guidance on the processes for the establishment, operation and review of the system of internal control. Their guidance also provides help on the format and content of the AGS.

Annual Governance Statement

The Annual Governance Statement is required by Regulation 6(1)(b) of the Accounts and Audit (England) Regulations 2015. The regulations require authorities to carry out, in each financial year, a review of the effectiveness of their system of internal control and may include an Annual Governance Statement in the annual accounts or alongside them. This is to provide assurance that SSDC has a sound internal control framework in place to manage the risks that might prevent achievement of its statutory obligations and organisational objectives. The statement also reflects compliance with CIPFA Guidance.

The Annual Governance Statement is required to be signed by the Leader of the Council and the Chief Executive.

The Statement also reflects Public Sector Internal Audit Standards (PSIAS). The Standards also require a Quality Assurance and Improvement Programme which has been included within the Review of Internal Audit and will be monitored by the Audit Committee.

In producing the Annual Governance Statement, reports from SSDC's external auditors, South West Audit Partnership, a review of the effectiveness of internal audit, and the annual review of the Assistant Director of SWAP have been taken into account, alongside the Statements of Operational Service Internal Controls have been undertaken.

There are no significant issues to be addressed. Significant issues are issues that would be highlighted through SLT in carrying out its Corporate Governance function, the S151 Officer, by Internal Audit as a risk score of 5, or highlighted through the work of External Audit. The action plan included within the Annual Governance Statement will further strengthen the control framework.

Financial Implications

There are no financial implications associated with these recommendations

Risk Matrix

Risk considerations are included in the contents of the report.

Carbon Emissions and Climate Change Implications

There are no carbon emissions or climate change implications in this report.

Equality and Diversity Implications

There are no equality or diversity implications

Privacy Impact Assessment

There are no privacy impact implications

Background Papers

None



South Somerset District Council

ANNUAL GOVERNANCE STATEMENT 2020/21

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Annual Governance Statement 2020/21

Introduction

This is South Somerset District Council's Annual Governance Statement (AGS) for 2020/21. The Annual Governance Statement is required by Regulation 6(1)(b) of the Accounts and Audit (England) Regulations 2015.

The Council has responsibility for conducting, at least annually, a review of its governance framework including the effectiveness of the system of internal control. A review of the effectiveness is informed by senior managers within the Council who have responsibility for the development and maintenance of the governance environment, and also by the work of the internal auditors and external auditors. The Senior Leadership Team, comprising the Chief Executive, Directors, Section 151 Officer and Monitoring Officer, reviewed the draft 2020/21 Statement in October 2019 and April 2020. The review was also supported by the Council's Chief Internal Auditor.

The Council publishes the Annual Governance Statement on its website alongside the annual Statement of Accounts.

The Executive approved an updated Financial Strategy in August 2020, which included the savings target approved in August 2019 of £2m per year by 2022/23 – adding to £5.5m of savings delivered since 2017. Increasing our income through generation and commercial investment remain key to our strategy, responding to the financial challenges and ensuring our services are sustainable and affordable for the foreseeable future. Our governance structure supports this commercial approach and ensures risk is considered and managed effectively.

Cllr Val Keitch
Leader of Council

Chief Executive

What is Corporate Governance?

Corporate governance refers to the processes by which organisations are directed, controlled, led and held to account. It is also about culture and values - the way that councillors and employees think and act. The Council's corporate governance arrangements aim to ensure that it does the right things, in the right way, for the right people in a manner that is timely, inclusive, open, honest and accountable.

The Council's Governance responsibilities

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

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

The Council is committed to the principles of good governance taking into account the guidance produced by CIPFA and SOLACE including:

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable, economic, social and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the Council's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit, to deliver accountability

The Council regularly reviews and updates its Local Code of Corporate Governance, most recently the Audit Committee in October 2019.

The Governance Framework

The governance framework consists of the systems, processes, culture and values by which the Council is directed and controlled, and through which it is accountable to, engages with and leads the community. 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. As the Council improves the way it provides services, it is important that the governance arrangements are robust and flexible enough to manage this.

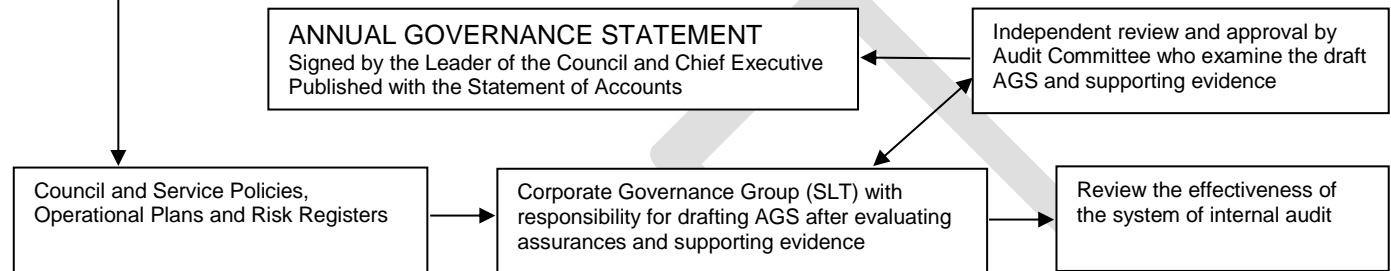
In order to review the effectiveness of the governance framework, assurances are provided to, and challenged by, the Audit Committee, Scrutiny Committees, District Executive or Council as appropriate.

The framework is summarised in the diagram below and some of the key elements of the governance framework are highlighted on the next pages.

South Somerset District Council – Governance Assurance Framework

Governance Framework – Key Documents/Functions

- Constitution
- Council Plan Service Planning Framework
- Business Transformation Projects
- Access Strategy
- Communication Strategy
- Performance Management Framework
- Schedule of Council Meetings
- Local Code of Corporate Governance
- Record of Decisions
- Fraud and Data Strategy
- Risk Management Strategy
- Partnership Register
- Code of Conduct for Members
- Members Induction & Training Programme
- Code of Conduct for Employees
- Officer and Member Protocols
- Confidential Reporting Policy
- Anti-Fraud & Corruption Policy
- Whistleblowing Policy
- Anti-Money Laundering Policy
- Anti-Bribery Policy
- Project Management Methodology
- Capital Strategy
- Procurement Strategy
- Medium Term Financial Plan/Strategy
- Capital Strategy, Investment Strategy and Treasury Management Strategy
- Commercial Strategy
- Annual Budget and Statement of Accounts
- Financial Procedure Rules
- Procurement Procedure Rules
- Scheme of Delegation
- Complaints Procedure
- Equalities and Diversity Policy



Performance Management	Risk Management	Information Governance	Legal and Regulatory Assurance	Members' Assurance
<ul style="list-style-type: none"> • Embedded system • Operates throughout the organisation • Internal and external reviews • Action orientated • Performance Indicators • Periodic progress reports 	<ul style="list-style-type: none"> • Risk management strategy • Embedded in planning processes and project/partnership methodologies • Effectiveness evaluated • Outcomes reported to committee • Training programme 	<ul style="list-style-type: none"> • Training programme • Outcomes reported to committee • Data Protection Officer role • GDPR Compliance • Transparency Code compliance • Data quality assurance for statutory returns and performance data 	<ul style="list-style-type: none"> • Monitoring Officer's reports • Sections of committee reports • Legal advice obtained to support key decisions 	<ul style="list-style-type: none"> • Standards committee • Audit committee • Scrutiny function • Access to policies, information, advice, reports
Assurances by Directors/ Service Leads	Other Sources of Assurance (including third party)	Financial Management	Internal Audit	External Audit
<ul style="list-style-type: none"> • Periodic reports • Internal control reviews • Annual Governance Statement • Internal Audit reports 	<ul style="list-style-type: none"> • Reports by inspectors • Service review reports • Fraud reports and investigations • Ombudsman reports • Post implementation reviews of projects 	<ul style="list-style-type: none"> • Medium Term Financial Plan • Revenue Budget and Capital Programme • Revenue and Capital Management reports • Treasury management • Balance sheet management • Statement of accounts • Compliance with codes of accounting practice • Statutory returns • Grant claims 	<ul style="list-style-type: none"> • Operates under approved terms of reference • Approved risk-based plans • Periodic and annual reports to Audit Committee, Auditor Opinion • PSIAS code compliance assessment • Active Quality Assurance and Improvement Programme in place • Operates under an Internal Audit Charter 	<ul style="list-style-type: none"> • Annual Plan • Audit Findings Report • Audit Opinion and VFM conclusion • Audit Letter • Notice of Completion of Audit • Public Inspection Period

Ongoing assurance on adequacy and effectiveness of control over key risks

The Corporate Strategy and Plan

Following the District Council election in May 2019, the newly formed Leadership Team spent some time reconsidering their priorities for the term. They translated their vision and aspirations into a new Council Plan and Annual action plan. In February 2020, the Council approved its Council Plan 2020 to 2024, and an Annual Action Plan to set out what the Council will do to deliver and progress the agreed priorities for the year ahead.

The Council Plan draws together the administration's vision for South Somerset and sets out its values, and aims for the District. It draws together our strategies and priority projects for the year, supported by a revised set of key performance indicators.

Annual Action Plan 2020/21

Council Plan themes and Areas of focus for 2020/21

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

The focus for the year 2020/21 was set out in the Action Plan. The Priority projects are highlighted below and full details can be found on the website.

The Council agreed eight Priority Projects for 2020/21 within the Action Plan, as follows:

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

The Action Plan has also been developed to include Area Chapters – highlighting some key priorities for each area that deliver localised initiatives and improvements that complement the Council Plan themes. The Corporate Plan and Annual Plans are not intended to capture everything that the Council does nor do they include the detail of all our work and projects. That is the role of the Operational and Individual Plans which will flow from the Council Plan.

Decision Making and Responsibilities

The 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, together with 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.

The Council has 60 elected Members. The Council has adopted an executive governance model, which means most member decisions are taken at District Executive level, either collectively as part of a District Executive meeting or by the Leader or Portfolio Holders in accordance with the

Scheme of Delegation set out in the Constitution. The District Executive is supported and held to account by both the Scrutiny Committee and the Audit Committee. In order to give local citizens a greater say in Council affairs, the Council operates four area committees. These are responsible for planning, local regeneration schemes and community development in their area.

The Constitution also sets out the role of key officers, including the statutory roles of Chief Executive (Head of Paid Service), Monitoring Officer and Section 151 Officer, 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 South Somerset. Any new Council policy, proposal or service, or any change to these that affects people must be the subject of an Equality Impact Assessment to ensure that equality issues have been consciously considered throughout the decision-making processes. The Council approved the current Equality and Diversity Policy in March 2019.

Managing Risk

The Council's Risk Management Policy is fundamental to the system of internal control. It involves an ongoing process to identify the risks to our policies, aims and objectives and to prioritise them according to likelihood and impact. It also requires the risks to be managed efficiently, effectively and economically. All Members and managers are responsible for ensuring that risk implications are considered in the decisions they take. This applies to all significant programmes, projects and initiatives as well as any recommendations for material changes to current practices.

The Council's risk framework is based on a risk category approach to ensure consistency in risk scoring across the organisation, to provide a clearer route for escalation for risk owners, and improved oversight of risk for management. A standardised risk register template is embedded to encourage utilisation and ownership of risk at the appropriate level of the organisation, and to ensure a standard approach for both project as well as corporate risk management. Update and review of risks is enabled through supported risk reviews according to an agreed timetable.

Senior management is responsible for identifying and managing the principal risks to the Council. These risks are recorded in a Corporate Risk Register. Directors will decide how to structure risk registers within their areas but will use the same risk register template and methodology. As well as describing the risks in a consistent manner using agreed categories of risk, the registers will also record the controls necessary to manage the risks. The registers will be regularly reviewed and challenged by senior management and by the Audit Committee.

Financial Management

The Council has a long established record of effective financial management and managing within our means. It continues to face the challenge of designing a sustainable budget for the future in the face of ongoing reductions in Government funding for local government.

The Council's financial strategies have been heavily focussed on transforming services in a way that reduces costs, and generating additional income through commercialisation of services and increasing financial investment. In 2017 the Council had set an annual savings target rising to £6m by 2021/22, and we have made excellent progress with £5.5m of savings/additional income included in the Medium Term Financial Plan by mid-2019/20. The Financial Strategy was refreshed in September 2019 and set a new Savings Target of £2m by 2022/23 in addition to the £5.5m already built in to the Plan.

South Somerset set a balanced budget for 2019/20, and has also achieved this for 2020/21. The financial environment continues to be challenging. The 2019 Spending Round deferred the Fair Funding Review and Business Rates Reset until 2021/22, which provided a better than expected Settlement for 2020/21. However the funding position remains uncertain thereafter with significant falls in Business Rates and New Homes Bonus funding expected. The Council will be much more reliant on commercial income in future, which presents different risks to be managed. The Council's approach to budgeting and reserves planning ensures ongoing prudent financial management is maintained.

The Section 151 Officer is responsible for the proper administration of the Council's financial affairs, as required by the Local Government Act 1972, and the Council's 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 include established budget planning procedures and regular financial performance reports to Councillors. Our treasury management arrangements, where the Council invests and borrows funds to meet its operating requirements, follow professional practice and are subject to regular review.

The Council's financial statements and arrangements for securing value for money are reviewed each year by our external auditor. The Council has opted in to the Public Sector Auditor Appointments framework, as an efficient approach to procuring external audit services. Grant Thornton LLP is our appointed auditor for 2020/21 and the subsequent two years.

The Covid-19 Pandemic

The emergence of the Covid-19 pandemic and the effect on the Council's businesses, residents and workforce has been a particular challenge for 2020/21 and continues to be an area of concern and pressure looking forward into the coming year.

The Council's response to the pandemic and the mobilisation of its staff has shown the benefits of an agile and proactive workforce but also created new governance challenges. At the 19 March 2020 meeting of Full Council, delegated authority was given to the Chief Executive, in consultation with the Leader and relevant Portfolio Holder, to take "Executive and Quasi-Judicial decisions". This delegation was swiftly rendered redundant by the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 which enabled the Council to carry out its business in the normal way remote, virtual meetings using available technology. These Regulations continued in force throughout the period covered by this Statement. Hosting council meetings virtually has been a great success, with many more members of the public being able to access meetings and a consequent increase in transparency. widening of the democratic decisions to continue turning.

The pandemic also created new risks. The administration of business grants, funded centrally, has been an important support system for local businesses, but at the same time put considerable strain on the Council's staffing resource. The Council has had to redeploy people to cope with the volume of grants applied for and paid. Most of the grants are mandatory but come with requirements to sign State Aid declarations, which had to be closely considered by the staff involved. Another of the grants was discretionary in nature. All of this raised new risks as businesses had to self-declare their eligibility and there was a heightened risk of fraud. Sense and reasonableness checks were important and the Council also engaged with its internal audit partners to cast a critical eye over the grants administration process.

The process of recording the business grants and the Covid related costs to the Council has been reflected in the mandatory returns made to Central Government. This is a new, necessary pressure

which is time-consuming but ensures that records are maintained accurately and are suitable for scrutiny. The Council has completed these returns on an accurate, time basis.

Commissioning and Procurement of Goods and Services

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.

The Council rolled out new procurement guidance and training during 2018/19 to build organisation-wide knowledge and improve procurement practices. A further review of procurement practice commenced in 20-21 to conclude in late 2021.

Managing Information

The Council recognises that it has a responsibility to safeguard the information it holds and to manage it in accordance with the requirements of the General Data Protection Regulation (GDPR). GDPR came into force on 25 May 2018 and the Council carried out a compliance review in early 2021. The resulting GDPR Action Plan will be implemented in 2021-22 to ensure continued compliance and recognise best practice across all parts of the Council's activities and to raise awareness amongst all staff and members.

Conduct

Our Codes of Conduct set out the standards of conduct and these are regularly reviewed and updated as necessary. These include the need for Members to register personal interests and the requirements for employees concerning gifts and hospitality, outside commitments and personal interests. The requirements of these codes are included in induction training to members and employees and both groups are regularly reminded of the codes.

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 on how to raise concerns about activities in the workplace. There have been no occasions during the last year where whistleblowing has taken place. A review of the Council's policy commenced in early 2021.

Counter Fraud

The Anti-Fraud Policy makes it clear that the Council will not tolerate any form of fraud, corruption or bribery. It provides for deterrents, promotes detection, identifies a clear pathway for investigation and encourages prevention.

Benefits related fraud matters are usually referred to the Department for Works and Pensions, who operate the Single Fraud Investigation Services.

The Council participates in the National Fraud Initiative, which compares data from a range of organisations to identify potential fraud or error cases.

Commercial Services and Investment

The Council approved a new Commercial Strategy in the summer of 2017. This provides the strategic direction for the Council operating in a more commercial way. As part of transformation, the Council has created a focussed commercial team to focus on services funded through direct income (e.g. sale, fees and charges). There is also a strong assets and property function which is driving forward the Council's Commercial Land and Property Development plans in order to reduce costs and increase income.

As part of the Commercial Strategy appropriate governance was put in place to oversee and manage a new Investment Fund to build a portfolio of commercial investment properties. The Council uses specialist staff and advisors to assess and evaluate investment opportunities, with favourable ones presented to an Investment Assessment Group (IAG) comprising the Commercial Services Director, the Commercial Property, Land and Development Manager, the S151 Officer, the Monitoring Officer and the Portfolio Holder for Property and Climate Change and Income Generation. A unanimous vote from all members of the IAG is required for an opportunity to proceed for formal consideration and approval. The Council has delegated authority to the Chief Executive, in consultation with the Leader, to approve individual investments of up to £10m per transaction. Those valued above this amount require approval of District Executive.

The Council approved an updated Capital Strategy and Investment Strategy in February 2021, following the requirements of the Prudential Code and statutory investment guidance. The Council is aware that restrictions on commercial activity are being mooted by central government and will be closely monitoring the position in 2021-22.

Group Operations

This is the second year that the Council has included group operations in a separate section in the Statement of Accounts. The rationale being that they are deemed materially significant and it is appropriate to give more prominence to the performance of these arrangements.

Group operations are subject to the same scrutiny and governance requirements as the single entity operations in that the Council ensures an appropriate level of transparency is maintained and that decisions are made at arm's length. The division of duties and avoidance of conflict of interest is maintained through the appointment of Directors on the Board of SSDC Opium Power Ltd who do not have delegated powers of approval for the Council to make treasury decisions or to approve specific schemes. Any lending to the group is done at arm's length and at market rates thus avoiding unfair competition.

Arrangements are in place ensure that IAG decisions are unanimous and that there is no single point of influence which may favour the Council's group entities. Details of these arrangements are covered to in the previous section on Commercial Services.

Regeneration Programmes

New arrangements were established following the 2018 May Council review of the governance arrangements for Regeneration in South Somerset and have been in operation since 2019/20.

The three Regeneration Programme Boards – for Yeovil, Chard and Wincanton - have been operating and making decisions, notably commissioning the new Leisure Centre in Chard in October 2019, and agreeing Public Realm Design Guide in Yeovil as well as submitting the Council's Future High Street Fund bid. The Wincanton Board approved the Wincanton Town Centre Regeneration Strategy. Membership of the Boards is a mixture of members and officers and, where appropriate, a limited number of key delivery partners. These Boards oversee their programmes, projects, resources and risks, and report to the Strategic Development Board (SDB).

The SDB comprises the Leader, the 4 Area Chairs and the portfolio holders covering Economy, Homes, Environment, Infrastructure, Spatial Planning and Development Management. Its key purpose is to:

- ensure alignment of the appropriate priority projects and have an overview of strategic development to ensure the relevant ambitions of the Council are being delivered
- ensure a coordination and synergy between the Council's key strategies including the Council Plan, Local Plan, Housing Strategy and Economic Development Strategy
- own and overview the delivery of a programme of work (projects, actions, policy initiatives and potentially service delivery initiatives) aimed at achieving the Council's development ambitions as set out in the Council Plan, Local Plan, Housing Strategy and Economic Development Strategy
- overview and coordinate the delivery of the Regeneration Programmes (but accountability for the delivery of Regeneration Programmes would be with their relevant Regeneration Programme Board)
- hold responsibility for overseeing and managing the cumulative impact of programmes and projects including associated risks.

The Strategic Development Board has taken reports on progress on the Area Boards and the local Plan during 2020/21 and progress with the Regeneration programme is reported through the Council's performance management systems.

The 2018 review established an innovative approach to funding, with Gross and Net Budgets set for each active Programme Board (initially Yeovil and Chard). The aim is that the Net Budget will represent the net cost to the Council, but recognises that such programmes require significant up-front investment including through developers and other parties.

Conclusion

South Somerset District Council has continued to operate fit for purpose governance arrangements during the year, reflecting its priorities and risks. The main priorities for the past year have focussed on continuing to provide effective and resilient services in the face of the Covid pandemic alongside continued implementation of the Commercial Strategy including commercial investments, other income generation projects and schemes. The Council has continued to review and improve its strategic planning and performance management arrangements as demonstrated by the new current Annual Action Plan for 2021/22 which was approved at Full Council in February 2021.

The Internal Auditor's Opinion provides reasonable assurance based on the areas reviewed in the annual audit plan, giving confidence over the effectiveness of the systems of internal control.

Improving Governance Actions

There are no significant governance issues to report for 2020-21. It is the assessment of the Leadership Team that the Council's operations and projects have been managed effectively. Assurance is taken from the outcome of the internal audit plan and auditor's opinion.

Improvements and key actions in governance during 20-21 included:

- Risk Management: The Specialist – Procurement provides a strategic focus on risk management for the Council and is responsible for developing the Risk Management Strategy and coordinating regular reviews with support of SLT. This supplements the responsibilities of all councillors, managers, leads and other staff in managing risk appropriately in their areas of control and responsibility. Strategic and Category (Corporate) Risk Registers are now in place and updated on a quarterly basis. The Risk Management Policy and framework was approved by leadership and the Audit Committee (including the

proposed risk register hierarchy and escalation, and new risk categories), and risk training was provided to Members on the new model.

Furthermore, standardised risk registers have been established for key regeneration projects in coordination with Programme leads. Risk registers are also maintained for strategic internal projects and to support the organisational response to COVID.

- Strategic Planning and Operational Planning: Work has progressed well on this to date, with the development of a new approach to our annual planning cycle, with good Member engagement. The development of the Council Plan has progressed well, with a clear link between district wide and local area priorities, reflecting our new Area + working model which came into effect in 2019, as well as clear KPIs which show how we are delivering against our key priorities. A new four-year Council Plan was agreed from 2020 to 2024 containing Vision, Values and Aims and including an Annual Action Plan for 2020/21 around Core Themes, Areas of Focus and Priority Projects, plus Area Chapters.
- Employment Policies: New employment policies were launched with effect from 1st August 2020, following discussion with the Trade Unions and HR portfolio holder. The new contract of employment has been discussed at length with the Trade Unions and whilst GMB accepted our proposals, Unison members rejected the proposals. It is anticipated that we will be revisiting this piece of work, in light of office rationalisation and the ongoing impact of COVID-19.
- Performance Management – During 2019 we reviewed our Key Performance Indicators in line with the revised Council Plan for 2020-24. The Performance Management Framework is being rolled out across the business and has been integrated on the new Learning Management System. This continued until the end of 2020.
- Authorised Officers: Officer delegations for authorising business transitions, such as purchasing and payroll changes, has been updated during the year to reflect the structure of new operating model.
- Financial Regulations: These have been reviewed and updated to reflect the new operating model and appropriately controlled financial rules and procedures to support the transformed Council.

Improvements and key actions in governance planned during the next year include:

- Risk Management: Ongoing work will involve further development of the risk management approach to include opportunity analysis, refinement of the risk framework with guidance from SWAP and Zurich Risk Management, as well as improving engagement with the Audit Committee to provide updates during the latter part of the year on the risk profile.
- Digital Strategy: work to embed the Digital Strategy will continue. The Digital Strategy is explicit about the need for a different governance model “rather than the more traditional top down approach”, to reflect the agile nature of the approach.
- Constitution: An appropriate review and update of the Constitution is underway, to ensure it reflects governance requirements.
- Local Code of Corporate Governance: The Local Code will be updated to reflect current guidance, reflecting the principles, values and behaviours the Council will adopt in working for, with and on behalf of the Council, our customers and communities.

Note: plans for 2021-22 will be impacted by the anticipated decision of the Secretary of State in respect of the future of local government in Somerset



Report: Update from Audit Committee Terms of Reference Working Group

Strategic Director:	Nicola Hix, Director Support Services & Strategy
Section 151 Officer:	Karen Watling, S151 Officer
Lead Officer:	Alastair woodland, Assistant Director, SWAP
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Purpose of the Report

To update members of the Audit Committee following the Audit Committee Terms of Reference Working Group meeting held on the 1 September 2021.

Public Interest

Audit committees are a key component of corporate governance and an important source of assurance about an organisation's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and other performance.

It is good practice to periodically review the remit and working practices of the Audit Committee to ensure they are in line with any updated national guidance and/or legislative changes and therefore remaining fit for purpose.

This report updates Members on the Member/Officer Work Group that was created following the May 2021 Audit Committee to review the Audit Committee's existing Terms of Reference (ToRs) in line with the guidance contained in the CIPFA (Chartered Institute of Public Finance and Accountancy) publication entitled "Audit Committees; Practical Guidance for Local Authorities and Police" (2018 edition).

The working group will also review any changes that may be needed arising from MHCLG's (Ministry of Housing, Communities & Local Government) response to Sir Tony Redmond's "Independent review into the oversight of local audit and the transparency of local authority financial reporting" (September 2020).

Any recommendations for changes to the ToRs would come to a future Audit Committee for review and then on to full Council for approval.

Recommendations

1. To note the update report following the Terms of Reference Working Group

Background

There have been a number of significant developments in local authority governance and audit practices over the last 8 years. This includes “Delivering Good Governance in Local Government: Framework” (CIPFA/Solace 2016), development and updates to the Public Sector Internal Audit Standards (PSIAS), and the introduction of the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014) and the Local Audit and Accountability Act 2014.

CIPFA defines the purpose of an audit committee as being to provide those charged with governance an independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting and annual governance processes. By doing this, the committee brings an important source of assurance to the Council’s arrangements for managing risk, maintaining an effective control environment, and reporting on financial and other performance matters.

The Audit Committee satisfies the wider requirement for sound financial management, as set out in the Accounts and Audit Regulations, ‘for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body’s functions and which include the arrangements for the management of risk.’ In addition, Section 151 of the Local Government Act 1972 requires the authority to, ‘make arrangements for the proper administration of its financial affairs’. In discharging sound financial management, the Section 151 Officer requires an effective audit committee and an internal audit service which evaluates the effectiveness of its risk management, control and governance processes. Both elements are enshrined in the Public Sector Internal Audit Standards (PSIAS) and the supporting Local Government Application Note (LGAN).

Effective audit committees bring many benefits to the Council. They can:

- Increase public confidence in the objectivity and fairness of financial and other reporting;
- Reduce the risk of illegal or improper acts;
- Reinforce the importance and independence of internal and external audit and any other review processes that report to the Committee;
- Provide a sharper focus on financial reporting, both during the year and at year end, leading to increased confidence in the objectivity and fairness of financial reporting;
- Assist the co-ordination of sources of assurance and, in so doing, make management more accountable;
- Provide additional assurance through a process of independent and objective review;
- Raise awareness of the need for internal control and the implementation of audit recommendations.

It is therefore important that the Terms of Reference are reviewed periodically to ensure relevant matters of governance, risk management and internal control are incorporated into the scope of the Audit Committee.

Review of the Audit Committee's ToRs

The Working Group met on the 1st of September 2021

A comparison between the existing SSDC Audit Committee ToRs and the CIPFA suggested ToRs were reviewed, with particular focus on the areas not currently covered within the SSDC Audit Committee ToR. The table below summarises the gaps between the existing SSDC Audit Committee Terms of Reference and the CIPFA Suggested Terms of Reference.

CIPFA Guidance sections	Included in SSDC ToR and paragraph number
1 Governance – position of committee in structure.	Yes – Intro
2 Statement of Purpose.	Yes – Intro
Governance risk & control	
3 Review Local code of Corporate Governance.	Yes – 11
4 Review the AGS prior to approval.	Yes – 10
5 Review Value for Money effectiveness.	No
6 Consider framework of assurance.	No
7 Monitor risk management.	Yes – 9
8 Monitor progress in addressing risk related issues.	No
9 Consider reports on effectiveness of internal controls and implementation of actions.	Yes – 9
10 Review assessment of fraud risks.	Yes – 9
11 Monitor counter-fraud strategy.	No
12 Review governance and assurance arrangement of significant partnerships or collaborations.	No – although the council do not have many partnerships
Internal Audit	
13 Approve internal audit charter	Yes – 1
14 Review proposals to appointment of external providers of IA services.	No
15 Approve risk-based audit plan	Yes – 1
16 Approve significant interim changes to RB IA plan.	No
17 Enquires of management & HIA to determine any inappropriate scope or resource limitations.	No



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18 Consider impairments to independence or objectivity from additional roles or responsibilities for HIA.	No
19 Consider reports form HIA on performance during the year	Yes – 2
20 Consider HIA annual report	Yes – 3
21 Consider summaries of specific IA reports	Yes – 5
22 Receive reports outlining action taken when HIA reports management has accepted a level of risk that may be unacceptable to the authority/concerns about progress of agreed action implementation.	Partial – 16 allows them to request reports on any areas In ToR which would allow this to be completed.
23 Contribute to the QAIP.	No
24 Consider report on effectiveness of IA to support AGS	Yes – 6
25 Provide access to audit committee chair for HIA.	No
External audit	
26 Support independence of EA through consideration of EA annual assessment and review issues raised by PSAA	No
27 Consider EA annual letter, relevant reports and report to those charged with governance	Yes – 8
28 Consider specific reports as agreed with EA.	Yes – 8
29 Comment on scope & depth of EA work – ensure VFM.	Yes – 7 does not reference VFM
30 Commission work from internal & external audit.	No
31 Advise & recommend on effectiveness of relationship between internal & external audit.	No
Financial reporting	
32 Review annual statement of accounts	Yes – 13
33 Consider EA report on issues arising from audit of accounts	Yes – 13
Accountability arrangements	
34 Report to those charged with governance – committee finding, conclusions & recommendations concerning adequacy & effectiveness of governance, risk management & internal control frameworks	Partial – 17 report to DX any issues remaining unresolved.
35 Report to FC on committee's performance in relation to ToR.	Yes – 18
36 Publish annual report on the work of the committee.	No

There are additional responsibilities contained within the current SSDC Audit Committee ToR that will also need to be retained in any proposed ToR, such as review of Treasury Management, oversight of recommendations on changes to Financial Regulations, as well as taking into consideration the key requirements from the Redmond Review.

The next steps will be to clearly identify the nature of agenda items that will need to be present to the Audit Committee against each item in the table above. This is to assist with understanding how each requirement can be discharged by the Audit Committee. This will feed into an outline forward plan for the year to ensure all aspects of a proposed Terms of Reference are fulfilled.

Financial Implications

The Accounts and Audit Regulations 2015 state that the Council must ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective and includes effective arrangements for the management of risk.

Furthermore, Section 151 of the Local Government Act 1972 requires the Council “to make arrangements for the proper administration of its financial affairs”.

The Section 151 Officer role is key to discharging the requirement for sound financial management at the Council. To be truly effective, the role requires an effective Audit and Governance Committee to receive assurances on the effectiveness of the Council’s arrangements and provide support and challenge. There are no direct financial costs associated with this paper.

Council Plan Implications

The proposals in this report contribute to SSDC’s vision of being open and transparent and actively communicating, engaging and listening to feedback.

Carbon Emissions and Climate Change Implications

There are no implications arising from agreeing this report.

Equality and Diversity Implications

There are no implications arising from agreeing this report.

Background Papers

- CIPFA (Chartered Institute of Public Finance and Accountancy) “Audit Committees; Practical Guidance for Local Authorities and Police” (2018 edition).
- MHCLG’s “Local authority financial reporting and external audit: government response to the Redmond review” (December 2020)
- Review of Audit Committee’s Terms of Reference Agenda Item 11 May 2021 Audit Committee



Audit Committee Forward Plan

Director: Nicola Hix, Strategy and Support Services
Lead Officer: Karen Watling, S151 Officer
Case Officer: Michelle Mainwaring, Case Officer (Strategy & Commissioning)
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Purpose of the Report

This report informs Members of the agreed Audit Committee Forward Plan.

Recommendations

Members are asked to note and comment upon the proposed Audit Committee Forward Plan as attached.

Audit Committee Forward Plan

The forward plan sets out items and issues to be discussed over the coming few months and is reviewed annually.

Items marked *in italics* are not yet confirmed.

Background Papers

None.

Audit Committee Forward Plan

Meeting Date	Item	Responsible Officer
28th October 2021	1. Briefing on the Redmond Review (reviewing the effectiveness of external audit and transparency of financial reporting in local authorities)	S151 Officer
	2. Internal Audit Plan Progress Report 2021/22 – Q2	Alastair Woodland, Assistant Director (SWAP)
	3. Treasury Management Mid-Year Performance and Strategy Update (to go on to Council)	Lead Specialist – Finance (Deputy S151 Officer)
	4. Annual review of Treasury Management Practices	Lead Specialist – Finance (Deputy S151 Officer)
25th November 2021	1. Annual External Auditors' Report	Beth Garner - Manager (Grant Thornton)
	2. Approval of audited Statement of Accounts for 2020/21	S151 Officer and Lead Specialist – Finance (Deputy S151 Officer)
TBC	<i>Update on Somerset Reorganisation and any impact on the progression and financing of current council projects</i>	<i>S151 Officer</i>
	<i>Update on S106 process following recent internal audit report</i>	<i>TBC</i>
	<i>Annual Fraud Programme Update</i>	<i>TBC</i>
	<i>Monitoring the recommendations of SWAP following audits.</i>	<i>Alastair Woodland, Assistant Director (SWAP)</i>