

Group PPE Position Statement for South Somerset District Council

Year ended 31 March 2021

South Somerset District Council
23 August 2022



2. Group PPE - Significant risk

Financial Statement Line Item

Commentary

Valuation of Group Property, Plant & Equipment – Taunton site

The Authority revalue its Group Property plant & Equipment on an annual basis at fair value.

The council has two battery storage sites that are consolidated into its Group accounts. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.

We therefore identified valuation of Group Property, Plant & Equipment, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

The initial valuation of the Taunton site was included in the updated draft accounts provided to us in January 2022 was £20m. Following our initial audit inquiries and requests for a detailed analysis of how the valuation had been derived, the Council engaged a modelling expert who revised this valuation down to £16m.

We have engaged our own expert to review the inputs and assumptions included within the model. Our expert's review has considered all of the key assumptions and compared to other models for similar assets (i.e. battery storage) within the wider market, based on their experience. This review has identified that the discount rate used by management's expert is significantly lower than their expected range. The impact of this is that a significantly higher valuation is being produced compared to the expected valuation.

We have concluded that this is likely to lead to a materially different valuation and therefore we are unable to conclude that management's valuation is reasonable.

We have reverted to management to consider their next course of action and consider engaging another valuation expert to revisit the valuation. Consequently, our work in this area is still in progress and we are unable to conclude our audit until a valuation, which is more in line with our expectations, based upon the detailed assumptions and inputs, is available and used within the Group Accounts.

