SWT Audit and Governance Committee

Monday, 7th November, 2022, 6.15 pm

The John Meikle Room - The Deane House

Members: Lee Baker (Chair), Ed Firmin, Simon Coles, Hugh Davies, Tom Deakin, Dawn Johnson, Marcus Kravis, Andy Milne, Steven Pugsley and Terry Venner

Agenda

1. Apologies

To receive any apologies for absence.

2. Minutes of the previous meeting of the Audit and Governance Committee (Pages 5 - 16)

To approve the minutes of the previous meeting of the Committee held on 12th September 2022.

3. Declarations of Interest

To receive and note any declarations of disclosable pecuniary or prejudicial or personal interests in respect of any matters included on the agenda for consideration at this meeting.
(The personal interests of Councillors and Clerks of Somerset County Council, Town or Parish Councils and other Local Authorities will automatically be recorded in the minutes.)

4. Public Participation

The Chair to advise the Committee of any items on which members of the public have requested to speak and advise those members of the public present of the details of the Council's public participation scheme.
For those members of the public who have submitted any questions or statements, please note, a three minute time limit applies to each speaker and you will be asked to speak before Councillors debate the issue.
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webpage, but you can also access them on the [Somerset West and Taunton webcasting website.]

2021/22.

10. Somerset West and Taunton Council Statement of Accounts 2021/2022 (Pages 121 - 244)

This matter is the responsibility of the Portfolio Holder for Communications and Corporate Resources, Cllr Benet Allen.

Report Author: John Dyson, Corporate Finance Manager

To consider the Somerset West and Taunton Council Statement of Accounts for 2021/22 (Appendix A) and a draft Management Letter of Representation (Appendix B).

This report also links to and reflects the Audit Findings Report, prepared by the Council's external auditors – Grant Thornton UK LLP. Through the course of the audit, a range of amendments have been identified for correction within the accounts. A schedule of these is set out in the Audit Findings Report, which has been tabled earlier in the meeting of this Committee.

AC Pritchard

ANDREW PRITCHARD
CHIEF EXECUTIVE

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SWT Audit and Governance Committee - 12 September 2022

Present: Councillor Lee Baker (Chair)

Councillors Janet Lloyd, Ed Firmin, Simon Coles, Hugh Davies, Dawn Johnson, Steven Pugsley, Terry Venner and Hazel Prior-Sankey

Officers: Amy Tregellas, Alastair Woodland, John Dyson, Mike Barter, Ian Candlish, Sam Murrell, Sean Papworth, Steve Plenty and Malcolm Riches

(The meeting commenced at 6.15 pm)

A minute's silence was observed at the start of the meeting as a mark of respect for the passing of Her Majesty Queen Elizabeth II.

92. **Apologies**

Apologies were received from Councillor Tom Deakin who was substituted by Councillor Hazel Prior-Sankey.

93. **Minutes of the previous meeting of the Audit and Governance Committee**

The Committee resolved to approve the minutes from the Audit and Governance Committee meeting held on 13th June 2022.

(Proposed by Cllr Janet Lloyd and seconded by Cllr Hazel Prior-Sankey)

94. **Declarations of Interest**

Members present at the meeting declared the following personal interests in their capacity as a Councillor or Clerk of a County, Town or Parish Council or any other Local Authority:-

Name	Minute No.	Description of Interest	Reason	Action Taken
Cllr L Baker	All Items	SCC, Cheddon Fitzpaine & Taunton Charter Trustee	Personal	Spoke and Voted
Cllr S Coles	All Items	SCC & Taunton Charter Trustee	Personal	Spoke and Voted
Cllr H Davies	All Items	SCC	Personal	Spoke and Voted
Cllr D Johnson	All Items	SCC	Personal	Spoke and Voted
Cllr J Lloyd	All Items	Wellington & Sampford Arundel	Personal	Spoke and Voted
Cllr H Prior-	All Items	SCC & Taunton	Personal	Spoke and Voted

Sankey		Charter Trustee		
Cllr S Pugsley	All Items	SCC	Personal	Spoke and Voted
Cllr T Venner	All Items	Minehead	Personal	Spoke and Voted

No other interests were declared.

95. **Public Participation**

Mr Roger House made the following statement to the Committee, in relation to agenda item 12, Health and Safety update (particularly page 110):
'The paper reports on Health and Safety for the merger of the five Councils and it is wisely preparing for that. But all over Somerset the new Principle Council will be persuading town and parish councils to perform all "gardening and open space management." Should the council be preparing also for a Taunton Town Council here to have its own green space team and depot? The changeover will take over a year longer to achieve than next March, allowing a current workforce to be "Tuped" over to the new town employer. Should the committee leave behind a working Health and Safety system as page 110 for the new town council. All elements of the system will be needed; Weymouth a resort town currently has a budget of £800k for staff and £325k for contractors. Taunton will have at least three quarters the population.

Amy Tregellas, Governance Manager and Monitoring Officer advised Mr House that the report on the Community Governance Review is starting to go through the democratic process and that discussions are ongoing as to what an implementation plan would look like.

96. **Audit and Governance Committee Forward Plan**

The Committee were advised that the meeting listed on the forward plan for the 27 September 2022 to consider the statement of accounts, has been cancelled and that an alternative date of 31 October 2022 has been pencilled in.

John Dyson, Corporate Finance Manager advised that:

- The auditors needed more time to gather information from some external partners and that was impacting on the closing down of the final questions on the audit.
- Depending on the outcomes of those enquiries, the remaining work could potentially lead to some material adjustments to the accounts.
- As a result of the nature of those adjustments, it is not envisaged that any changes would be needed to the reserves or resources of the Council at this stage.

During the debate, discussion took place around:

- Whether the statement of accounts would come to the Committee on 12 December or a special meeting before that date? Officers confirmed that a special meeting of the Committee would be scheduled - currently pencilled in for 31 October but to be confirmed following discussions with the external auditors.

- That the end of November is the latest date for the publication of the audited Statement of Accounts
- The main things holding up the audit process are:
    - Queries on the valuation of land and building that are currently with the external valuer
    - Queries on the valuation basis for some employees in relation to the pension fund, with responses due from the actuary
    - The validity of a trial period adjustment in relation to Coal Orchard and how something appears on the balance sheet. So that is going through the technical and audit process.
- A further issue which could delay the Accounts relating to a statutory override which is going through Parliament. This relates to a technical matter for local authorities follow the Chartered Institute of Public Finance and Accountancy (CIPFA) Accounting Code of Practice, and the measurement of infrastructure assets in the balance sheet. It has gone through in Scotland but we don't yet have a date for England. This could lead to a further delay in the final approval of the Statement of Accounts.
- If the statutory override has not gone through Parliament on time, the alternative plan is that the accounts come forward to the Committee and be approved subject to consultation between the Chair and Vice-Chair, and the Assistant Director Finance (Section 151 Officer).
- Whether there could be a challenge to our Accounts? It was confirmed that the opportunity for the public to inspect the accounts has now passed. If there was to be any objection to the accounts that would have been brought to the attention of the external auditors. That has not happened.

The Committee **resolved** that the Audit and Governance Committee Forward Plan be noted.

(Proposed by Cllr Simon Coles and seconded by Cllr Steven Pugsley)

97. **Audit and Governance Committee Terms of Reference Update**

Amy Tregellas, Governance Manager and Monitoring Officer introduced the report:

- The key reason for amending the Terms of Reference was due to a recommendation in the SWAP Baseline Fraud Report, to set out the Committees role in approving the Annual Fraud Plan within the Terms of Reference.
- The amendments were set out as:
    - Page 23, bullet point 4 – amended to reflect that it is the Risk and Opportunity Management Strategy
    - Bullet point 5 has been added and confirms that the Committee approves the Council's Annual Fraud Plan.
    - Bullet point 8 has been added reflect that the Committee monitors the progress on delivering audit actions on a quarterly basis.
    - Page 24, bullet point 16d has been added to include the Anti-Money Laundering Policy as part of the suite of Anti-Fraud policies.

- Bullet point 17 has been added to reflect that the Committee will monitor and review the Council's performance against the Annual Fraud Plan with updates to be provided half yearly.

There was no debate on this item

The Committee **resolved** to approve the recommendation in the report:

The Committee recommends to Full Council that the updated Terms of Reference for the Audit and Governance Committee are approved.

(proposed by Cllr Steven Pugsley and seconded by Cllr Simon Coles)

98. **SWAP Internal Audit - Progress Report 2022/23**

Alastair Woodland, SWAP Assistant Director introduced the report:

- This is the quarterly update report on the audit plan progress for 2022/23 to assist you with your oversight role in respect of governance, risk and control for the Council.
- Pages 28 and 29 provide an update on the purchasing card audit and management responses at the time of writing the report. All recommendations have been implemented so that is good news. There is also an update in respect of the management of material supplies audit which was highlighted as having limited assurance.
- Page 34 provides a summary of the work completed since the last update. There were no adverse audit opinions that needed to be brought to the attention of the Committee, based on the work that has been undertaken.
- Page 37 highlights some changes to the rolling audit plan and highlights the areas selected for quarter 2.
- Pages 39 to 42 provide an overview of the audit plan and where we are. The work on Local Government Reorganisation (LGR) has been separated out.
- Confirmation that Price Waterhouse Coopers (PWC) are providing the quality assurance role for LGR to the governance structure that is in place. SWAP work is supporting the various work streams rather than LGR process as a whole. Work listed in table 2 on page 41.

During the debate, discussion took place around:

- That it was good to see that positive work had been done that gives the Committee assurance
- Whether SWAP had managed to uncover what had happened historically with purchasing card transactions and whether that would impact on the accounts. Mr Woodland confirmed that the control measures that have been put in place by management was set out on pages 28 and 29 and that SWAP are just finalising that review of purchasing card transactions. He stressed that there is no evidence of any fraud in relation to those transactions but there was potentially some non-compliance with policy. He confirmed that there was nothing that would impact on the accounts.
- Income collection and the fact that following a review of the income across the authority, it was felt appropriate to split income collection into the areas of car

parking, litter enforcement and Deane Helpline. Some of these areas had not previously been covered by internal audit work.
- Whether the Committee could receive an update on the special investigation into FTC allegation listed on page 40. Mr Woodland confirmed that the matter was ongoing but that he would arrange for the information to be shared with Committee members.

The Committee **resolved** to approve the recommendation in the report:

The Committee is recommended to note the progress made in the delivery of the 2022/23 internal audit plan and significant findings as identified in this update.

(proposed by Cllr Simon Coles and seconded by Cllr Steven Pugsley)

99. **Summary of Level 1 and 2 Internal Audit Actions**

Malcolm Riches, Business Intelligence and Performance Manager introduced the report:
- The purpose of the report was to update the Committee on progress against the delivery of level 1 and 2 internal audit actions as at the end of July 2022.
- Appendix 1 summarised the status of the Audit reports including the two audit reports relating to the Data Centre and Climate Change, where all of their priority 1 and 2 actions have been completed.
- There have been a further 6 audit actions completed since the last report the details for that is in Appendix 2, pages 51 and 52.
- The good news is that there are currently no overdue audit actions that have gone beyond their current target date.
- There are 11 audit actions still currently open and their due date is further ahead and progress on those will be reported nearer the time and those items are listed along with a Red, Amber, Green (RAG) status in Appendix 2.
- A couple of further updates were provided, in that the report was prepared several weeks ago and is the position as at the end of July. Since writing the report good progress has been made regarding purchasing cards and a number of those actions are now closed although they are still showing as open in Appendix 2. The first action on page 53 relating to Health and Safety, currently with a RAG status of amber has now been completed.

During the debate, discussion took place around:
- Whether the date listed at the top of page 53 should have read end July 22 rather than end July 2021. Mr Riches confirmed that it should be end of July 2022.

The Committee **resolved** to approve the recommendation in the report:

The Committee notes the progress being made with audit actions, and that there are currently no overdue actions.

(Proposed by Cllr Simon Coles and seconded by Cllr Steven Pugsley)

100. **SWAP Baseline Fraud Maturity Report**

Amy Tregellas, Governance Manager and Monitoring Officer introduced the report in the absence of David Warren from SWAP.

- The report provides an update following on from the report presented to the Committee in September 2021.
- Section 4.4 of the report on page 58 sets out that key officers have engaged with the initial findings and ensured that most of the actions have been implemented, resulting in significant progress.

During the debate, discussion took place around:

- E learning modules and whether LGR or any other reason had resulted in the low number of staff completing the training as of July 2022. Officers confirmed that staff were asked to complete the 3 fraud modules by the 31 August and that the most recent figures showed a 65% completion rate.
- Whether the Council is still working with the Powys counter fraud service. Officers confirmed that the Council is continuing to use the Powys service as and when needed.
- Ensuring that the new Unitary Council has robust Anti-Fraud policies and procedures in place from vesting day.
- The Whistleblowing policy and that Members can raise issues through that if appropriate. Officers confirmed that the Whistleblowing policy is on the Council website and includes contact numbers if anyone felt they wanted to make a whistleblowing report.

The Committee **resolved** to approve the recommendations in the report:

Members are asked to note further information provided on the Baseline Fraud Assessment of Maturity in relation to Fraud Report 2022.

(Proposed by Cllr Dawn Johnson and seconded by Cllr Janet Lloyd)

101. **Treasury Management 2021/22 Annual Report**

John Dyson, Corporate Finance Manager introduced the report:

- This is an annual report which is brought to this committee before going to Full council and covers the reporting requirements under the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code and the CIPFA Code of Practice on Treasury Management.
- The committee is asked to note the report which is based on the Council's treasury management position as at the 31 March 2022.
- The committee is also asked to endorse the recommendation already formed by the Executive committee to reduce the approved borrowing limit by a sum of £35m in 2022/23. The recommendation is brought to this committee as well because the limit forms part of the Capital Investment and Treasury Strategy which was passed through this committee and then Council in March this year.

- The Council employs the services of Arlingclose as Treasury Management advisors, and the report contains their commentary setting out the external context.
- The report includes tables giving a high-level view of investment and borrowing portfolios as at the year end 31 March 2022.
- In the last year there has been the addition of new borrowing to finance the acquisition of the final tranche of commercial investment properties, £75m new or replacement borrowing.
- The size of our overall borrowing portfolio has grown by £18m year on year.
- Our investment portfolio amounts to nearly £40m as at 31 March 2022.
- Arlingclose report that our investment return when compared to their 121 Council clients is 3.87% compared to 2.1%
- Corrections to be made to table 6 on page 83 and the rate of return column for 31 March 2022. Where it says 1.83% amend to 3.87%. Across similar local authorities amend from 1.18% to 2.38%. Across all local authorities amend from 0.97% to 2.1%. We were very much understating the return we are achieving on our investments overall.
- One other typographical error paragraph 6.1 on page 79 the first line reads as the council's net cash investments are £77.03m but this needs to be amended to £79.03m. That then corresponds with table one.

During the debate, discussion took place around:

- The high rates of interest for some of the Public Works Loans Board (PWLB) loans e.g. where we borrowed at rates of 8.38%, 7.38%, 6.63% and £4.25%, which stand out as being anomalies compared to the rest of the table. Officers confirmed that the loans referred to were taken out some years ago with some as far back as 1996.
- Whether the interest rate on the account with National Westminster Bank would increase given interest rates rising generally.
- What the Buckinghamshire council loan was for and whether it is common to borrow from other Local authorities.
- Whether borrowing from another local authority was cheaper than a PWLB loan
- What happens on vesting day in terms of existing borrowing and investments, including loans totalling £5.069m to local businesses, charities, partnerships and sports clubs.
- Officers confirmed that borrowing and investment commitments will transfer to the new authority. Officers are working with the County Council and the other districts to make ensure the optimum position on vesting day, particularly in relation to cash flow
- Whether the notional average interest rate of 1.5% would be revised given what is happening to the base interest rate.

The Committee **resolved** to approve the recommendations in the report:

1. To note the Treasury Management activity for the 2021/22 financial year and compliance with the Prudential Indicators

2. To endorse the recommendation made by the meeting of the Executive Committee on 20 July 2022 to Full Council to approve a reduction of £35m to the Approved Borrowing Limits in the Capital, Investment and Treasury Management Strategy for 2022/23 reflecting a reduction in capital financing requirement for expenditure no longer required (as referred to in paragraphs 6.33 and 6.34 of this report).

(Proposed by Cllr Simon Coles and seconded by Cllr Ed Firmin)

102. **Local Government Ombudsman summary of complaints for 2021/22**

Amy Tregellas, Governance Manager and Monitoring Officer introduced the report:

- The report sets out the Local Government Ombudsman (LGO) complaints for the last 12 months.
- Page 99 sets out that there were 26 Ombudsman complaints in the last 12 months, and details which areas of the council they related to
- Page 100 gives details on the outcomes of LGO complaints and the decisions issued.

During the debate, discussion took place around:

- The fact that was reassuring to note that out of 31 complaints only 6 were upheld, and that the complaints upheld is lower than the 7 last year, so going in the right direction.
- That the Council takes learning from the complaints that were upheld.
- The Officer agreed to come back to the Committee with answers to the following questions:
    - What did the complaint listed as other relate to?
    - How much did these complaints cost us?
    - Why was the Council late to comply in one case?
- That the report plus answers to the questions above should be circulated to all Councillors, and that this be added to the recommendation.

The Committee **resolved** to approve the recommendation in the report:

That the Committee notes the contents of the Local Government Ombudsman complaints – 2021/22 Annual Report, and that it is sent to all Councillors for information.

(Proposed by Cllr Dawn Johnson and seconded by Cllr Simon Coles)

103. **Health and Safety Update**

Sean Papworth, Assistant Director Corporate and Mike Barter, Health & Safety Business Partner introduced the report

- The purpose of the report was to provide the Committee with an update on the H&S framework and performance scorecard, as well as the improvement programme.

- Mike Barter gave the progress update as set out in Appendix A, with key points being:
    - Accidents show a steady decline compared to previous years. Most common cause still remains due to slips, trips and falls at the same level (rather than falls from height), with 6 so far this year (3 members of the public and 3 employees)
    - Incident frequency is increasing markedly, this may be partly due to more people being aware and reporting. 50% of the incidences this year have been vehicle related. The remaining serious incidents have involved contractors.
    - Near miss reporting was looking good at the start of the year but did increase. However, in last couple of months it has dropped off considerably.
    - Safety Action Notices (SAN) main reasons for issue are failed risk assessments, risk assessment not being present or failure to report incidents
    - A lot of work has been done on the vetting and management of contractors
    - Workplace inspections have been taking place including regular un-announced audits of both staff and contractors
    - Links between Health & Safety and Human Resources have been galvanised to work together on developing a robust Health & Safety framework for the new unitary council

Sean Papworth gave an update on the improvement programme:

- Various audits had led to the improvement programme. A recent follow up audit confirmed that considerable progress has been made with nine actions completed and two remaining in progress.
- The new H&S system is due to be rolled out in the run up to Christmas.
- A joint review of insurance claims had been superseded by the Local Government Reorganisation (LGR) work.
- Risk Management work-stream – our risk assessment reviews are now fully completed. Those risk assessment will be shared with the business and will populate the risk element of the new system.
- Lone working – work continues on this with officers doing a lot of work with colleagues in terms of LGR.
- People work-stream - one of core elements is around compliance training. Huge amount of work done by Learning and Development. Know what training everyone has had and when tickets expire.
- Member health and safety training has been delayed due to staff absence. The Health and Safety Team is working alongside the Governance Team on a risk assessment for Councillors. Once completed, training will take place on the risks that are relevant.
- Contractor work-stream - a big piece has been done to work through Construction Industry Scheme (CIS) contractors who normally do the highest risk work. Working to ensure that their documentation is all up to date and health and safety training and insurance is in place. This includes getting relevant documentation from the contractors, and they have until early October to comply before safety action notices are issued for non compliance.
- Health and safety software solution. This will give ease in reporting and better view of data. Good test product as we move into unitary.

- The team are engaged in LGR Health and Safety workstream. Making sure work we have done in not lost during the transition to the new council.

During the debate, discussion took place around:

- Whether the accidents had been in the same place or area and whether any of them related to pavements. The officer confirmed that the majority of the staff accidents occurred when they were moving around the workplace. The other accidents mostly related to potholes. Accidents are looked at on a case by case basis and where appropriate, details of the pothole would be passed to Highways.
- The fact that there are noticeboards in the reception at Deane House with information about lone working.
- How the Health & Safety process works when people are working at home, e.g. whether they have their computer at the right height or right chair to sit on? Officers confirmed that there is a Display Screen Equipment (DSE) module built into mandatory training. Also, if there are particular individuals that need a more personalised assessment officers would go out and do that with them.
- Whether a copy of this information could be shared with Councillors to help them with their work environment at home
- Who would be responsible if an employee tripped over a cable whilst working at home?
- The Council has a responsibility for DSE, lone working, stress and mental health and have a duty of care to stay in touch with employees to monitor these areas.
- The risks around abuse and threatening behaviour towards Councillors and how Councillors could keep themselves safe. Officers confirmed that information on personal safety was sent around to all councillors recently and that they would revisit the information on the Local Government Association website and circulate any further useful information including how to de-escalate a situation.

Cllr Baker asked Sean Papworth to pass the committees thanks on to the team for the good work they have been doing.

The Committee **resolved** to approve the recommendations in the report:

The Committee is asked to note and endorse:

a. The Health and Safety performance scorecard data, together with the observations/ recommendations/ conclusive summary (Appendix A)
b. The Health and Safety Management System Improvement Programme progress update (detailed in section 4.4)

(Proposed by Cllr Simon Coles and seconded by Cllr Janet Lloyd)

(The Meeting ended at 7.50 pm)

	AUDIT AND GOVERNANCE COMMITTEE		
Meeting Date	**Draft Agenda Items**	**Lead Officer**	**Unitary/SWT**
07 November 2022	External Auditor's 2020/21 Key Recommendation Update	Paul Fitzgerald	
SOA Special Meeting	External Audit Findings Report 2021/22	Grant Thornton LLP (Jackson Murray)	
Report Deadline	Annual Governance Statement 2021/22 (Final)	Amy Tregellas	
26 October 2022	Approval of Statement of Accounts 2021/22	John Dyson	
12 December 2022	External Audit Progress Report and Sector Update	Grant Thornton LLP (Jackson Murray)	SWT
Report Deadline	External Audit Auditor's Annual Report 2021/22	Grant Thornton LLP (Jackson Murray)	SWT
30 November 2022	Internal Audit - Progress Report 2022/23	SWAP (Alastair Woodland)	SWT
	Treasury Management 2022/23 Mid Year Review	John Dyson	SWT
	Update on Annual Fraud plan 2022/23	Amy Tregellas	SWT
	Summary of Level 1 and 2 Audit Actions Progress	Malcolm Riches	SWT
	Landlord Compliance Report	Ian Candlish	SWT
	H&S Update	James Barrah	SWT
13 March 2023	External Audit Progress Report and Sector Update	Grant Thornton LLP (Jackson Murray)	**SWT and/or possibly Unitary**
Report Deadline	External Audit Plan 2022/23 Accounts	Grant Thornton LLP (Jackson Murray)	**SWT and/or possibly Unitary**
01 March 2023	External Audit Informing the Risk Assessment 2022/23	Grant Thornton LLP (Jackson Murray)	**SWT and/or possibly Unitary**
	Internal Audit - Progress Report 2022/23	SWAP (Alastair Woodland)	SWT
	~~Internal Audit - Audit Plan and Charter 2023/24~~	~~SWAP (Alastair Woodland)~~	**Unitary - confirmed by AW that this is correct**
	Internal Audit Annual Opinion Report 2022-23	SWAP (Alastair Woodland)	SWT
	Summary of Level 1 and 2 Audit Actions Progress	Malcolm Riches	SWT
	H&S Update	James Barrah	SWT
	Audit and Governance Chair's Annual Report 2022/23	Chair of Committee	SWT
	Annual Governance Statement 2022/23	Amy Tregellas	SWT
	~~Local Code of Corporate Governance~~	~~Amy Tregellas~~	**Unitary**
	~~Risk and Opportunity Management Strategy~~	~~Amy Tregellas~~	**Unitary**
	Treasury Management Q3 2022/23	John Dyson	SWT

Agenda Item 6 – Action/recommendation tracker

Items from the Audit & Governance Committee held on 12th September 2022

Agenda Item	Action/recommendation	Update/Status
Audit and Governance Committee Terms of Reference update	The updated Terms of Reference for the Committee were recommended to Full Council for approval	Complete – approved by Full Council on 29th September 2022.

Local Government Ombudsman summary of complaints	• The Officer agreed to come back to the Committee with answers to the following questions:
	  ○ What did the complaint listed as other relate to?
	  ○ Do we do any learning from cases?
	  ○ How much did these complaints cost us?
	  ○ Why was the Council late to comply in one case?
	• That the report plus answers to the questions above should be circulated to all Councillors, and that this be added to the recommendation.
		Complete – the Monitoring Officer circulated answers to the questions listed to all Councillors on 23rd September 2022. Responses were as follows:
		What did the complaint listed as other relate to?
		The 'other' listed in table one was a complaint received by the LGO, but they refused it as it fell outside of their remit (and therefore outside of their reporting functions). It was referred to the Housing Ombudsman.
		
		Do we do any learning from cases?
		Yes we do learn from cases that are upheld by the Ombudsman. Learning from the 6 upheld cases this year was included in the information circulated to all Members
		
		How much did these complaints cost us?
		There were 4 cases requiring remedy payments, totalling £1,173.00.

Agenda Item	Action/recommendation	Update/Status
		<u>Why was the Council late to comply in one case?</u> The case concerned required compliance within one month of the decision being issued with a remedy due date of 1st February 2022. The apology letter was issued on 28th January 2022 but payment was not made until 3rd February 2022, so the LGO record this as late compliance.
Health & Safety Update	Whether a copy of the Display Screen Equipment (DSE) information given to officers could be shared with Councillors to help them with their work environment at home.	Update to be provided at the Committee meeting
Health & Safety Update	With regard to the risks around abuse and threatening behaviour towards Councillors and how Councillors could keep themselves safe, officers confirmed that information on personal safety was sent around to all councillors recently and that they would revisit the information on the Local Government Association website and circulate any further useful information including how to de-escalate a situation.	In progress – further information to be circulated to all Members in the next ethical newsletter.

Report Number: SWT 140/22

Somerset West and Taunton Council

Audit and Governance Committee – 7 November 2022

External Auditor's 2020/21 Key Recommendation Update

This matter is the responsibility of Executive Councillor Benet Allen, Portfolio Holder for Corporate Resources

Report Author: Paul Fitzgerald, Assistant Director – Finance and S151 Officer

1 Executive Summary / Purpose of the Report

1.1 The external auditor included a Key Recommendation within his Auditor's Annual Report for 2020/21 presented to the Audit and Governance Committee on 13 December 2021. This referred to the auditor's risk assessment related to the Council's level of investment under its Commercial Property Investment Strategy, which is one of the fundamental pillars of the Council's agreed financial strategy.

1.2 An extensive management response to the recommendation was included in the report at the time and this report provides the Committee with an update on further progress since that time in reducing risks in this area.

2 Recommendations

2.1 The Committee is recommended to consider and note the arrangements in place to mitigate risks and the further actions taken in response to the auditor's Key Recommendation.

3 Risk Assessment

3.1 This report relates to the management of risk in respect of the Council's property investment strategy. The risk assessment is covered in detail in the main body of the report.

3.2 Management is satisfied that risks are being effectively managed in this regard.

4 Background and Full details of the Report

4.1 The Council first agreed its commercial property investment strategy in December 2019, as one of the pillars of its overall financial strategy. This was agreed with the purpose of investing in property assets for rental income to fund local services and help mitigate the significant reduction in other core funding from central government. The strategy has been reviewed annually, with 6-monthly progress reports provided to Full Council.

4.2 The Council agreed to invest up to £100m in income-generating assets with an initial net income target of £2m per annum. This income target was subsequently revised to £2.9m in 2020.

4.3 The first acquisition for the Fund was completed in August 2020 with the final purchase completed in December 2021. Twelve properties in total are included in the Fund, as detailed in previous reports. In total £99m has been invested over the two financial years. The assets are included on the Council's Balance Sheet at current value, with the income, management costs and financing costs built into the General Fund annual budget.

4.4 The Council's Leadership team agreed to include assurance reviews within our Internal Audit annual plans in both 2020 and 2021. The first review provided an early focus on the governance arrangements that have been established to implement the strategy, and the second review sought to ensure decisions are being made in line with the approved strategy. The **Internal Auditor provided a Substantial Assurance opinion in both reports**:

Report	Assurance	Recommendations for Action
Commercial Investments Governance (July 2020)	Substantial	0
Commercial Investments (August 2021)	Substantial	2 (both Priority 3 and completed)

4.5 As part of the annual audit process our external auditor, Grant Thornton LLP, provides an Auditor's Annual Report (AAR) with commentary on the Council's arrangements for securing economy, efficiency, and effectiveness in its use of resources. This includes themes of:

- Financial sustainability
- Governance
- Improving economy, efficiency, and effectiveness

4.6 Grant Thornton's AAR for 2020/21 was presented to Audit and Governance Committee on 13 December 2021. Within the report, the auditor included in his risk assessment "A significant weakness has been identified relating to the Commercial Strategy". The auditor therefore included a Key Recommendation as follows:

Key Recommendation: "The Council should develop a clear plan to address and mitigate the risks that it is exposed to as a result of the Commercial Property Investment Strategy."

4.7 The report includes a summary of the auditor's findings:

"The Council is acquiring a £100m commercial property portfolio over two years which is funded from borrowing, with £44m invested in 2020/21. From our review of the Council's Commercial Property Investment Strategy we consider that it is a departure from the principles of prudent activity that will be reinforced in the revised CIPFA Prudential Code. We have concerns around the scale of the commercial investment and the risks that it exposes the Council to. The General Fund will be dependent upon £7.1m commercial investment income by 2023/24. Regardless of the performance of the investment portfolio, the General Fund will have to pay MRP costs associated with the commercial acquisitions, which is forecast as £2.0m for 2023/24. HM Treasury and CIPFA have continued to comment on commercial investment activity and its (sic) prudence, with access to PWLB borrowing to finance investment activity of this nature stopped from November 2020 with a view to curtail this activity by Local Authorities."

4.8 The Council's S151 Officer interprets this recommendation as reflecting the auditor's recognition of the risks associated with increasing the Council's borrowing requirement by this amount and the reliance upon future investment income to fund services. It is not in his view a concern about the quality of the Council's governance arrangements and approach per se but of the scale of investment undertaken.

4.9 The Council's initial management response was included within the AAR in December 2021 and is set out in full in the Appendix to this report.

4.10 Summary of risk mitigations already in place:

- A clear approved Strategy which includes arrangements to assess and manage risk, with investment criteria reflecting appetite for risk.
- Diversification of income streams within the Financial Strategy.
- Governance arrangements designed to enable effective delivery of the Strategy.
- Prudent budget estimates for investment income.
- Appropriate use of skills, knowledge, and experience within our teams and procurement of professional services to support implementation.
- Robust due diligence to support investment decisions.
- Creation of a balanced portfolio for the Fund.
- A prudent approach to treasury management taking into account advice from our expert advisors.
- A borrowing approach that enables flexibility in view of local government reorganisation, including a blend of internal borrowing and external loans.
- A prudent approach to debt repayment with Minimum Revenue Provision included within the budget and medium term financial plan.
- Holding adequate reserves to mitigate income volatility and potential asset management costs.
- No plans to increase scale of investment above that agreed in the original approved Strategy.

4.11 As shown above the Council already applies a wide range of measures to manage and minimise risk for this activity. However, the Council has employed further steps to reduce risk following the identification of the Auditor's concern when the AAR was published in December 2021. These include:

- Using revenue funds towards financing of investment asset purchases, reducing the overall need to borrow.
- Accelerating debt repayment through additional MRP charges, reducing the quantum of borrowing needed and reducing refinancing risk as well as reducing future MRP and interest cost exposures.
- Increasing the balance of funds held in the Investment Risk Reserve and Investment Assets Sinking Fund, increasing resilience if actual results are adverse compared to budget.

Financing Using Revenue Funds and Additional Debt Repayments

4.12 The Strategy was originally prepared based on financing the capital costs of asset acquisitions through borrowing. However, the Council has agreed to part-fund these costs through use of revenue funds, i.e. cash rather than debt, with a total of £3.5m of capital costs financed in this way. This means the total borrowing requirement is reduced by 3.6%.

	£000	%
Investment property purchases funded through borrowing	95,445	96.4%
Revenue Contribution to Capital Outlay (RCCO)	3,520	3.6%
Total Capital Costs of Investment Properties	98,965	

4.13 The Council has an established policy for capital debt repayment – the Minimum Revenue Provision (MRP) policy. Prudently the policy provides for full debt repayment for the upfront borrowing requirement at 2% annually. Whilst not hardwired into the Policy with specific dependencies, and therefore not relied upon for prudent management, there is also the option highlighted within the treasury strategy to consider over the long term further reductions of borrowing where capital growth is realised.

4.14 MRP costs have been budgeted within the MTFP at £2m per year in respect of the investment property fund. Total MRP calculated per standard policy over the two years 2021/22 and 2022/23 totals £2.77m (no MRP due in 2020/21). To reduce financing risks, MRP overpayments – or accelerated debt repayments – totalling £1.112m have also been applied over the two years.

	£000
Investment property purchases funded through borrowing	95,445
Scheduled MRP per standard policy 2021/22 + 2022/23	-2,770
MRP Overpayments 2021/22 + 2022/23	-1,112
Residual Borrowing Requirement as at March 2023	91,563
Note: Residual Debt as % of Total Capital Expenditure	92.5%

4.15 Together the MRP overpayments and RCCO funding has reduced the borrowing requirement by an additional **£4.632m (4.7%)** thus reducing risks and costs quicker than the original strategy. Residual debt at March 2023 is £91.563m. By comparison, the residual debt at March 2023 would be £96.195m without these additional measures.

4.16 These measures mean that calculated MRP for 2023/24 is estimated to be £1.886m. This provides the option to reduce the MRP budget by £114k and provide a budget saving, or to further overpay MRP by up to this amount if the MRP budget is maintained at £2m for these properties.

Increasing Risk Reserves Balances

4.17 The risk management plan includes holding adequate reserves to mitigate net investment income volatility adversely affecting the outturn against budget. Through prudent financial planning an Investment Risk Reserve has been front-loaded with a £3m balance for this purpose, with a further £0.5m set aside in an Investment Assets Sinking Fund to be available to finance unavoidable landlord costs.

4.18 We have so far not needed to dip into these reserves. By contrast, we have added £151k to the Risk Reserve in 2021/22 from surplus investment income.

4.19 Through the 2022/23 Quarter 1 financial monitoring report the S151 Officer has recommended that a further £1m is added to the Investment Risk Reserve and a further £0.2m is added to the Sinking Fund, reallocating funds from other earmarked reserves where risk has reduced. This further strengthens the Council's resilience to ongoing volatility risk, with a total of £4.8m held in reserve to support the Commercial Property Investment Strategy.

4.20 It is also worth noting that, as well as these specific risk reserves, the Council currently holds a General Reserves balance of £6m+ as well as other earmarked reserves, providing wider financial resilience to support the General Fund.

Treasury Management

4.21 With the acquisition of its Commercial Property portfolio, the Council has needed to undertake additional external borrowing. Internal borrowing has supported the new acquisitions whereby cashflow balances have been utilised as far as possible to reduce the immediate impact of costs and risks associated with new borrowing. Examples of the main costs and risks might include:

- 'the cost of carry' – a term that relates to the short-term extra cost of borrowing over and above the interest received on holding the resulting additional cashflow at a lower interest rate.
- The risk posed by investments placed with any financial institution or entity that may suffer insolvency on the basis that, arguably, no entity is regarded as being immune to insolvency.

4.22 During 2021/22, in particular, our overall cashflow balances reduced, and we embarked on a programme of obtaining new external borrowing. The approach taken was influenced by a range of factors:

- Potentially, the forthcoming local government review may develop a revised policy towards property investments.
- The consolidation of cashflow balances and reserves held by the five existing Somerset councils upon unification may potentially be sufficient to avoid the need for borrowing needed for the property investments after 1 April 2023.
- Development of a new treasury management strategy for 2023/24 and beyond may re-shape the approach to borrowing in the longer-term.
- Exceptional developments and uncertainties in global and domestic (UK) economies, which required close monitoring whilst planning the new borrowing activities.
- The Treasury Team's view, based on economic data and market reaction, that there would be a growing risk of rises in UK money market interest rates, in the shorter-term at least.
- Bank of England announcements regarding its intentions for controlling inflation by using monetary policy measures, particularly interest rates.

4.23 The combination of all the above factors led to a carefully timed and balanced approach to sourcing new external borrowing. However, whilst councils have historically enjoyed the benefits of borrowing from the Government through the Public Work Loans Board (PWLB), access to new PWLB borrowing was eventually removed from this and other councils. This followed HM Treasury's concerns regarding councils' growing commercial investment activity being financed by Government loans. As a result, in November 2020, this council's (and others with property investments) option for new PWLB borrowing ceased, although refinancing of non-investment related borrowing is permitted.

4.24 This did not eliminate other options for borrowing through the Money Market. Whilst a range of alternative options for financing remain available, many councils carry surplus balances that are, in turn, available for other councils to borrow. This presented us with a reliable source of borrowing and at affordable rates of interest, which we were successful in translating into a well-balanced series of short-term loans (below one year) and a modest level of medium-term loans (up to four years in practice). We succeeded each time in securing fixed rates of interest ahead of the subsequent increases in market interest rates.

4.25 Most of the borrowing was fixed for repayment on a narrow spread of dates close to vesting day when the new Unitary Council commences. The spread of dates removed one substantial impact on cashflow management and financing around 1 April 2023, which is expected to be a challenging time for the new Council's financial operations. The medium-term borrowing was taken, firstly, to reflect that we require borrowing for other purposes such as the financing of the HRA capital programme and, secondly, provided a wider spread of financing periods, as recommended by our Treasury Advisors, Arlingclose. We succeeded in obtaining favourable fixed interest rates on the medium-term borrowing too, which has already been substantiated by market indications for a prolonged period of higher interest rates. The main outcome from the medium-term component of borrowing, even though being a smaller proportion of the overall spread, has been the protection against potential for higher costs of refinancing debt, the certainty and affordability provided, and the protection gained from the fixed interest rates achieved.

4.26 Regarding the Council's overall borrowing needs, it is also relevant to note that as part of the 2021/22 financial outturn we have reduced the need for borrowing within the Council's General Fund Capital Programme by £35m. As a result, the approved prudential borrowing limit set by the Council reduces by this amount, which reduces total risk in terms of prospective total exposure to borrowing.

4.27 The 2022/23 total General Fund Budget reflects total income of £77m from a variety of sources including sales, fees and charges, rental income, grants and contributions, benefits subsidy, treasury investments, investment properties, business rates, council tax and core funding grants from central government. Gross income from investment properties provides approximately 9% of total income used to fund services and service the debt related to investment properties.

5 Links to Corporate Strategy

5.1 The Commercial Property Investment Strategy forms a pillar of the Council's Financial Strategy, seeking to provide resources necessary to meet the Council's service priorities and mitigate significant reductions currently foreseen in other sources of funding over several years.

6 Finance / Resource Implications

6.1 The Council has invested a total of £99m in the Property Investment Portfolio during 2020/21 and 2021/22, which is estimated to deliver a gross income of £6.9m and a net income of £4m after management and financing costs in 2022/23.

6.2 Net income is budgeted to reduce to £3.3m in 2023/24 from the current portfolio because of prudent assumptions around increased borrowing costs through rising interest rates. This budget estimate still compares favourably with the net income target of £2.9m as targeted by the Commercial Property investment Strategy, providing flexibility to consider further transfers to reserves if required.

6.3 The upfront investment has been financed through £3.5m of revenue funds and £95.5m borrowing. Borrowing is undertaken through our treasury management team and to date the financing has been delivered through a combination of internal borrowing and external loans. Details of the Council's overall borrowing position is included in Treasury Management Reports to the Audit and Governance Committee.

6.4 As set out in section 4 above, the Council has so far provided funds for debt repayment through the Minimum Revenue Provision (MRP) charged to the revenue account totalling £3.9m. This includes £1.1m of accelerated 'overpayments' of MRP to more quickly reduce the borrowing requirement.

6.5 The total borrowing requirement related to this investment strategy is now £91.56m which represents 92.5% of the original investment cost. The Council's financial plan includes provisions for further debt repayment of c£2m annually, which will continue to reduce the borrowing requirement over time, reducing refinancing risk.

6.6 The Council currently holds £4.1m in an earmarked Investment Risk Reserve to mitigate potential adverse variances to budget if income should fall below expectation. This provides a significant level of resilience, for example 1% volatility in gross income for the year would be £69k; 5% volatility would be £345k; 10% volatility would be £690k.

6.7 The Council also currently holds £0.7m in an Investment Assets Sinking Fund earmarked reserve providing additional funding for asset maintenance costs if required.

Unitary Council Financial Implications and S24 Direction Implications

6.8 The investment property assets held, and associated balance of the capital financing requirement, will transfer to the new unitary Somerset Council on 1 April 2023. The only relevant S24 implications relate to any potential refinancing with long term loans greater than £5m which will need specific consent from the SCC S151 Officer. Specific consent would also be required if additional investment assets purchases were planned, but no such activity is planned this year.

6.9 A requirement of the updated Prudential Code is that at least annually the Council will consider its strategy for investments for yield and will consider whether investment exposure should be reduced to reduce risk.

7 Conclusion

7.1 The Council has a clear strategy supported by robust governance and operational arrangements in place to manage its current investment property portfolio and associated risks. This has been independently reviewed with substantial assurance provided by our internal auditor. The finance team has taken reasonable steps to implement effective treasury management arrangements that manage risks of investment and borrowing for the Council. Despite the limitations to PWLB access, the Council has secured the borrowing required in advance of the transfer to the new unitary council.

7.2 Through the LGR Finance Workstream, work is underway to assess the overall capital financing requirements of the new Council for 2023/24 onwards with the five Councils' investments and loans transferring on 1 April 2023. It has been agreed by all the S151 Officers through the Finance Workstream Board that it is sensible to consider longer term treasury management decisions once this assessment has been completed. This position is also supported by advice from Arlingclose to this effect. Therefore, the plan to address longer term financing of investment will be managed through the LGR process.

7.3 The Council has acted positively to respond to the Auditor's recommendation by reducing the overall borrowing requirement and strengthening its investment risk reserves, whilst maintaining prudent budget estimates. The **borrowing requirement has been reduced ahead of strategy by some £4.63m** through accelerated debt repayment and use of revenue resources instead of borrowing. In addition, **risk and asset management reserves have been increased by £1.2m to increase resilience**.

7.4 The high-level plan to manage risk ongoing can be summarised as follows, but with added elements as explained within this report in more detail:

- Maintaining robust governance and operational management of the portfolio with regular reviews to be undertaken in line with Prudential Code guidance.
- Managing investment spread on an ongoing basis to keep risks in balance.
- Realistic budgeting for net income from investments.
- Maintaining adequate reserves to mitigate income volatility risk and ongoing asset management requirements.
- Continue to operate a prudent MRP policy that reduces the capital financing requirement over time; and taking opportunities to accelerate debt repayment from income surpluses and capital gains from time to time.
- Managing future borrowing arrangements through a holistic treasury management strategy, using internal borrowing to maintain reduced treasury risk, and securing external borrowing on most appropriate beneficial terms when required.

Democratic Path:

- **Audit and Governance Committee – Yes (27/09/2022)**
- **Executive – No**
- **Full Council – No**

Reporting Frequency: Once only

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Management Response to Key Recommendation within the Auditor's Annual Report December 2021

The Council has been very robust in its identification and management of risk regarding the commercial strategy and related financing approach. This is clearly set out in the Commercial Strategy, Financial Strategy and Capital, Investment and Treasury Strategies. The Council has been open and transparent in its regard to the Prudential Code and the reasons for pursuing commercial investment as a means of diversifying its income streams to mitigate significant reductions in government funding and to support investment in local council services. We have complied with reporting requirements in respect of the Prudential Code and Capital Investment statutory guidance, and carefully considered aspects such as proportionality. The treasury approach to borrowing has been considered in view of advice from our treasury management advisors, medium term forecasts in respect of interest rates and volatility, the nature of investment and also with consideration to local government restructuring expected in April 2023.

Securing long term borrowing: In view of the nature of the portfolio, preserving flexibility to scale down the portfolio and/or debt level, and balancing costs and risks, it is regarded as prudent to avoid 'locking in' to long term debt at this point. The refinancing risk is carefully monitored and is currently considered low. The Council's overall debt portfolio contains a blend of long term and short term borrowing. It is proposed to review total financing structures as part of the transition to the new unitary and taking into account its future policy in respect of commercial investment.

Managing impact on the General Fund and Prudent Debt Repayments: Robust arrangements are already in place to manage risk to the General Fund. This includes: realistic budgeting for income and costs including: an optimism bias adjustment, budgeted annual MRP charges to the revenue account to reduce debt, a significant up-front Investment Risk and Volatility reserve balance of £3.7m with a strategy to increase year on year, Investment Financing Reserve of £2m; underpinned by strong governance and thorough due diligence to minimise risk. The MRP policy includes prudent provision for debt repayment annually which is reflected in the budget and MTFP. It is anticipated that in the longer term there will also be options to trade the portfolio and realise capital growth to further reduce debt.

Shadow Council risk awareness: Commercial Investment is included within the Finance Workstream as part of the LGR Implementation Programme, which will be the platform to enable the Shadow / Transition Council's appointed S151 Officer (when appointed) to inform and advise the successor authority.

Full compliance with the revised Prudential Code: It is proposed to consider this through the transition to unitary and taking into account the new Prudential Code when published (expected late December 2021). There is no plan for SWTC to increase investment beyond the existing approved level which is expected to be completed by December 2021. Our understanding is that CIPFA does not intend local authorities to rapidly dispose of existing commercial properties and create a 'cliff edge' in councils' income, but will require a halt to further capital investment purely for yield and a measured consideration of future opportunities for disposal of investment properties to reduce risk. It is anticipated this and will require the unitary Council's financial strategy to consider risk and future options to mitigate the significant reduction in net income this investment currently provides if asset investment is reduced.

As a general point, a comprehensive coverage of anticipated changes to the Codes and related risks is included in the mid-year Treasury Management report to the Audit and Governance Committee 13 December 2021, ensuring transparency and public accountability.

Report Number: SWT 141/22

Somerset West and Taunton Council

Audit and Governance Committee – 7 November 2022

Somerset West and Taunton District Council Audit Findings Report 2021/22

This matter is the responsibility of the Portfolio Holder for Communications and Corporate Resources, Cllr Benet Allen

Report Author: John Dyson, Corporate Finance Manager (Interim)

1 Executive Summary

1.1 This covering report introduces the annual report of our external auditor Grant Thornton UK LLP outlining the findings from the audit of the 2021/22 Statement of Accounts for Somerset West and Taunton Council (SWTC).

1.2 At the time of writing this report, the audit has been completed except that the audit team awaits the response from a panel which will confirm whether the Audit Opinion can be formally issued and signed immediately following this Audit and Governance Committee meeting or, instead, whether it is necessary to wait until after a statutory override has concluded. Ahead to that outcome, and before final signing of the Audit Opinion, Grant Thornton have indicated their intent to provide an unqualified opinion in respect of the accounts. An updated position will be confirmed verbally at this meeting by the auditor.

1.3 The auditor's value for money testing remains in progress and, following its conclusion, the outcomes are anticipated to be reported to the December meeting of this Committee.

2 Recommendations

2.1 The Committee is recommended to note the Audit Findings Report in respect of SWTC's Statement of Accounts 2021/22.

2.2 The Committee is recommended to approve management's proposed treatment of unadjusted misstatements, as set out in Appendix C of the Audit Findings Report.

2.3 The Committee is recommended to note the Auditor's Opinion in relation to the Statement of Accounts.

3. Background and Full details of the Report

3.1 The 2021/22 unaudited Draft Statement of Accounts for SWTC was signed off by the Council’s Assistant Director – Finance (s151 Officer) on 30 June 2022 – ahead of this year’s statutory deadline of 31 July. The Regulations continue to apply a delay to the usual deadlines in recognition of complex issues affecting audit market’s resources, as well as the impact of the Coronavirus pandemic on audit practices and local authorities alike.

3.2 The 2021/22 accounts are subject to independent review by the Council’s appointed external auditor – Grant Thornton UK LLP. The updated deadline for completion of this review and subsequent approval of the statement of accounts is 30 November 2022.

3.3 Grant Thornton has indicated their intention to issue an “unqualified opinion” for the 2021/22 Statement of Accounts for SWTC, except that they are awaiting the opinion of an audit panel as to whether their opinion for SWTC may be formally issued prior to a statutory override on a technical issue.

3.4 The statutory override stems from CIPFA having established a Task and Finish Group to address an issue regarding the derecognition of parts of infrastructure assets following 'replacement' expenditure. This represents a complex and serious issue for many local authorities nationally. Without a resolution, audit firms are mindful to issue qualified opinions on local authorities’ financial accounts. Therefore, CIPFA has been working with government and the devolved administrations and understands that the Department for Levelling Up, Housing and Communities is considering legislative prescription to support local authorities subject to finalising their work.

3.5 Mindful that SWTC does carry infrastructure assets in its Balance Sheet to the value of £9.5million (as at 31 March 2022), the auditor shall provide an update during his verbal report to Members at the meeting of this Committee on 7 November 2022. That will include an update on whether the Audit Opinion may be issued without the statutory override in place or whether the statutory override needs to have been enacted.

3.6 The Auditor has also been undertaking work to review the Council’s Value for Money arrangements. This review work remains in progress at the time of this report’s publication for this Committee agenda. Meanwhile, the National Audit Office has granted auditors an extension for the VFM work. This was confirmed in a letter from the auditor to the Chair of the Audit and Governance Committee, dated 22 September 2022. Ordinarily, auditors would be required to issue their commentary on VFM arrangements for local government by 30 September each year at the latest. Under the relaxation of the NAO deadline, the auditor now expects to publish the VFM report no later than three months after the date of the audit opinion on the financial statements for SWTC.

4 Links to Corporate Aims / Priorities

4.1 This report links to the Council's aim of achieving financial stability.

5 Finance / Resource Implications

5.1 The Auditors' report has identified adjustments that have been made to the Unaudited Statement of Accounts and these are itemised at Appendix C of the Grant Thornton Audit Findings Report.

5.2 It is worth noting that the external auditors are under significant pressure from the Financial Reporting Council in relation to property valuations and other technical aspects. A consequence of this is that there is significantly more rigour being applied in the audits of property assets, for example, including engaging qualified Valuers to assist in the audit of property assets on occasions. These requirements have impacted on the compilation of the Balance Sheet, where significant evidence is required to prove ownership, valuation and categorisation of historic assets, representing an onerous task for all parties. The audit also requires the review of valuations where changes in the property market, since the composition of data for the Balance Sheet, substantially impact on the valuations originally set for such assets.

5.3 The most significant changes between the Unaudited and Final Statement of Accounts relate to:

- Extending the Council's reclassification (in accordance with the Accounting Code) of components of the Coal Orchard development between Assets under Construction and Inventory, such that a prior year adjustment is required.
- Adjustments to the valuation of garages following the issue of incorrect data feeding into the valuation process.
- The impact of incorrect indices used to measure HRA properties.
- Reclassification (in accordance with the Accounting Code) of Community Infrastructure Levy receipts in advance following the unusual early receipt of monies from two developers.
- Reclassification between long-term and short-term borrowing in respect of a loan with stepped interest rates.

5.4 Other transactional changes made to the Statement of Accounts either fall below the Auditor's defined level of materiality, although have been implemented in order to enhance accuracy and completeness, or are of a narrative form that will improve the content and presentation of the accounts for the reader.

6 Legal Implications

6.1 The Council has a statutory duty to produce financial statements.

Democratic Path:

- Audit and Governance Committee – 7 November 2022

Reporting Frequency: Annually

List of Appendices:

Appendix A	Somerset West and Taunton Council Audit Findings Report 2021/22

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This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

Grant Thornton

The Audit Findings for Somerset West and Taunton Council

Year ended 31 March 2022

November 2022

Contents

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management and the Audit and Governance Committee.

Jackson Murray

Name: Jackson Murray

For Grant Thornton UK LLP

November 2022

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Somerset West and Taunton Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2022 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed in a hybrid manner, with a mixture of on-site and remote during July-October. Our findings are summarised on pages 7 to 18. We have identified material adjustments to the draft financial statements that were provided to audit, which have been adjusted in the final version of the financial statements. These, along with all non-trivial audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (Appendix E) subject to the following outstanding matters;

- final testing of the Movement In Reserves Statement, Expenditure and Funding Analysis, Minimum Revenue Provision and Related Parties notes on receipt of the updated version of the financial statements;
- conclusion of our consideration of infrastructure asset valuation, in line with the national issue in respect of infrastructure accounting;
- conclusion of our consideration of the accuracy of the valuation of car parks subject to revaluation adjustments by management that were not informed by a formal valuation exercise;
- receipt of assurances from the Somerset Pension Fund auditor; and
- satisfactory completion of final quality reviews and any resultant queries.

Following the satisfactory completion of all of the above, we will then be in a position to conclude the audit and issue our audit opinion following our:

- receipt of the signed management representation letter; and
- receipt and review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance.

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay was issued to the Chair of the Audit and Governance Committee in September 2022. We currently expect to report our Auditor's Annual Report to the Audit and Governance Committee in December. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified a risk in respect of Local Government Reorganisation. Our work on VFM is underway and an update is set out in the value for money arrangements section of this report.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Auditor's Annual Report in December 2022.

Significant Matters

We did not encounter any significant difficulties during our work. We did identify significant matters on the valuation of Property, Plant and Equipment and a large number of items requiring adjustment as detailed in Appendix C. We have considered and raised a prior period adjustment for the presentation of inventory.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- an evaluation of the Council's internal controls environment, including its IT systems and controls; and
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We did not significantly alter our audit approach to that reported in our Audit Plan.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being satisfactorily resolved, we anticipate issuing an unqualified audit opinion, as detailed in Appendix E. These outstanding items are included on page 3.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

For the first time since the start of the COVID-19 Pandemic, we completed some of our audit testing on site meeting with officers face to face as well as working remotely.

We have identified a number of adjustments to the draft financial statements as reported in appendix C.

2. Financial Statements

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Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan on 13 June 2022.

We detail in the table opposite our determination of materiality for Somerset West and Taunton Council.

	Council Amount	Qualitative factors considered
Materiality for the financial statements	£2.07m	We considered materiality from the perspective of the users of the financial statements. The Council prepares an expenditure based budget for the financial year and monitors spend against this, therefore gross expenditure was deemed as the most appropriate benchmark. This benchmark was used in the prior year. We deemed that 1.8% was an appropriate rate to apply to the expenditure benchmark.
Performance materiality	£1.45m	The Council does not have a history of significant deficiencies so 70% is considered a reasonable percentage for performance materiality
Trivial matters	£104k	Calculated as a percentage of headline materiality and in accordance with auditing standards
Materiality for senior officer remuneration	£20k	Based on the public sensitivity surrounding the disclosure of senior officer pay

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls	We have: • evaluated the design effectiveness of management controls over journals; • analysed the journals listing and determined the criteria for selecting high risk unusual journals; • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration; and • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness. Our sample testing of journal entries posted in the year did not identify any indication of management override of controls. We did not identify any significant changes in estimation techniques adopted between years (more information on our work on the Council's key estimates can be found on pages 12 to 16). During our work in the planning phase, we identified control weaknesses relating to journal system user rights which we have detailed in the internal controls findings in appendix A. In response to those findings, we increased the risk associated which doubled our planned substantive testing sample. As above, we found no errors or evidence of override.

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2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
The revenue cycle includes fraudulent revenue transactions (ISA240)	No changes to our assessment reported in the audit plan, this risk was rebutted as per justification below: Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the Council revenue streams, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including that of Somerset West and Taunton Council, mean that all forms of fraud are seen as unacceptable.
Valuation of Investment Property The Council has investment properties which must be valued annually at 31st March. As part of the Commercial Property Investment Strategy this portfolio has grown significantly in the year, doubling in size to over £100m. As with other land and buildings, the valuation for these properties is sensitive to changes in key assumptions. We will consider the key assumptions used in the valuation; • Rental yield; and • Annual income. Due to the rapid growth in portfolio size, we consider this valuation to be a significant risk.	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation expert; • written to the valuer to confirm the basis on which the valuation was carried out; • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation. This included testing to rental or lease contracts to check the annual income for properties; • used an auditor's expert with knowledge of investment property valuations to consider the appropriateness of yield figures used in valuation calculations; and • tested revaluations made during the year to see if they had been input correctly into the Council's asset register. Our audit work has not identified any issues in respect of the valuation of Investment Property.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings (including Council Dwellings, and Surplus Assets) The Council revalues its land and buildings on a rolling five yearly basis. 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. The Council's portfolio of Council Dwellings is revalued five-yearly, with an indexation exercise applied in intervening years in accordance with the "Beacon" methodology . Last year's audit identified that the data shared with the valuer for council property did not reconcile to the year end data. There was also no formal process for valuing sub-archetypes. Additionally, management will need to ensure the carrying value in the Council financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk.	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation expert; • written to the valuer to confirm the basis on which the valuation was carried out; • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation; • reconciled the data provided to the valuer to year end council dwelling listings; • confirmed the valuation method for sub-archetype Council Dwellings is appropriate; • tested revaluations made during the year to see if they had been input correctly into the Council's asset register; and • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. Our key findings from this testing are: • the incorrect number of garages was used by the valuer in their calculation resulting in a £5,981k reduction in valuation from the position reported in the draft financial statements (Appendix C); • inconsistent House Price Index (HPI) figures were applied to residential property in the valuation of different property classes. Following challenge of the valuer, an adjustment to reduce the land valuation of the Firepool site by £1,675k was processed (Appendix C); • car park assets formally valued at 31 March 2022 used an expenditure assumption rather than actual expenditure data. When the valuer was provided with actual expenditure data, this resulted in an upwards valuation adjustment of these assets of £495k; and • an impairment assessment of car parks not revalued was completed by management by assessing income received in the year against historic income generated from those car parks. Where this movement was significant, rather than requesting that the assets were formally revalued, the asset value was adjusted by management by the percentage movement in income. Management should not process valuation adjustments to the financial statements in such a manner, rather when it was identified that asset valuations could be significantly different to those previously provided, such as in this case, management should have formally instructed their valuation expert to undertake formal valuations of the assets at 31 March 2022. This is reflected against the relevant prior year recommendation in Appendix B. We have carried out our own procedures on the valuation changes which suggest that the valuations may be materially accurate, however our work in this area remains ongoing. Further information on the adjustments required in respect of the valuation of land and buildings can be found in Appendix C. Following the adjustments identified above, and the further detail reported on pages 12 and 15, our work to date has not identified any other significant adjustments or uncertainties.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Valuation of pension fund net liability

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£129m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 3% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.

Commentary

During the course of our audit procedures we have:

- identified the controls put in place by management to ensure that the pension fund liability is not materially misstated, and assessment of whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement;
- reviewed the competence, expertise and objectivity of the actuary who carried out the pension fund valuation, and gain an understanding of the basis on which the valuation is carried out;
- reviewed of the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from the actuary; and
- undertaken procedures to confirm the reasonableness of actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures suggested by their report.

Planned procedures under our audit approach which at the date of writing remain in progress include:

- procedures upon receipt of assurance responses from the Somerset Pension Fund auditor.

We noted that the 2021/22 IAS 19 report pension liability includes a settlement for funds attributable to the Council following the cessation of a subsidiary in 2019. The contingent liability in the draft accounts is not required as the value is already included in the pension liability. We challenged management on this area and following our work and review of related documentation concluded that it was appropriate for the liability to be recognised.

At the date of writing, there are no other issues arising from our work in respect of this risk which require reporting to the Audit and Governance Committee as those charged with governance. We will update this position to the date of issuing our auditor's report.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Risk of fraud related to expenditure recognition (PAF Practice Note 10)	No changes to our assessment reported in the audit plan, this risk was rebutted as per justification below: The risk of material fraud arising from expenditure recognition can be rebutted because, per Practice note 10, misstatements may arise where the audited body is under pressure to meet externally set targets. This environment does not exist at the Council.

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £109m	Other land and buildings comprises £36.8m of specialised assets such as leisure centres, sports pavilions and club houses, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£72.2m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged an external valuer to complete the valuation of properties as at 31 March 2022 in line with their five yearly cyclical basis. 76% of total assets were revalued during 2021/22. Management place reliance on the work of their expert, and we saw evidence of challenge of the assumptions and valuations by management as part of the valuation process. Management have considered the year end value of non-valued properties to determine whether their carrying value could be materially different to their current value had they been valued in year. Management took this assessment and changed asset values of car parks by the percentage movement in income. This approach to valuation was inconsistent with the formal valuation methodology. A recommendation has been kept open in Appendix B. The total year end valuation of land and buildings was £109.0m, a net increase of £5.3m from 2020/21 (£103.7m) when valuation and other movements were taken into account, such as capital additions and depreciation.	From our review of the source data provided to the valuer and challenge of the assumptions adopted we identified some inconsistencies in approach. The housing price index used in valuing residential land differed between valuations (based on date rather than property type). This caused an adjustment recorded in Appendix C. We found that the inputs in the car park valuation were based on an assumption of expenditure rather than actual data. When this was updated, another adjustment was made by the valuer and management updated the financial statements (see Appendix C). We also assessed the appropriateness of the valuation methods adopted, and no issues were identified as a result of this review. The valuation methodologies used by the expert were appropriate. We found that management has performed their own revaluation of car parks not formally revalued. This methodology was not consistent with that of the valuer. We have performed procedures which suggest that this did not result in a material error, however we are yet to conclude our procedures in this area and have retained a prior year recommendation in respect of this in Appendix B.	Following the adjustments to the financial statements, we are satisfied that the valuation is appropriate and key assumptions are neither optimistic or cautious. We have kept the finding over management's approach to assets not revalued open in Appendix B.

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation - £103m	Investment Properties comprise £103.1m of assets held to generate rental income such as retail parks and office blocks, which are required to be valued at Fair Value (FV) at year end, reflecting the market value, i.e. the price that would be received to sell the asset. The Council has engaged an external valuer to complete the valuation of properties as at 31 March 2022. The total year end valuation of investment property was £103.1m, a net increase of £53.1m from 2020/21 (£50.0m). This movement was driven significantly by additions of £55m rather than fluctuations in fair value. The valuation changes in fair value were (£1.9)m in 2021/22.	Management have updated their policy as recommended in the prior year to have the full investment property portfolio revalued on an annual basis. To check that this occurred, the auditor obtained the listing of investment properties on the fixed asset register and agreed that all of them were included in the revaluation report. The revaluation methodology and assumptions are considered reasonable. There are no indicators of material misstatement. From our review of the source data provided to the valuer and challenge of the assumptions adopted we did not identify any issues regarding the rental agreements and inputs in to the valuation. As stated in our audit plan, we engaged our own auditor's expert to assess the yield assumptions used by management's expert in their valuation. No issues were identified following this work and our follow up queries to management's expert. The valuation report confirms that it is not subject to material valuation uncertainty as it has been in previous years as a result of the COVID-19 pandemic. This is in accordance with our expectations and the latest RICS guidance.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious.

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2. Financial Statements - key judgements and estimates

Significant judgement or estimate

Net pension liability – £129m

Summary of management's approach

The Council's net pension liability at 31 March 2022 is £129.0m (PY £140.2m) comprising the Somerset Pension Fund Local Government and unfunded defined benefit pension scheme obligations. The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years.

The latest full actuarial valuation was completed in 31 March 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £22.3m net actuarial gain during 2021/22.

Audit Comments

With the use of the consulting actuary as an auditor's expert, we have confirmed that management's actuary are competent, capable and objective.

We considered that the significant risk in respect of pension fund valuation related to the assumptions used in the calculation, rather than the methodology used with is standard and in accordance with the requirements of the CIPFA Code and accounting standards. We make use of the consulting actuary (PWC) to assess the reasonableness of the assumptions adopted and set out below our consideration of these assumptions.

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.60%	2.55%-2.60%	
Pension increase rate	3.20%	3.05% - 3.45%	
Salary growth	4.20%	3.70% - 5.20%	
Life expectancy – Males currently aged 45 / 65	23.2 / 21.8	21.9-24.4 / 20.5-23.1	
Life expectancy – Females currently aged 45 / 65	25.2 / 24.2	24.9-26.4 / 23.4-25.0	

Our work includes procedures to ensure the completeness and accuracy of the underlying information used to determine the estimate. We review the data provided by the Council and the Pension Fund and corroborate this to supporting payroll data used elsewhere in our audit procedures. We also obtain assurances from the auditor of the Somerset Pension Fund over the processes and controls in place, and we currently awaiting these assurances.

We did identify one significant change in the actuaries report. In 2021/22 the cessation report for a demised subsidiary was completed and allocated the liability for former employees to the Councill. After further investigation this was considered appropriate and the accounts liability correct. As a result, a disclosed contingent liability in the draft accounts was removed.

Through our procedures to date, we are satisfied that the estimate is reasonable and that the disclosures within the financial statements are adequate. We await receipt of assurances from the Somerset Pension Fund auditor to allow us to conclude our work.

Assessment

We consider management's process is appropriate and key assumptions are neither optimistic or cautious, subject to receipt of pension fund auditor assurances.

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Buildings – Council Housing - £353m	The Council owns over 5,600 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council engaged an external valuer to complete the valuation of these properties. They carried out a valuation of all rural properties in year, with a desktop valuation of all of the other beacons undertaken as at 31 March 2022 in accordance with the guidance.	We have reviewed management's process and tested the inputs in the calculation. This identified some issues that we have reported. We challenged the data used by the valuer in respect of the number of garages and identified a material adjustment that was caused by the use of the incorrect number of garages (see Appendix C). For dwellings formally revalued in-year by the valuer, we have agreed a sample to comparable market evidence and no issues were identified. Management have appropriately applied values to the correct sub-archetypes in year. In Appendix B, we have left open a recommendation from the prior year for there to be a formal process setting out how sub-archetypes are valued. As noted in the prior year, House Price Index data available at the time that the valuation was completed has been updated post year end. We have reviewed the processes completed by the valuer to gain assurance that the index used in the valuation was appropriate. Given that the valuation process was appropriate, no adjustment to the valuation has been recommended based on changes in post year end House Price Index data.	Following the adjustments to the financial statements, we are satisfied that the valuation is appropriate and key assumptions are neither optimistic or cautious.

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2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £5.1m	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. In 2021/22 the Council's MRP and Voluntary Revenue Provision (VRP) costs were £5.1m, a net increase of £1.9m from 2020/21. The reason for this increase is Full Council approved plan to use £1m of unused reserves to make a capital debt repayment to reduce overall General Fund borrowing and the MRP becoming chargeable on the significant new investment property assets purchased in 2020/21 for the first time. The Council calculates MRP using the Equal Instalment Method, as allowed under the relevant guidance. Management consider this to be a prudent approach as it takes into account the materiality of each asset and it's remaining useful life. MRP in respect of investments properties is calculated on a straight line bases over 50 years.	The MRP charge for the General Fund is £2,624k and has been calculated in line with the statutory guidance (using the Equal Instalment Method). We assessed that the Council's policy on MRP complies with the Statutory guidance and no noted changes in policy from last year. The remaining balances relate to Voluntary Revenue Provisions in respect of the HRA (£1,069k) and service loans granted (£1,402k). We are satisfied that the additional £1m repayment was approved by Full Council on 24th February 2022. As we reported in 2020/21, we expect a further increase in the MRP chargeable in 2022/23 as MRP becomes due on the investment properties purchased in 2021/22 for the first time. Government have consulted on changes to the regulations that underpin MRP, to clarify that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted. The consultation highlighted that the intention is not to change policy, but to clearly set out in legislation, the practices that authorities should already be following. Government will issue a full response to the consultation in due course.	This work is to be finalised with the final set of accounts

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2. Financial Statements - matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary	Auditor view and management response
Inventory In the draft financial statements, management recognised £3.9m of inventory in the Balance Sheet at 31 March 2022. This related to residential properties being constructed for sale as part of the Coal Orchard development in Taunton. The remaining costs incurred to date on this development were recognised within the Assets Under Construction total on the Balance Sheet.	We reported in 2020/21 that the CIPFA Code and related accounting standards require properties being built purely for resale to be recognised as inventory on the Balance Sheet until which time they are sold, with the related income / expenditure recognised in the Comprehensive Income and Expenditure Statement at the point of sale. As a mixed-use development, only the residential properties being built on the Coal Orchard site should be recognised as inventory, with the remaining costs held in Assets Under Construction. In 2021/22 we challenged the apportionment used by management and found that in both 2020/21 and 2021/22, adjustments were required so that the split between inventory and assets under construction in the accounts were an accurate reflection of intentions for use. The CIPFA Code requires inventory to be valued at the lower of it's cost or it's Net Realisable Value, which is the expected sales proceeds less any estimated costs required to complete and any associated sales costs. Based on post year end sales agreements, we were satisfied that no impairment was required. We report a £304k difference between our expected NRV and that of management's.	The adjustments required are purely classification based on the apportionment of residential houses being built for resale compared to properties which will remain owned by the Council. We agreed with the apportionment and allocation workings prepared by management but these needed to be reflected in the final accounts as the draft accounts were using an incorrect split. Following our challenge, management agreed that an adjustment was required to the 2021/22 figures. As the allocation could have reasonably been known at 31/03/2021, a prior period adjustment (PPA) has also been agreed, restating the 2020/21 allocation. As a result, inventory moved by £280k upwards in 2021/22 and £2,522k downwards in 2020/21 (other side being assets under construction for residential rentals rather than sale). These changes do not have an impact on the Council's useable reserves. **Management response** The componentisation of the Coal Orchard development reflects the variety of uses intended for this development. The physical development works have been complex, with measurements, plans and data following suit. We have responded positively to the auditors' findings during last year's and this year's audit, and we have incorporated updates in the accounting ledgers to reflect the accounting treatment necessary.

2. Financial Statements - matters discussed with management (continued)

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary	Auditor view and management response
Infrastructure Assets Following recent regulatory reviews and discussion between firms at a national level, it appears that some local authorities may be accounting for Infrastructure assets incorrectly . There are a number of aspects to this, but in particular capital spend on replacing components has been added without derecognition of the previous component and hence has potentially materially enhanced the value of infrastructure assets in error.	During our audit fieldwork, CIPFA have been working on a mechanism for updating the national accounting issue in respect of the valuation and disclosure of infrastructure assets. The audit team have obtained evidence for the gross book value of assets and challenged managed on the useful economic lives assumptions used for the calculation of depreciation. The draft financial statements included a depreciation charge of £750k for infrastructure assets in 2021/22, compared to a charge of £750k in 2020/21. We were satisfied that this had been calculated using the adopted useful life of 25 years for infrastructure assets although noted that it had been based on a reducing balance rather than straight line methodology (Appendix C adjustment to accounting policy). In Appendix A we have recommended that management obtain an expert assessment of whether the useful life of 25 years is appropriate for all infrastructure assets.	The audit team await the response from a panel which will confirm whether the audit opinion can be issued after the Audit and Governance Committee meeting or whether we will wait until the proposed national statutory override is enacted before we can complete the audit. Management response We await the final audit conclusion on this matter.

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2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Governance Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council which is included in the Audit and Governance Committee papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's bank and institutions the Council had year end investments and borrowings with. This permission was granted, the requests were sent and returned with positive confirmations.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. On review, we requested that management included a policy for prior period adjustments.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements - other communication requirements

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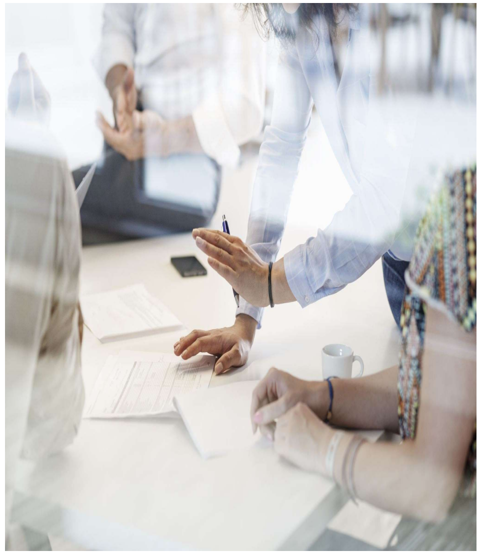
Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates; • the Council's financial reporting framework; • the Council's system of internal control for identifying events or conditions relevant to going concern; and • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified; and • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix E
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit; • if we have applied any of our statutory powers or duties; and • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Note that has not yet begun as the WGA group audit instructions for 2021/22 has yet to be issued. As such we will be unable to issue our audit certificate alongside the audit opinion.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2021/22 audit of Somerset West and Taunton Council in the audit report, as detailed in Appendix E, due to incomplete VFM and WGA work.



3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay was provided to the Chair of the Audit and Governance Committee in September 2022. We expect to issue our Auditor's Annual Report in December 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified the risk set out in the table below.

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Risk of significant weakness	Procedures to be undertaken
Arrangements for transition to the new Unitary Authority Local Government reorganisation in Somerset will result in an end to the current two-tier system from 1 April 2023, with a single Unitary Authority taking responsibility for service delivery across the county. There is a risk that arrangements are not in place to support a successful transition.	We will: • consider the arrangements that have been put in place to support a successful transition across key financial and governance workstreams; and • assess how the Council is working with its partners to support the change. Our work to date has not identified any indications of significant weaknesses in arrangements.

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified.

Service	Proposed fees	Threats identified	Safeguards
Audit related			
Agreed upon procedures on the Council's Pooling of Housing Capital Receipts return	£6,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £6,000 in comparison to the total fee for the audit of £71,100 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Agreed upon procedures on the Council's Housing Benefit subsidy return	£20,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £20,000 in comparison to the total fee for the audit of £71,100 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

Appendices

A. Action plan – Audit of Financial Statements

We have identified eight recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2022/23 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	Journal system controls Journals entry user access rights did not have appropriate segregation of duties in 2021/22. One individual within the finance team had system administration rights meaning that they could create unauthorised account codes, change user privileges and make changes to parameters set on the system. Fifteen other individuals had rights that could allow them to create new users meaning that they could in theory create a new user with administration privileges and post unauthorised journals. No log of retrospective changes to the system was kept which meant that this could occur without detection. In response to this finding, the audit team increased the risk associated with journal entries, which doubled the size of the journals substantive testing sample, asked all journal posters whether they were asked to post anything unuusual and reviewed all journal posters with management to ensure that no journals were posted by unexpected accounts.	• Ensure that there is adequate segregation of duties between those with administration rights and those who use the journals system. • Maintain a regular log of changes made to user rights and evidence review Management response A new procedure has been written. The allocation of system access has been reviewed and updated, removing access by the senior officer where the auditors had highlighted that controls are at risk of being compromised. Whilst, by definition, there needs to be access by the administrator to the posting of journals on some rare occasions (e.g. system testing), this is by exception and is approved in advance by line management. System reports are able to demonstrate that only appropriate journal input occurs.
Medium	Year end bank reconciliations The year end bank reconciliation included £526k of credit items for 'sweep' accounts. On further investigation these were unreconciled cash items that had been received which should have been matched off with receivables. The draft accounts also show a negative cash held position which should have been coded to bank. The bank reconciliations were over complicated that led to these simple errors.	Bank reconciliation processes should be reviewed and simplified so that there is clear trail between the bank letter and general ledger without multiple misclassified accounts. Management response A new procedure has been written. In practice it makes the year-end reconciliation less cumbersome, as well as removing the risk of misstatement in the accounts. The larger than normal balance of £526k on the 'sweep' accounts as at 31 March 2021 coincided with a high-value banking receipt as well as a reduction of two officers in the team of three (one maternity and one conclusion of a temporary employee contract).
Low	Service organisation reports Midland HR provide the iTrent software which is used for payroll services by the council. No service auditor report was available to confirm the controls within Midlands HR to confirm that their processes are sufficient and appropriate	This report should be requested for 2022/23 or management should identify other ways in which to obtain appropriate assurance over their service provider. Management response SWT's payroll system(iTrent) is in the process of a transfer to the County Council's solution, so being replaced by the new Unitary Council's payroll system (SAP) as we appraoch LGR in April 2023. Colleagues in HR have been alerted to the recommendation with the view to it being factored into plans for the new council.

A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Low	**Service organisation reports** Midland HR provide the iTrent software which is used for payroll services by the council. No service auditor report was available to confirm the controls within Midlands HR to confirm that their processes are sufficient and appropriate	This report should be requested for 2022/23 or management should identify other ways in which to obtain appropriate assurance over their service provider. **Management response** SWT's payroll system(iTrent) is in the process of a transfer to the County Council's solution, so being replaced by the new Unitary Council's payroll system (SAP) as we appraoch LGR in April 2023. Colleagues in HR have been alerted to the recommendation with the view to it being factored into plans for the new council.
Low	**iTrent monthly reports** The iTrent payroll system could not produce monthly 'changes in circumstance' reports showing pay changes or promotions meaning that these could not be tested. Our review of starters and leavers reports did not identify any issues.	If iTrent cannot record this information, the Council should find an alternative way of saving the changes for review. **Management response** As stated above, SWT's payroll system is in the process of being replaced by the new Unitary Council's payroll system (SAP) in advance of LGR. The system capabilities are being tested and colleagues involved in the LGR process for HR/Payroll have been alerted to the recommendation so that it may be taken into account for future development of system reports.
Low	**Housing Benefits payments parameters** Our review of the parameters in the Housing Benefits payments system identified two instances where incorrect parameters had been entered into the Civica system, meaning that the calculations from the system could be incorrect. The size of this error (impacting Lone Parent claims and Polygamous Marriages claims) could only be £2,355 and so is clearly trivial to the 2021/22 financial statements, but is a reminder to check the inputs of the system parameters to the nationally published rates.	Agree the parameters input into the system annual back to the Civica system to the relevant Department for Work and Pensions circular and ensure an appropriate control check is performed. **Management response** The recommendation is accepted
Low	**Review of infrastructure asset useful lives** The economic useful life for all infrastructure assets is considered to be 25 years. This includes a variety of asset types from sea walls and flood defences to high street furniture. The depreciation charged and therefore net book value of these assets could be misstated if 25 years is not appropriate	Have a valuer, surveyor or internal expert complete an assessment of the useful lives of infrastructure assets to consider whether this policy should be updated. **Management response** Whilst inspections do occur for these assets, in particular coastal assets, and whilst remedial work is carried out to protect their structures when required and within resource availability, the recommendation is accepted for the purpose of ongoing asset management. This will, inevitably, be a part of the developing asset management processes after the transfer of assets into the new unitary council in April 2023.

A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Low	**Review of fixed asset register** Our disposals testing of 5 items identified that 2 of them had a net book value of £nil but that this had not been reflected in the fixed asset register (FAR). On review of the FAR, assets with a gross book value of £3.5m but £nil net book value brought forward were found which could not be identified in reality. Management have removed these assets from the FAR and accounts (see Appendix C) but there is a risk that the controls over the FAR are not reconciling the register back to the accounts or monitoring actual assets held.	Perform an annual review of the FAR for assets which no longer exist and establish a process where any disposal in the ledger results in a check that the asset has also been disposed on the FAR **Management response** The recommendation is accepted. Given the wide variety and number of assets in the register, the annual review will need to consider a proportion of assets held. Meanwhile, ongoing checks will be made to ensure such assets are written out in the year of disposal.
Low	**Cybersecurity Framework Policy** During our interviews to consider IT general controls, it was explained to us that there is no cybersecurity framework policy in place.	A cyber-security framework should be designed and implemented. **Management response** Officers are currently working on a project in place called 'Cyber Essentials plus accreditation' which is a framework to address the basics of cybersecurity. This is required as part of the Local Government Reorganisation transition to One Somerset.

B. Follow up of prior year recommendations

We identified the following issues in the audit of Somerset West and Taunton Council's 2020/21 financial statements, which resulted in 4 recommendations being reported in our 2020/21 Audit Findings report. There are also 2 items from the 2019/20 audit not resolved in 2020/21. We are pleased to report that management have implemented the majority of our recommendations. We have followed up on the implementation of one of our recommendations and note that was still an issue in 2021/22.

Assessment

✓ Action completed

X Not yet addressed

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
x	Council Dwellings – Valuing Sub-archetypes We identified that the Council applies differing values to sub-archetypes of Council Dwellings but was unable to provide any details or documentation on how this is carried out except that it is proportionately applied from the prior year's values.	We continue to recommend that the Council should document a formal process as to how the sub-archetype valuations should be determined as this was not completed for 2021/22.
✓	Surplus Assets not Revalued Surplus assets should be measured at fair value in the Balance Sheet in line with the Code, and hence valued annually at 31 March.	Surplus assets were revalued in 2021/22.
✓	Section 106 monies During the 2020/21 audit process the Council informed us that there were differences between the details relating to Section 106 monies in finance's records and those in the system maintained by other departments in the Council.	A reconciliation of these monies has been made in 2021/22 reconciling £123k between the systems at the 31.03.2022
✓	Fixed Asset Register The Fixed Asset Register of the Council is maintained in a spreadsheet which is susceptible to file corruption and data loss that may lead difficulty to the Council keeping track of it's property, plant and equipment.	As reported in the 2020/21 Audit Findings Report, management have accepted this risk. After audit request, an exercise was completed in 2021/22 to remove assets with a net book value of £nil not in use as at 31/03/2021 to keep the register up to date for assets still identifiable and in use.

B. Follow up of prior year recommendations (continued)

Assessment
✓ Action completed
X Not yet addressed

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Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
x	Assets not revalued The Council have a 5 year rolling programme for revaluing land and buildings. In the intervening years, we would expect the Council to review all assets which have not been revalued to identify if there are any material misstatements from the last valuation. This exercise has not been undertaken by the Council in year.	Management did complete a review of assets not revalued in year for indicators of impairment. For car parks, this was based on comparing gross income from each car park in 2021/22 to average gross income between 2017 and 2020. The % movement in income was then applied to the asset as a revaluation adjustment. This is not consistent with the valuation approach that the valuer took (which used net income and a yield) and under the CIPFA Code management should not enact valuation adjustments in the financial statements without a formal RICS compliant valuation. The impairment indicator exercise should be used to instruct whether a formal valuation is needed rather than performing a rough desktop exercise without expert advice.
✓	Member's Declaration Forms Our testing of Members disclosures of interest found that a proportion of request had not been returned in the 2019/20 or 2020/21 audit.	We note that 100% of member's declaration forms were returned for the 2021/22 audit giving us assurance over completeness.

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

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Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000
When testing the valuation of HRA garages, it was identified that the incorrect number of garages had been included in the final calculation. The incorrect element of the upwards revaluation was therefore reversed.	Dr Impairment expense £1,528 Dr (Surplus) or deficit on revaluation of Property, Plant and Equipment assets £4,452k reversed to the Revaluation Reserve in the Movement in Reserves Statement	Dr Revaluation reserve £4,452k Cr Property, plant and equipment £5,980k
The Housing Price Index (HPI) used in the valuation of Firepool Assets Under Construction residential portion was updated to be consistent with the HPI used on other residential valuations in the accounts. The index was updated to be consistent with the other valuations performed	Dr (Surplus) or deficit on revaluation of Property, Plant and Equipment assets £1,675k reversed to the Revaluation Reserve in the Movement in Reserves Statement	Dr Revaluation reserve £1,675k Cr Property, plant and equipment £1,675k
On testing the valuation methodology for car parks, our audit identified that an assumed rate of expenditure was used rather than actual expenditure. Once this was updated in the model, a material movement in the valuation was calculated	Cr (Surplus) or deficit on revaluation of Property, Plant and Equipment assets £495k reversed to the Revaluation Reserve in the Movement in Reserves Statement	Dr Property, plant and equipment £495k Cr Revaluation reserve £495k
Adjustment for Community Infrastructure Levy receipts in advance as works have not yet begun and hence are not chargeable developments so income cannot yet be recognised.	Dr Tax and non specific grant income £3,015k	Cr Capital grants received in advance £3,015k
Write off of gross book value of assets from fixed asset register with nil book value at beginning of year which can not be identified. (See appendix A)		Dr Accumulated Depreciation £3,547k Cr PPE gross cost £3,547k
Overall impact	£(4,543)k	£(4,543)k

C. Audit Adjustments

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000
Inventory adjustment for known use of Coal Orchard site split between residential and non-residential property.		Dr Inventory 280k Dr Other Land and buildings £1,465k Cr Assets under construction £1,745k
Cash received before year end still recognised in receivables at year end when it should have been reconciled to bank. Cash in transit relating to car park income is a bank reconciling item rather than cash.		Dr Bank £121k Dr Cash held 405k Cr Receivables £526k
Classification adjustment for COVID-19 support grants.		Dr Creditors £1,239k Cr Grants received in advance £1,239k
For HRA assets sold, the residual gain is to be written out of the revaluation reserve and through the capital adjustment reserve to recognise that this gain has now been realised		Dr Revaluation reserve £544k Cr Capital adjustment account £544k
Reclassification between short and long term borrowing, based upon maturity dates.		Dr Short-term borrowing £15,000k Cr Long-term borrowing £15,000k

C. Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Issue	Adjusted?
Presentation of Note 13 – In the draft accounts, £1,220k of grant income was presented as income from Council Tax and NNDR. This meant that note 13 (total grant income £54,548k) did not agree to the total grant income per note 32 (£55,768k). This required amendment.	✓
Various small wording and typo adjustments in the narrative statement and accounting policies.	✓
Note 5 amended to remove non-material items.	✓
An accounting policy for prior period adjustments was required given the prior period restatement.	✓
Adjustments were required to note 11, 13 and 15 to make sure that they were consistent with each other. The CIES mapping of HRA expenditure was also updated to make this consistent with the HRA statement.	✓
Note 37 for contingent liabilities did not require item i) for the transfer of pension assets and liabilities from a demised partner organisation as the liability is already appropriately included within the pensions note.	✓
Note 35 for leases to include a summary of spend in year on lease contracts and also updated for completeness of lease contracts for total future minimum lease payments. The adjustment in 2021/22 was to increase the minimum total future lease payments as a lessor by £71,179k from £31,244k to £102,423k due to the number of new investment properties. The 2020/21 figure was increased by £28,113k.	✓
Note 8 of the draft accounts repeated the 2019/20 note rather than including the 2021/22 table. This has now been updated	✓

C. Audit Adjustments

Other findings

Issue
Our testing of invoices received post year-end to determine if the expenditure and related creditor had been recorded in the correct financial year identified four cut-off errors amounting to £44.7k which related to the 2021/22 accounting period that were not recognised in the 2021/22 financial year as expenditure and related creditor. We extrapolated the errors to determine the total potential error across the population and this suggested a maximum £258k understatement in both expenditure and creditor. As this was immaterial we concluded that we had sufficient assurance that the balances and transactions were not materially misstated.

As extrapolated or estimated errors, we would not expect the above to be adjusted in the financial statements but are required to report them to the Audit and Governance Committee.

C. Audit Adjustments

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Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement	Balance Sheet	Reason for not adjusting
Our testing on fees and charges and other income identified that there is an overstatement of gross income and expenditure relating to the internal recharges of Ground Maintenance between Open Spaces (GF) and Housing Team (HRA Fund). This results to overstatement in gross income and expenditure but nil impact on the Surplus or Deficit on the Provision of Services.	Dr gross income £207k Cr gross expenditure £207k		Individually and cumulatively not material No impact on GF
We recommended that management included an accounting policy for setting an accruals de-minimis of £2k.			Change not material Not a policy of management
Testing of creditors identified errors of £7,230 in a population tested of £1,703k. When this was extrapolated across the entire creditor population we had a non-trivial error although the risk of this being an actual error is low.	Cr gross expenditure £131k	Dr Creditors £131k	This is an extrapolated rather than actual error
The admin element of CIL receipts in advance (5%) is recorded as creditor rather than capital grants receipts in advance		Dr Creditors £341k Cr Receipts in advance £341k	Individually and cumulatively not material No impact on GF Classification only
Prior period comparative figures in note 16 Gains or Losses table contained an error in the 'gains or losses on revaluation' line. Disclosure only – no impact on 2021/22. Note 16 prior year shows £1,084k gain on revaluation in financial instrument note but this is a repetition of the gains on changes in fair value above that was incorrectly copied down in the note. The value was updated to correctly show the reported value from 2020/21.			Changes not material an no impact on current year figures No impact on GF Disclosure only

C. Audit Adjustments

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2020/21 financial statements.

Detail	Comprehensive Income and Expenditure Statement	Balance Sheet	Reason for not adjusting
A significant number of Investment Properties were purchased 2021 and were not revalued at 31 March 2021 as management asserted that the purchase price was a reasonable approximation of fair value. We undertook an indexation based upon market data which suggested that the valuation could be understated by £252k, and hence we considered that there was no material valuation adjustment.	Cr Financing and Investment Income and Expenditure £252k	Dr Investment Property £252k	Individually and cumulatively not material

Note that all of these properties were subject to formal valuation at 31 March 2022 and hence this is not an issue at this date.

D. Fees

We confirm below our expected fees charged for the audit and provision of non-audit services.

The fees recorded here reconcile to the financial statements.

Audit fees	Proposed fee	Final fee
Council Audit	£73,600	TBC*

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
Certification of Housing Capital Receipts grant	£6,000	TBC*
Certification of Housing Benefits grant	£20,000**	TBC*
Total non-audit fees (excluding VAT)	**£30,000**	**TBC***

*Final fees are yet to be confirmed as our work on VFM is not yet complete and our work on grants has yet to begin for 2021/22.

** Covers the base cost of this work and includes the cost of 2 sets of additional testing. Additional errors identified are agreed with the Council and in accordance with the requirements of the DWP, additional testing is undertaken on each error. This additional testing is charged at £1,200 per set of additional tests. In 2021/22 we are aware of 2 sets of additional testing that will be required due to issues identified in our 2020/21 work. Further errors identified during our 2021/22 work will result in further additional costs. Therefore, at the planning stage we expect the cost will be £20,000. This may increase following completion of our work and we will report the final fee to the Audit and Governance Committee following the conclusion of our work.

E. Audit opinion

Our audit opinion is included below.

We anticipate we will provide the Council with an unmodified audit report

Independent auditor's report to the members of Somerset West and Taunton Council

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Somerset West and Taunton Council (the 'Authority') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Statement of Movement on the HRA Balance, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the Notes to the Core Financial Statements, the Housing Revenue Account Notes and the Collection Fund Notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2022 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Assistant Director - Finance (S151 Officer)'s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

E. Audit opinion

In our evaluation of the Assistant Director - Finance (S151 Officer)'s conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Assistant Director - Finance (S151 Officer)'s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Assistant Director - Finance (S151 Officer) with respect to going concern are described in the 'Responsibilities of the Authority, the Assistant Director - Finance (S151 Officer) and Those Charged with Governance for the financial statements' section of this report.

Other information

The Assistant Director - Finance (S151 Officer) is responsible for the other information. The other information comprises the information included in the Statement of Accounts and the Annual Governance Statement, other than the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

E. Audit opinion

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Assistant Director - Finance (S151 Officer) and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities for the Statement of Accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Assistant Director - Finance (S151 Officer). The Assistant Director - Finance (S151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Assistant Director - Finance (S151 Officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Assistant Director - Finance (S151 Officer) is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Governance Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

E. Audit opinion

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 1972, the Local Government and Housing Act 1989 and the Local Government Act 2003.
- We enquired of senior officers and the Audit and Governance Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers and the Audit and Governance committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journal entries posted by users with administration access rights and material management estimates and judgements.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Assistant Director - Finance (S151 Officer) has in place to prevent and detect fraud;
  - journal entry testing, with a focus on unusual and high risk journals, including those identified as posted by senior personnel, those with administration rights on the system, those made by unusual posters or in unusual accounts combinations;
  - challenging assumptions and judgements made by management in significant accounting estimates in respect of the valuation of land and buildings, investment property, council dwellings and defined benefit pensions liability valuations]; and
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to the valuation of land and buildings, investment property, council dwellings and defined benefit pensions liability valuations.

E. Audit opinion

- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA/LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

E. Audit opinion

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Somerset West and Taunton for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report; and
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2022.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

F. Letter of Representation

The letter of representation is included below.

Management should return this letter signed on the authority's letterhead

Dear Sirs

Somerset West and Taunton Council
Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Somerset West and Taunton Council for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include valuation of land and buildings, investment properties, council dwellings and the net defined benefit pension liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

F. Letter of Representation

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the financial statements:

a. there are no unrecorded liabilities, actual or contingent

b. none of the assets of the Council has been assigned, pledged or mortgaged

c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. The prior period adjustments disclosed in Note [X] to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

xiv. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

i. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.

ii. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

F. Letter of Representation

Information Provided

i. We have provided you with:

   a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;

   b. additional information that you have requested from us for the purpose of your audit; and

   c. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.

ii. We have communicated to you all deficiencies in internal control of which management is aware.

iii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

iv. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

i. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

   a. management;

   b. employees who have significant roles in internal control; or

   c. others where the fraud could have a material effect on the financial statements.

ii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

iii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

iv. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

v. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

i. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

i. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Governance Committee at its meeting on 7 November 2022.

Grant Thornton

grantthornton.co.uk

Report Number: SWT 142/22

Somerset West and Taunton Council

Audit and Governance Committee – 7 November 2022

Annual Governance Statement 2021/22

This matter is the responsibility of the Leader of the Council, Cllr Federica Smith-Roberts

Report Author: Amy Tregellas, Governance Manager

1 Executive Summary / Purpose of the Report

1.1 To present the Committee with the Annual Governance Statement 2021/22 (Appendix A) and accompanying Action Plan (Appendix B), which has now been through the external audit process.

2 Recommendation

That the Committee:

2.1 Approves the Annual Governance Statement and Action Plan (Appendix B) for 2021/22.

3 Risk Assessment

3.1 Failure to have robust governance arrangements in place could impact on the Council's control environment and ability to operate in an economic, efficient and effective manner. This could lead to recommendations being made by Internal and External Audit.

4 Background and Full details of the Report

4.1 The Annual Governance Statement (AGS) is a statutory document which provides assurance on the governance arrangements and control environment within the Council.

4.2 The Accounts and Audit Regulations 2015 set out that 'a relevant authority must, each financial year: (a) conduct a review of the effectiveness of the system of internal control; and (b) prepare an annual governance statement

4.3 The Statement is prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) guidance titled '*Delivering Good Governance in Local Government: Guidance Notes for English Authorities and Framework.'*

4.4 The Statement has also been prepared taking into consideration the contents of the CIPFA Bulletin 10 – closure of the 2021/22 Financial Statements, which concerns the impact of the continuing Covid-19 pandemic on governance arrangements, the need to focus and reflect on the weaknesses in governance to identify learning points and to mitigate the risk of similar issues arising and compliance with the Financial Management Code adopted in 2021/22 and identify any outstanding areas for improvement or change.

4.5 The Framework defines the principles that should underpin governance as:

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

4.6 The Annual Governance Statement includes an Action Plan to address any governance issues identified as a result of the review of the effectiveness of the system of internal control. Details of the Council's Governance Framework is included as part of the Annual Governance Statement (Appendix A).

4.7 The unaudited draft version of the Annual Governance Statement was presented to the Audit and Governance Committee on The covering report at that time stated that the Annual Governance Statement would be brought back to the Audit and Governance Committee at the same meeting as the Annual Statement of Accounts are considered – in order to make any amendments following the External Audit process.

4.8 In the Grant Thornton report titled External Audit Findings Report 2021/22, it states that 'Grant Thornton are required to report if the Annual Governance Report does not comply with the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit.' Grant Thornton confirmed that 'we have nothing to report on this matter.' As a result of this, it is recommended that the Committee approve the audited version of the Annual Governance Statement for 2021/22.

5 Links to Corporate Strategy

5.1 Having a robust, effective and efficient governance framework in place is a fundamental element of being a 'well managed' council and avoiding recommendations from Internal and External Auditors.

6 Finance / Resource Implications

6.1 None arising from this report

7 Legal Implications

7.1 None arising from this report

8 Climate and Sustainability Implications

8.1 None arising from this report

9 Safeguarding and/or Community Safety Implications

9.1 None arising from this report

9.2 **Equality and Diversity Implications** None arising from this report

10 Social Value Implications

10.1 None arising from this report

11 Partnership Implications

11.1 None arising from this report

12 Health and Wellbeing Implications

12.1 None arising from this report

13 Asset Management Implications

13.1 None arising from this report

14 Data Protection Implications

14.1 None arising from this report

15 Consultation Implications

15.1 None arising from this report

Democratic Path:

- **Audit, Governance and Standards Committee – Yes**
- **Cabinet/Executive – No**
- **Full Council – No**

Reporting Frequency: Annually

List of Appendices (delete if not applicable)

Appendix A	Annual Governance Statement
Appendix B	Action Plan

Contact Officers

Name	Amy Tregellas
Direct Dial	0300 304 8000
Email	a.tregellas@somersetwestandtaunton.gov.uk

Annual Governance Statement (2021/2022)

1.0 Introduction

1.1 This is the third Annual Governance Statement for Somerset West and Taunton Council.

1.2 Everything the Council does is focused around delivering our ambitious vision for Somerset West and Taunton and to ensure that we deliver the best possible services and outcomes for our community whilst providing good value for our stakeholders.

1.3 This statement provides an overview of how the Council's governance arrangements operate.

1.4 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.

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

1.6 This statement describes the extent to which the Council, has, for the year ending 31st March 2022, complied with its Governance Code and the requirements of the Accounts and Audit Regulations 2015. It also describes how the effectiveness of the governance arrangements have been monitored and evaluated during the year and sets out any changes planned for the 2022/2023 period.

1.7 The Statement has been prepared in accordance with guidance produced in 2016 by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).

1.8 The Statement has also been prepared taking into consideration the contents of the CIPFA Bulletin 10, dated April 2022 – closure of the 2021/22 financial statements which concerns:

- the impact of the continuing Covid-19 pandemic on governance arrangements,
- the need to focus and reflect on the weaknesses in governance to identify learning points and to mitigate the risk of similar issues arising,
- compliance with the Financial Management Code adopted in 2021/22 and identify any outstanding areas for improvement or change.

2.0 Key elements of governance

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

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

2.3 The Governance Framework has been in place at Somerset West and Taunton Council for the year ended 31 March 2022 and will be reviewed up to the date of the approval of the 2021/22 Statement of Accounts. The key elements of the Council's governance framework are highlighted in Appendix A.

2.4 The Governance framework comprises the systems and 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 the Council to monitor the achievement of the strategic themes and expected outcomes as set out in our Corporate Strategy.

2.5 The Council's Local Code of Corporate Governance was last reviewed and approved by the Audit and Governance Committee on 22 March 2022.

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

3.0 Evidence based opinion

3.1 Some of the key pillars of the Council’s governance framework are:

3.2 <u>Corporate Strategy & Business Planning</u>

3.2.1 The Council’s Corporate Strategy for 2020-24 contains the four prioritystrategic themes and outcomes, as follows:

3.2.2 The Corporate Strategy helps us to focus our resources and drive improvement and sets out where we will focus our energies and our increasingly limited resources and how we will measure our success.

3.2.3 A video has been produced to set out the Annual Plan priorities for the Council in 2022/23 and this will also highlight achievements from the 2021/22 annual plan.

3.2.4 The Corporate Performance Report, Quarter 4 and Outturn position for 2020/21 went to the Corporate Scrutiny Committee on 7 July 2021 and then to the Executive on 21 July 2021. Quarterly Performance Reports have gone to both the Corporate Scrutiny Committee and Executive during 2021/22. The Quarter 4 and Outturn position for 2021/22 is scheduled to go to the Corporate Scrutiny Committee on 6 July 2022 and Executive on 20 July 2022.

3.2.5 There is a Directorate Plan in place for each Directorate which links to the Corporate Strategy 2020-2024 and Annual Plan 2021/22. The Directorate Plans are regularly reviewed to ensure that they are living documents and pick up and new and emerging priorities. In the 2021/22 financial year this included the Coronavirus Pandemic and the Unitary Councils in Somerset debate.

3.2.6 All Directors meet regularly with their Assistant Directors, Human Resources Business Partner and Finance Business Partner to review their directorate plans, budgets and people.

3.3 Evaluating Performance

3.3.1 The Council has a Performance Management Framework in place. This was refreshed and signed off in May 2021.

3.3.2 There is a Corporate Performance Scorecard in place, as well as a Performance Scorecard for each Directorate.

3.3.3 The Corporate Performance Board met monthly in the 2021/22 financial year and this includes the Senior Management Team and other appropriate officers. In September 2021, the terms of reference for the Corporate Performance Board were reviewed, and as a result some changes were made. Due to the pressures of Local Government Reorganisation, the decision was made that the Assistant Directors would attend the Corporate Performance Board.

3.3.4 The Corporate Performance Board meetings now focus on the standing items of:

- Performance Summary – Corporate Scorecard and Directorate Scorecards
- Budget Monitoring Reports

3.3.5 The Corporate Risk Register and Project Management overview now go to the Senior Management Team meetings on a monthly basis. Each directorate also has its own Performance Board and this includes reviewing budget, performance, risks and projects. The Audit actions are reviewed through the Directorate Performance Boards on a quarterly basis (if appropriate – i.e. if there are any audit actions relating to the directorate). Human Resources data relating to sickness and turnover goes to the Directorate Health and Safety Boards on a monthly basis.

3.3.6 Quarterly Performance Reports went before Members in 2021/22. These were taken to the Corporate Scrutiny Committee (Q1 on 01/09/21, Q2 on 01/12/21 and Q3 on 02/03/22) and Executive (Q1 on 15/09/21, Q2 on 15/12/21 and Q3 on 16/03/22).

3.3.7 The Internal Auditors carried out an audit of the Council's performance management arrangements in November 2021 and confirmed that the arrangements give substantial assurance.

3.4 Managing Risk

3.4.1 The management of risk is key to achieving what is set out in the Corporate Strategy and Directorate Plans to ensure that we meet all of our responsibilities.

3.4.2 Our Risk and Opportunity Management Strategy is fundamental to the system of internal control and forms part of a sound business operating model. It involves an ongoing process to identify risks and to prioritise them according to likelihood and impact. The Risk and Opportunity Management Strategy is reviewed and updated on an annual basis and went before the Audit and Governance Committee on 22 March 2022. The Risk and Opportunity Management Strategy was updated for 2022/23 to include strategic risks relating to:

- the economy (inflation, interest rates, energy bills, supply chain disruption and people shortages);
- Unitary Council for Somerset (impact on resources in 2022/23 and the knock-on impact this may have on service delivery);
- Human Resources (impact of Covid-19, the recruitment and retention of staff due the Unitary and the number of jobs available in the UK)

3.4.3 The Key Business Risk Register is reviewed and challenged by the Senior Management Team on a monthly basis. New and emerging risks are added to the Register.

3.4.4 All members and managers are responsible for ensuring that risk implications are considered in the decisions they take. This is especially important in meeting the Council's financial challenges.

3.4.5 In 2021/22, the Key Business risk register was reviewed and challenged by Members as part of the Corporate Performance Report that went before the Corporate Scrutiny Committee and Executive on a quarterly basis (as per the dates set out in section 3.3.6). This is to ensure that, as far as possible all significant risks have been identified and that the controls manage the risks efficiently, effectively and economically. A report was taken to the Corporate Scrutiny Committee and Executive in May 2021 giving an update on all risks and issues.

3.4.6 Whilst the Council's Risk Management arrangements were much more robust in 2021/22, work still needs to be done to embed risk management across the organisation. The Internal Auditors carried out an audit on the Council's Risk Management arrangements in October 2021 and confirmed that the arrangements give reasonable assurance. They recommended some low priority actions including:

- Moving the risk registers from an excel spreadsheet to Sharepoint. This has been completed.
- Risk Management training for Members. This is included as an action within the Action Plan at Appendix B.
- Risk Management training for staff. The Council is investigating an e-learning module for staff and this is also going forward as an action for the LGR work stream dealing with Risk Management. This is included as an action within the Action Plan at Appendix B.
- Job descriptions to outline in greater detail the responsibility for risk management. This is being picked up with the LGR work.

3.5 Financial Management

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

3.5.2 To fund the Corporate Strategy, the Council prepares a Medium Term Financial Plan. This sets out the Council's strategic approach to the management of its finances and outlines some of the financial issues that we will face over the next three years. This covers how we will use our reserves, our investments, the approach to Council Tax, and how we will deploy our capital. It also looks over the medium term at the cost pressures we are likely to face and how these could be financed.

3.5.3 The COVID-19 pandemic led to a significant increase in financial risks and uncertainty, as well as significant additional costs for the Council and its services. The Senior Management Team have adapted the financial strategy and budget control regime flexibly through the year to mitigate risk and support the Council's priorities in response. We have managed the impact and maintained the Council's financial resilience through this turbulent time.

3.5.4 Our Treasury Management arrangements, where the Council invests and borrows funds to meet its operating requirements, follow professional practiceand are subject to regular review. The Capital, Investment and Treasury Strategy for 2021/22 was approved on 17/03/21, and the Strategy for 2022/23 was approved on 16/03/22.

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

3.5.6 Budget monitoring reports are made to the Corporate Performance Board on a monthly basis and have been taken to Committees on a quarterly basis during 2021/22, setting out any variances. These were taken to the Corporate Scrutiny Committee (Q1 on 01/09/21, Q2 on 01/12/21 and Q3 on 02/03/22) and Executive (Q1 on 15/09/21, Q2 on 15/12/21 and Q3 on 16/03/22). The Q4 and outturn position reports are scheduled to go to the Corporate Scrutiny Committee on 01/06/22 and Executive on 15/06/22.

3.5.7 All members and officers are responsible for ensuring that financial implications are considered in the decisions they take.

3.5.8 CIPFA issued a new Financial Management Code (the 'FM Code' in December 2019. The Council has operated within the principles of the Code through last year, for example with the S151 Officer being a member of SMT from the summer of 2020. A full assessment of compliance with the Financial Management Code was taken to the Audit and Governance Committee in September 2021. The self assessment set out that the Council was meeting all areas of compliance. There were some areas of improvement also highlighted in the assessment and any areas not actioned are included in the action plan (Appendix B). The current position is that there has been no step-down from the levels of controls and assessment practices employed across the Council, SMT, Member forums or audit. Audit assurances continue to substantiate the findings included in the September 2021 report. There has been no update to the Financial Resilience Statement. As stated in the September 2021 report, the preparations towards, and impact of, Local Government Reorganisation (LGR) continue to shape the Council's planned activities, longer-term sustainability and resource measures. Following the budget round reported and approved in February 2022, development of the MTFP will now be transferred to the development phases of the new Unitary Council.

3.6 <u>Climate Emergency</u>

3.6.1 The Council declared a Climate Emergency in March 2019.

3.6.2 The Council's Corporate Strategy includes the priority strategic theme of 'Our Environment and Economy' and has the objective of:

1 Work towards making our District carbon neutral by 2030 - deliver projects based on a Carbon Neutrality and Climate Resilience Plan that work toward this goal (for example installing electric vehicle charging points across the District) .

3.6.3 The Somerset Climate Strategy and Somerset West and Taunton Carbon Neutrality and Climate Resilience Plan were approved by the Council on 26October 2020.

3.6.4 The Action Plan set out that the focus would be on:

- District-wide retrofit
- New build and retrofit of existing Council Housing
- Renewable Energy
- Electric Vehicles
- Taunton Park & Ride and Town Centre Parking
- Active Travel
- Re-opening Wellington Station
- Working with Somerset County Council on transport projects
- Digital connectivity
- Growing a carbon neutral local economy
- Green and Blue Infrastructure
- Tree Planting
- Wildflower meadows and open space management
- Coastal change management
- Taunton Strategic Flood Alleviation Improvements Scheme
- Local Plan Review

3.6.5 Officers continue to work on delivering the Plan and projects are included in the relevant Directorate Plans.

3.6.6 A report on Carbon Neutrality and Climate Resilience Finance was taken to the Community Scrutiny Committee on 3 June 21. This report included details on expenditure to date, as well as which projects money would be spent on going forward.

3.6.7 The Community Scrutiny Committee also received the Annual Carbon Neutrality and Climate Resilience progress update report on 27 January 22. The action plan accompanying the report provided an update on progress in relation to Year One immediate actions.

3.6.8 In March 2022, the Council approved ‘Climate positive planning: interim guidance statement on planning for the climate emergency’.

3.6.9 All members and officers are responsible for ensuring that climate change implications are considered in the decisions they take.

3.6.10 Climate Change and Environmental Training was rolled out across the organisation in April 2021 and was offered to officers and Members. The training was designed to help individuals to understand their impact on the environment and what they can do to have a positive impact on it.

3.7 <u>Decision Making and Responsibilities</u>

3.7.1 The Council consists of 59 elected Members, with an Executive consisting of the Leader and nine Portfolio Holders who are supported and held to account by the Scrutiny Committees.

3.7.2 From May 2021, the Council resumed holding Committee meetings back in the Chamber at Deane House, due to the fact that we were unable to legally hold virtual committee meetings after 04/05/21. All Members on the Committee were required to attend in person along with officers playing a key role in the meeting. Members of the public were given the option of attending the meeting to ask a question or read out a statement, or a member of the Governance Team could read out their question(s)/ statement. We continued to webcast our Committee meetings, so that as many people as possible were able to participate in the democratic process.

3.7.3 During the 2020/21 financial year, the Council reviewed its governance arrangements and resolved that the Council moved to a Committee system of governance from the Council AGM on 10 May 2022, unless a decision was made to set up a Unitary Council for the area from 2023. The decision was made by the Secretary of State to move to one Unitary Council for Somerset, so the Council continues with Executive arrangements until its end date on 31/03/23.

3.7.4 Our Constitution sets out how the Council operates, how decisions are made and the procedures for ensuring that the Council is efficient, transparent and accountable to local people. It contains the basic rules governing the Council's business, and a section on responsibility for functions, which includes a list of functions which may be exercised by officers. It also contains the rules, protocols and codes of practice under which the Council, its Members and officers operate.

3.7.5 The Articles and Terms of Reference within the Council's Constitution clearly define the roles and responsibilities of:

- Full Council
- The Cabinet
- Corporate Scrutiny Committee
- Community Scrutiny Committee
- Audit and Governance Committee
- Planning Committee
- Licensing Committee
- Standards Committee

3.7.6 The Constitution is updated at least annually to take account of changing circumstances. Recent updates to the Constitution have included:

- A Member Champions Protocol
- A Member Working Group Protocol
- A protocol on speaking at Planning Committee Meetings
- Planning Committee Members Code of Good Practice
- Updated Financial Procedure Rules
- Updated Committee Terms of Reference and Procedure Rules followingchanges to the governance structure (outlined in section

3.7.5).

3.7.7 The Constitution sets out the functions of key governance officers, including the statutory posts of ‘Head of Paid Service’ (Chief Executive), ‘Monitoring Officer’ (Governance Manager) and ‘Section 151 Officer’ (Assistant Director - Finance) and explains the role of these officers in ensuring that processes are in place for enabling the Council to meet its statutory obligations and also for providing advice to Members, officers and committees on staff management, financial, legal and ethical governance issues.

3.8 Openness and Transparency

3.8.1 Article three of the Council’s Constitution sets out citizens’ rights in respect of:
(a) Voting and petitions;
(b) Information;
(c) Public Participation; and
(d) Complaints

3.8.2 No petitions were presented to the Council in 2021/22.

3.8.3 Agendas and papers for all Committee meetings are published at least five clear working days before the meeting and members of the public are able to participate in meetings through Public Question Time. Members of the public are also able to watch Committee meetings via the live webcast or watch the recording of the meeting at a time that suits them.

3.9 Ethical Behaviour and Conduct

3.9.1 Our Codes of Conduct for Members and for Officers set out the standards of conduct and behaviour that are required. They are regularly reviewed and updated as necessary and both groups are regularly reminded of the requirements.

3.9.2 These include the need for Members to register personal interests and the requirements for employees concerning gifts and hospitality, outside commitments and personal interests.

3.9.3 The Council also has a Standards Committee whichis responsible for promoting and maintaining high standards of conduct by Councillors.

3.9.4 The first edition of the Member’s ethical newsletter was published in March 2022, and this will now be sent to Members on a quarterly basis. The next newsletter is scheduled for early June 2022.

3.9.5 A follow up on the Audit of ethical behaviour and conduct was carried out in 2021/22 and the outstanding recommendations arising from the report have been included in the Action Plan in Appendix B.

3.10 Member Training and Development

3.10.1 In April 2021, the Executive approved a Member Training and Development Policy.

3.10.2 All Councillors were invited to have a one to one session to talk about personal development so that any training and development needs can be identified. This information is then used to inform training sessions for Members and the topics for Member briefing sessions.

3.10.3 Regular Member Briefings are held to keep them updated on matters of importance.

3.10.4 Where possible and appropriate, Members have received specific training and development for their roles and any positions of special responsibility. Due to the Coronavirus Pandemic, most of the training in 2021/22 has continued to be held virtually.

3.11 Equality

3.11.1 The Council is committed to delivering equality and improving the quality of life for the people of the District. We have five Corporate Equality Objectives for 2019-2023, which are:

1. Councillors and officers will fully consider the equality implications of all decisions they make.

2. Those with protected characteristics feel empowered to contribute to the democratic process and any Council activity that affects them; their input is used to inform the planning and delivery of services.

3. People with protected characteristics are able to access services in a reasonable and appropriate way.

4. Actions are taken to identify and reduce any inequalities faced by our staff or our potential employees.

5. Work with communities and voluntary sector groups to address inequalities experienced by low-income families and individuals

3.11.2 The Council is also a member of the Somerset Equality Officer Group (SEOG) which also have five Equality Objectives for 2019-2023, which are:

1. Work with Communities to improve the opportunities for integration and cohesion.

2. Improve understanding and reduce the stigma of mental health and Disability within and across communities

3. Work with the Gypsy and Traveller community to improve relationships and the provision of pitches

4. Create an Equality Working group for staff in the Public Sector in Somerset (to be revised to 'Review and where necessary improve recruitment practices to make them more inclusive')

5. Improve the consistency of Accessibility standards across the Public Sector for service users including the Accessibility Information Standard

3.11.3 In order to meet these objectives, the Council has a Corporate Equalities Action Plan, which sets out what we are already doing to support each objective as well as actions we will take to deliver against the equality objectives. This was last considered by the Audit and Governance Committee in September 21.

3.11.4 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 process.

3.11.5 All members and officers are responsible for ensuring that equality implications are considered in the decisions they take.

3.12 Procurement of goods and services

3.12.1 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 importanceto our operations, while robust contract management helps to provide value for money and ensure that outcomes and outputs are delivered.

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

3.13 Whistleblowing

3.13.1 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.

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

3.13.3 The Whistleblowing Policy was updated in April 2021 and forms part of the Council's Anti-Fraud Framework.

3.14 Anti-Fraud Framework

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

3.14.2 The Council has an Anti-Fraud Framework, which adopts a zero tolerance approach to fraud and corruption. This was updated in April 2021 and includes:

- Anti-Fraud and Corruption Strategy
- Anti-Bribery Policy
- Anti-Money Laundering Policy
- Whistleblowing Policy

3.15 Audit and Audit Assurances

3.15.1 South West Audit Partnership (SWAP) are the Council's Internal Auditors.

3.15.2 During the 2021/22 financial year, SWAP have carried out a number of Audits across the Council and given their opinion on the level of assurance as well as risk and priority in terms of taking action in terms of any recommendations.

3.15.3 The Internal Audit Outturn Report for 2021/22 and Internal Audit – Annual Audit Opinion for 2021/22 are both going to the Audit and Governance Committee meeting on 13/06/22.

3.15.4 There were four limited assurance Audits in 2021/22, relating to Corporate Health and Safety, Procurement Cards, Data Centre Review and Stores. The recommendations from each of these Audits have been added to the Audit recommendation tracker and this is monitored on a regular basis by the Business Intelligence Team and the Audit and Governance Committee. SWAP have also scheduled follow ups to be completed for each of these Audit areas in 2022/23 to provide assurance that control measures have been improved.

3.15.5 All priority 1 and 2 Audit recommendations are included in an Audit tracker and this is considered at Directorate Boards, if appropriate. Reports on priority 1 and 2 audit actions also go to the Audit and Governance Committee on a regular basis, and during the 2021/22 financial year they were considered on 12/04/21, 14/06/21, 13/09/21, 13/12/21 and 14/03/22.

3.15.6 The Corporate Health and Safety Audit was completed in July 2021. Since receiving the final Audit Report, the Council has improved its Health and Safety arrangements, and is confident that a follow up audit would now class the arrangements as giving reasonable assurance. The changes that have been put into place are:

- Portfolio Holder for Resources is now the Member Champion for Health and Safety
- A three tier Health and Safety Governance Framework has been put into place. Tier 1 is quarterly reporting to the Audit and Governance Committee. Tier 2 is the Health and Safety Committee which meets monthly. Tier 3 is a Health and Safety Directorate Group for each of the Directorates and these meet monthly.
- Terms of Reference for each of the three tiers which include roles and responsibilities
- The Health and Safety Team has been strengthened to ensure that there is enough capacity within the organisation.
- The Health and Safety Policy has been updated
- The Health and Safety Action Plan is on the Intranet for all officers to view
- Service Risk Assessments are held on Sharepoint
- Health and Safety training has been rolled out, including through the e-learning system
- The lead officer for Health and Safety has taken quarterly progress reports to the Audit and Governance Committee from September 2021, which include information on Health and Safety performance and a summary of workstreams.

3.15.7 The Data Centre Review Audit was completed in September 2021 which gave limited assurance and listed 5 priority 1 and 2 recommendations. As at the end of April 2022, all but one of the actions has been completed. The Council is confident that it another review was completed now that this would now be classed as giving reasonable assurance.

3.15.8 The Audits for Purchasing Cards and Stores have just been completed (Quarter 4) and will be going to the Audit and Governance Committee in June 2022, as part of the Internal Audit Outturn report. Actions picked up in the Audit Action Tracker to be monitored and reported to the Audit and Governance Committee as appropriate.

3.15.9 SWAP report regularly to the Audit and Governance Committee, highlighting any areas of concern.

3.15.10 During the 2021/22 financial year the Internal Audit team have been involved in supporting the preparation work for Local Government Reorganisation.

3.15.11 The Annual Opinion of the Internal Auditor for 2021/22 is that they are able to offer an opinion of Reasonable Assurance.

3.16 Ensuring that assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact.

3.16.1 The Council's Internal Audit function is provided by SWAP. The Assistant Director from SWAP is the equivalent of the Head of Internal Audit (HIA). The HIA role is separate and independent of other roles within the Council. The Internal Audit function is independent of the external audit function.

3.16.2 SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note. The Council's Internal Audit function complies with the governance requirements set out in the CIPFA 'Statement on the Role of the Head of Internal Audit in Public Service Organisations' (2010)

3.16.3 The HIA:

- Ensures that SWAPs work programme (Audit Plan) is risk-based, is aligned to the Council's strategic objectives and supports the Internal Audit Annual Opinion
- Identifies where SWAP assurance will add the most value or do most to facilitate improvement
- Produces an evidence based annual internal audit opinion on the overall adequacy and effectiveness of the Council's governance framework including risk management and internal control

3.16.4 The HIA reports to management (SMT) and the Audit and Governance Committee in his own right, and reporting includes:

- Annual Audit Plan and Charter
- Internal Audit – Progress Report (quarterly)
- Internal Audit – Outturn Report (Annually)

3.16.5 The HIA submits an Internal Audit Plan to Management (SMT) and the Audit and Governance Committee for approval, setting out the recommended scope of work and which will be developed with reference to current and emerging risks. The plan is reviewed on a quarterly basis to ensure it remains relevant and adequately resourced.

3.16.6 SWAP carry out the work as agreed, report the outcomes and findings both during and on completion of reviews, and make recommendations on action to be taken to the appropriate officers (including the relevant Director) and copied to the S151 Officer.

3.16.7 The HIA presents a regular summary of their work to Management (SMT) and the Audit and Governance Committee through the Internal Audit Progress Report, including assessing the organisation's implementation of previous recommendations along with any significant, persistent and outstanding issues.

3.16.8 Internal audit reporting comprises of a brief presentation to relevant officers and accompanied by an appropriately detailed written report, with the format tailored as necessary to the nature of the work. The detailed report is copied to the relevant Director and Section 151 Officer.

3.16.9 The HIA submits the Internal Audit – Outturn Report to the Audit and Governance Committee providing an overall opinion of the status of risk and internal control within the Council, based upon, and limited to, internal audit activity conducted during the previous year.

3.16.10 In addition to the reporting lines outlined above, the Chief Executive of SWAP and SWAP Directors and Assistant Directors have the unreserved right to report directly to the Leader of the Council, the Chairman of the Audit and Governance Committee, the Council's Chief Executive Officer or the External Audit Manager.

3.17 Undertaking the core functions of an audit committee, as identified in Audit Committees: Practical Guidance for Local Authorities and Police (2013)

3.17.1 The Council's Audit and Governance Committee undertakes the core functions as per the CIPFA guidance.

3.17.2 An appropriate committee structure has been selected, which excludes Executive Members. The Audit and Governance Committee consists of 11 Members. Members plus substitutes are provided with training as and when it is appropriate.

3.17.3 The Terms of Reference within the Constitution clearly set out the purpose of the Committee in accordance with the CIPFA position statement guidance. The Audit and Governance Committee provide independent assurance on the adequacy of the Council's governance framework including risk management and internal control. The Committee is also responsible for reviewing and approving the Annual Governance Statement and Annual Report and Accounts. The Committee also monitor the progress implementing recommendations from auditors.

3.17.4 The Committee raise significant concerns over controls with appropriate senior managers, and they are invited to update the Committee. The Committee is able to report directly to Council. During the 2021/22 financial year the Committee has monitored the Landlord Compliance Safety checks and progress against the Health and Safety Internal Audit Report and recommendations.

3.18 Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations

3.18.1 The Council's Finance Team work closely with the external auditors to ensure that they provide timely support, information and responses as and when appropriate.

3.18.2 Audit findings and recommendations are incorporated into the recommendation tracker and regular progress updates go forward to the Audit and Governance Committee. Any areas of concern are raised with senior managers, and appropriate updates given to the Committee.

3.19 Incorporating good governance arrangements in respect of partnerships and other joint working and ensuring that they are reflected across the authority's overall governance structures

3.19.1 The Council ensures that there are appropriate governance arrangements in place for any partnerships and joint working arrangements. This includes partnership agreements, client/contractor arrangements and reports going through the democratic process where appropriate.

3.19.2 The Council's major contracts include; Waste (Somerset Waste Partnership), Leisure (SLM), Street Cleaning and Public Toilets (Idverde), Building Control (Somerset Building Control Partnership), Fleet (SFS), Parking Partnership (SCC) and Legal Services (SHAPE).

3.19.3 Risks relating to major contracts are included in the risk register which has been reviewed by the Corporate Performance Board (and SMT from September 2021) on a monthly basis during 2021/22. During 2021/22 those risks scoring 15 or above were reported to the Corporate Scrutiny Committee and Executive as part of the quarterly performance report.

4.0 Reflecting on the challenges from the Coronavirus Pandemic

4.1 This section considers the impact that the Covid-19 Pandemic has had one the Council and its governance arrangements during the 2021/22 financialyear.

4.2 The Council has taken action to play its part in dealing with the ongoing Coronavirus Pandemic during the 2021/22 financial year.

4.3 The MHCLG regulations relating to local authority and police and crime panel meetings only covered the period of meetings held between 4 April 2020 and 6 May 2021. From 7 May 2021, we were required to hold meetings back in the Chamber. A risk assessment was completed to ensure the safety of Members, staff and the public attending the meetings to ensure Covid safety measures were in place.

4.4 The Council has continued to live webcast all of our Committee meetings and then made them available on our website. We have also continued to see an increase in the number of members of the public that have watched via the webcast rather than coming into the Chamber.

4.5 We have continued to do Member briefings or training sessions virtually to encourage as many attendees as possible.

4.6 Mobile and flexible working has continued to be business as usual for many of our staff. This transition was achieved relatively early on during the first lockdown where all staff who could work from home were equipped to do so within the first few weeks. This involved the roll out of Teams in a very short space of time.

4.7 Messages have been issued by the Chief Executive and/or Internal Communications Team on a regular basis. This has ensured that all members of staff have been kept up to date with pertinent information and key messages. Sessions with the Chief Executive have also taken place via Teams.

4.8 A weekly newsletter continues to be produced, which has gone out to all District Councillors as well as Town and Parish Councils. This has kept them up to speed with the key information that they need to know. The newsletter has also included information from key partners, such as the County Council, Police and Fire and Rescue Service. It also has signposted people to sources of funding and information to assist during the Pandemic.

4.9 Newsletters were also produced for the Business sector and also the Community and Voluntary Sector.

4.10 To keep staff and residents safe, our reception areas have reopened but still have some Covid restrictions in place. All key services have remained available through a variety of other channels. Where essential, home visits and business inspections are still carried out under Covid-19 secure protocols.

4.11 For our customers we have worked hard to ensure they feel comfortable inusing the new ways of accessing our services and website. Dedicated webpages were developed and updated with relevant information to support residents and businesses throughout the pandemic.

4.12 This Statement does not attempt to capture all of the additional work the council has undertaken in the 2021/22 year in response to the pandemic. In many cases, the response has required setting up completely new servicesor processes. Among the many measures implemented since restrictions were announced SWT has:

- Distributed a further £18.5m of Covid business support grants during 2021/22, bringing the total to in excess of £80m since the start of the pandemic.
- Continued to deliver the government's 'Everyone In' mandate, by providing a range of accommodation and support for rough sleepers in our District. During the latter part of the financial year we started to taper down provision at our main facility at Canonsgrove in readiness to return this to the college in 2023 and therefore have also been undertaking a significant move-on project to ensure that all of the residents staying there are assessed and appropriate accommodation and support is provided to them to move into.
- Awarded 1,808 Test and Trace Support payments to those on low incomes who were told to self- isolate.

The funding and logistical consequences of delivering the local government response

4.13 The continuing Covid-19 pandemic has had a significant impact on local council finances, the effects of which continued through the 2021/22 financial year. The financial impact is due to both unforeseen but necessary expenditure and reduced income from fees and charges, Council Tax and Business Rates.

4.14 The impact varies by area, dependent on factors such as geography, demographics, services delivered and the nature of the local economy. However to a large extent, it will depend on if and how quickly the national and local economies return to normal levels of activity. The impact for SWT was summarised in the Financial Outturn report to Executive 21 July 2021 and the ongoing impact for 2021/22 will be in the outturn report in July 2022.

4.15 To offset the additional financial pressures being faced by Local Government, the Government has provided the following support:

- **Additional grant funding -** additional general funding protection through the 2021/22 Finance Settlement through Lower Tier Services Grant and COVID Pressures Grant

- **Sales, fees and charges scheme** - compensation for reductions in income in first three months of 2021/22
- **Local Council Tax Support Grant** - a grant for 2021/22 to compensate authorities for the expected additional cost of Local Council Tax Support schemes in 2021/22

Assessment of the longer term disruption and consequences arising from the coronavirus pandemic

4.16 It is essential that the Council focuses on the likely impact that the crisis, and its aftermath, will have on income levels both now and potentially into the future.

4.17 The Covid-19 crisis is likely to be long-lasting and far reaching, affecting more than one financial year. It could be difficult for councils to reduce their spending back to pre-crisis levels and income streams will not necessarily bounce back quickly, especially if the local economy is in recession.

4.18 This means that the assumptions underlying later years in the MTFP will almost certainly need to change, making the 'funding gap' for 2021/22 and beyond larger. Contingencies have been included in the 2021/22 budget and the Council's reserves increased to provide additional mitigation for theincreased risk.

4.19 In terms of the impact of the Coronavirus pandemic on the Council's Corporate Strategy Annual Plan, the Corporate Performance Report shows that during 2021/22, the Council has performed well against its targets. The Quarter 4 and outturn report will go to the Corporate Scrutiny Committee on 01/06/22 and then on to the Executive on 15/06/22,

4.20 In overall summary, the Council and its governance framework were able to be agile to deal with the Covid-19 pandemic. This is confirmed by a recent customer survey where the public and businesses were very positive about the services provided by the Council.

5.0 Local Government Reorganisation in Somerset

5.1 As set out in section 3.4.2, Local Government Reorganisation (LGR) to One Unitary Council for Somerset, was a risk to Somerset West and Taunton (SWT) Council in 2021/22 and remains a risk in 2022/23.

5.2 The Secretary of State, and Parliament have approved the Statutory Change Order for Somerset, which states that 'on or after 1 April 2023 the Somerset Council is the sole principal authority for Somerset.' Somerset County Council is classed as a continuing authority, in that they will become the Unitary Authority on 1 April 2023 and take on the functions, powers and duties of the County Council and District Councils. On 1 April 2023 the district Councils of Somerset West and Taunton, Sedgemoor, Mendip and South Somerset are abolished i.e. wound up and dissolved.

5.3 The key risks relating to LGR, and its impact on SWT are:

- Capacity and resources – if SWT staff are involved in the preparatory work for the Unitary Authority this has the potential to impact on being able to deliver business as usual and the Council's priorities.
- Recruitment and retention – staff may find jobs elsewhere due to the uncertainty around jobs in the new Council. SWT may also find it hard to recruit staff to backfill positions where staff are working on LGR projects.
- SWT may have to use consultants if recruitment is problematic, and this could have an impact on the Council's budget.

5.4 In terms of managing these risks, SWT has:

- Worked with the Executive to ensure that the Annual Plan for 2022/23 is challenging but realistic in terms of the risks to the Council
- Directors have reviewed their Directorate Plans to ensure that they are realistic in terms of what can be achieved by their teams
- The Corporate Performance Board have been, and will continue to monitor the Council's performance against the Annual Plan and Performance Indicators
- SMT have been and will continue to monitor the key business risks of the Council. They will also pick up any new or emerging risks relating to service areas across the Council and the impact of LGR work on delivering the Annual Plan

5.5 In terms of managing resources during the transition period the LGR Joint Committee, comprising lead Members for all five Councils, agree a joint (non-binding) Finance and Assets Protocol. This sets out an agreed set of principles through which all five councils will consider and safeguard the interests of the new council and future tax payers, by not entering new financial commitments above those agreed in approved budgets, or dispose of assets of material value, or spend Council reserves without the consent of the LGR Implementation Team. This protocol becomes effective from 1 April 2022 and applies to the 2022/23 financial year. The principles apply to:

- Increasing revenue costs by more than £100,000 above current approved budget
- Acquiring, disposing or transferring assets valued above £1,000,000
- New contracts not included in budget or service plan with annual revenue costs more than £100,000 or capital costs more than £1,000,000
- Allocating general, earmarked or capital reserves not already included in the approved revenue or capital budgets

The joint Finance and Assets Protocol is due to be superseded on 16 June 2022 by the requirements of a S24 Direction issued by the Secretary of State, which states that SWTC (and the other 3 district Council's in

Somerset) may not without the consent of the County Council's executive:

- Dispose of any land if the consideration for the disposal exceeds £100,000
- Enter any capital contract under which the consideration payable by SWTC exceeds £1,000,000 or which includes a term allowing the consideration payable by SWTC to be varied
- Enter any non-capital contract under which the consideration payable by SWTC exceeds £100,000 where (i) the period of the contract extends beyond 1 April 2023; or (ii) under the terms of the contract, that period may be extended beyond that date.

The County Council's executive may consider arrangements for providing a General Consent enabling disposals or contracts that fall within these parameters to proceed. Where the General Consent does not enable this a Specific Consent will be required before a disposal or contract may be lawfully entered.

The aims of the supporting principles is that district councils may continue to deliver services without disruption, and the S151 Officers of the five councils will work together to implement an efficient process to support decision making.

LGR Process and Governance

5.6 There are six workstreams looking at transition and how the new Somerset Council will work. These six workstreams have sub-workstreams, which are looking at more detail (see the table below).

5.7 Each workstream has been asked to identify what needs to be done before Vesting Day on 1 April 2023 to make sure that the new council is 'safe and legal' in its operations. This means what absolutely has to be in place on 1 April 2023 for the new authority to be able to operate legally and safely.

5.8 Workstreams and sub workstreams are being asked what high-level things that each service area will need to deliver – known as products:

- Must Have – Non-negotiable products that are mandatory for Vesting Day (to be safe and legal)
- Should Have – Important products that are not vital, but will add significant value if delivered on Vesting Day
- Could Have – Nice to have products that will have a small impact if left out.
- Won't Have – products that are not priority for delivery on Vesting Day

5.9 The Workstreams and sub workstreams are, as follows:

Workstream	Sub-workstreams
Governance	Constitution Contract Standing Orders Code of Conduct(s) Governance and Democratic Arrangements

Workstream	Sub-workstreams
	Programme Legal advice and support Members Allowances, appointment and training Electoral arrangements and election to new council Taunton Town Council Democratic Services Structure New Operating Model Corporate Planning? Corporate Performance Commercial Information Management
People	Behaviours and Culture Organisational Development Organisational Design Payroll/HR system Recruitment (including senior recruitment) Terms and Conditions and Policies TUPE and organisational change Wellbeing and Ways of Working Diversity and Inclusion Health and Safety
Property Asset Optimisation	Asset management plan and Policy Asset rationalisation – customer delivery points Asset rationalisation – depots and operational properties Commercial property management Consolidated management of surplus property and asset disposals Facilities, printing and staff services Land and property management system Office accommodation and strategy and blue-print Property Asset records Valuation function, policies and process
Technical Asset Optimisation	Applications Roadmap and Contracts review, integration strategy and systems architecture CAPITA contract plan Consolidated management of Inflight Projects Cyber Security strategy and Framework End User Hardware and services GIS system integration including Local Land & Property Gazetteer Hybrid Meeting / Committee Facilities ICT compliance and assurance ICT Disaster Recovery and Business Continuity system ICT service alignment and improvement including a) Operating Model for ICT function b) ICT traded

Workstream	Sub-workstreams
	services, c) Solution and approach agreed for hosted partnerships ICT Service Management Function – Priority Products Mobile Telephony Network & Telephony Single platform / domain for new unitary & Single Identity Management Solution Technology adoption and change plan Technology Strategy and Transition planning
Service Alignment and Improvement	Housing 1 – Housing Landlord Functions Housing 2 – Operational Housing Services Housing 3 – Private Sector / Universal Provision Building Control Growth 1 – Prosperity & Economic Development Growth 2 – Planning & Enabling Infrastructure Delivery & Active Travel Highways Traffic Management Commissioning Environment & Climate Change – Sub-Group 1 (Climate Change and Water) Environment & Climate Change – Sub-Group 2 (Waste & Neighbourhood Services) Environment & Climate Change – Sub-Group 3 (Environmental Health, Licensing and Coastal Services) Environment & Climate Change – Sub-Group 4 (Sports, Leisure & Countryside) Culture & Universal Community Services Community & Family Safety Business Intelligence Civil Contingencies & Emergency Planning Communications
Finance	LGR Savings Budget setting and Medium-Term Financial Plan for new authority Commercial Investment Implementation costs Insurance and risk arrangements Existing budgets Finance function Revenues Housing Benefit and subsidy Housing Revenue Account Treasury Management Exchequer Finance Web profile

Workstream	Sub-workstreams
	Internal and External Audit Statement of Accounts Fees and Charges Grant support to voluntary sector Reconciliations Community Infrastructure Levy and Section 106's Pensions Capital Programme VAT and Taxation
Community, Customer and Partnerships	Digital Leadership and Strategy Website Customer Engagement Platform Telephony Face-to-Face Enhancing Partnerships Local Community Networks Customer Strategy Digital Services Information Governance & Data Management Digital Services Information Governance & Data Management

5.10 A significant amount of work has already been carried out in the various workstreams.

5.11 The Elections took place on 5 May 2022, and 110 Councillors have been elected to Somerset County Council (until 1 April 2023)/ Somerset Unitary Council (from 1 April 2023). New Member Induction commenced on 9 May 2022. The Annual Meeting of SCC will take place on 25 May when the Leader of the Council will be elected. He/she will then provide details as to who the Executive Councillors will be.

5.12 The advert for the recruitment of the Chief Executive for the Unitary Council has gone out and the recruitment and selection process will continue in due course.

5.13 Governance arrangements have been put in place to oversee the transition to the Unitary Authority. This includes:

- **The LGR Joint Committee** - The purpose of the Board is to ensure that LGR in Somerset is delivered effectively and with appropriate stakeholder engagement and involvement (including elected Members from all 5 Councils). This was in place until the Structural Change Order was approved in March 2022.

- **The Implementation Executive** - This replaces the LGR Joint Committee. The Implementation Executive included the five existing council leaders and four cabinet members of the county council, will maintain oversight of the new council's development until the new administration is appointed following the 5 May Elections. After that date the Executive of the newly elected Council will be responsible for managing the implementation of the transition to the new unitary council for Somerset.

- **The LGR Joint Scrutiny Committee** – This Committee allowed the Constituent Councils to scrutinise the LGR Joint Committee in an effective and timely manner in relation to the preparation for the establishment of the unitary council in Somerset. It ensures that all Councils can play an important role in helping shape the direction of the implementation process but without leading to duplication and delay. Following the approval of the Structural Change Order, this will become a Scrutiny function of the newly elected Council, holding the Implementation Committee to account.

- **Chief Executive Programme Board**, comprising the five councils' Chief Executives, the lead authority's Monitoring Officer and Finance Director and the LGR Programme Director. It drives the programme forward to deliver the agreed outcomes and benefits and provide assurance to the LGR Joint Committee that the programme is on track.

- **The LGR Advisory Board**, comprising eight elected county and district members and representatives from Somerset Association of Local Councils, Somerset Society of Local Council Clerks, health, police, education and voluntary/community sector (Spark Somerset).

6.0 Significant governance issues

6.1 At the current time, there are no significant governance issues but a number of recommendations for improvement are set out in Appendix B. The action plan details the governance issues that have been identified, the proposed action, the responsible officer and the target date for completion.

6.2 The system of Governance (including the system of Internal Control) can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, that material errors or irregularities are either prevented or would be detected withina timely period, that value for money is being secured and that significant risks impacting on the achievement of our objectives have been mitigated. The review highlighted no areas as representing a significant weakness in Governance or Internal Control during 2021/22.

7.0 Conclusion

7.1 Currently we can provide reasonable assurance that the Somerset West and Taunton Council's governance arrangements are fit for purpose.

7.2 However, addressing the issues set out in the Action Plan

(Appendix B) willfurther improve the Council's arrangements.

Signed

……………………………………….	………………………………………………
Andrew Pritchard Chief Executive Officer Date:	Cllr Federica Smith-Roberts Leader of the Council Date:

APPENDIX A - CORPORATE GOVERNANCE FRAMEWORK

Corporate Governance comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities

Key Documents: Annual Review/Production:

- Annual Governance Statement
- Annual Statement of Accounts
- Directorate Plans
- Committee report procedure
- Constitution
- Corporate Plan
- Annual Plan
- Performance Report
- Corporate Risk Register
- Delegations from/to Senior Management Team
- Equality Information
- Medium Term Financial Plan
- Members Allowances Scheme
- PSIAS Checklist
- Capital, Investment and Treasury Management Strategy

Key Documents: Ad-hoc Review/Production:

- Corporate Strategy 2019-2023
- Anti-Fraud Policy Framework
- Business Continuity Plans
- Community Engagement Framework
- Declarations of Independence
- Financial Procedure Rules
- Contract Procedure Rules
- Health and Safety Policies
- Information Governance Framework
- Member/Officer Relations Protocol
- Members' Code of Conduct
- Officer Employment Procedure Rules
- Officers' Code of Conduct
- Record of Decisions
- Risk & Opportunity Management Policy
- Whistleblowing Policy

Contributory Processes/ Regulatory Monitoring:

- Audit, Governance and Standards Committee
- Budget Monitoring Process
- Corporate Performance Board
- Corporate Health & Safety Committee and processes
- Corporate Intranet
- Council Tax leaflet
- Customer feedback process
- External Audit
- Joint Independent Remuneration Process
- Internal Audit
- Job Descriptions
- Job Evaluation Process
- Law & Governance
- Member Training Scheme
- Monitoring Officer & S151 Officer
- Partnership Arrangements
- Schedule of Council meetings
- Scrutiny Framework
- Staff Induction

Appendix B – Annual Governance Statement Action Plan

Issue Identified	Action to be taken	Lead Responsible Officer	Deadline
Corporate Governance			
The procedure for dealing with complaints about Councillors needs to be reviewed and updated	The procedure for dealing with complaints about Councillors has been amended as part of the work by the LGR Governance workstream. This will now go forward to the SWT Standards Committee in July 2022 and on to Full Council in September 2022. This will mean that any complaints that come in after Full Council approval will be dealt with in a consistent way across SCC and the 4 District Councils in the interim period before the Unitary Council vesting day on 1 April 2023.	Governance Manager and Monitoring Officer	30/09/22 Completed – the Somerset wide procedure for dealing with complaints about Councillors was signed off by the Standards Committee on 26/07/22 and Full Council on 06/09/22.
The information on the Council website relating to complaints about Councillors needs to be reviewed and updated	This links to the action above. Once this has been approved by Full Council the amendments will be made to the SWT website.	Governance Manager and Monitoring Officer	30/09/22 Partly complete - The new Code of Conduct has been put on the website. The officer is working with colleagues at the other Councils to determine a start date for the procedure for dealing with complaints about Councillors.

Issue Identified	Action to be taken	Lead Responsible Officer	Deadline
The Member's Code of Conduct needs to be reviewed and updated following the publication of the Local Government Association model Code of Conduct.	The Member's Code of Conduct has been reviewed and updated as part of the work by the LGR Governance workstream. This will now go forward to the SWT Standards Committee in July 2022 and on to Full Council in September 2022.	Governance Manager and Monitoring Officer	30/09/22 Completed – the Somerset wide Members Code of Conduct was signed off by the Standards Committee on 26/07/22 and Full Council on 06/09/22.
Risk Management			
Whilst Performance and Finance report have been going before the Scrutiny Committee and Executive on a quarterly basis. This now needs to happen with the Key Business Risk Register	Quarterly reporting took place in 2021/22. The Q4 and outturn report is scheduled to go to the Corporate Scrutiny Committee on 06/07/22 and Executive on 20/07/22	Business Intelligence and Performance Manager	31/07/22 Completed – the Q4 and outturn report went to Corporate Scrutiny Committee on 06/07/22 and Executive on 20/07/22
The Internal Audit report on Risk Management highlighted that staff training needs to be carried out	Investigate with the Learning and Development team if a mandatory training module can be set up on the e-learning platform for all staff to complete	Business Intelligence and Performance Manager	31/12/22
The Internal Audit report on Risk Management highlighted that Member training needs to be carried out	Carry out a Member Briefing/training session on Risk Management	Business Intelligence and Performance Manager	30/09/22 Behind schedule due to meetings diary being busy – session to be scheduled

Issue Identified	Action to be taken	Lead Responsible Officer	Deadline
Member Training and Development			
Ethical awareness needs to be improved	Ethical awareness training for Councillors at least twice a year. The Governance Manager and Monitoring Officer will provide the Standards Committee with an update regarding awareness training on 26 July 2022. Key messages about ethical behaviour and conduct will continue to be highlighted through the ethical newsletters – scheduled to be published in early June, September and December 2022. The newsletters will include reminders on declaring interests and gifts & hospitality Monitoring Officer to send quarterly updates to Officers reminding them to declare any interests and gifts & hospitality	Governance Manager and Monitoring Officer	By 31/12/22 Training session scheduled for 14/12/22 By 31/12/22 First ethical newsletter published in June 2022. Second due to be published in early November – delay due to the capacity in the Governance Team. The third edition will now be published in January 2023
Need to carry out Member refresher training on Data Protection	A training session to be arranged for Members	Governance Manager & Monitoring Officer and Information and Records Manager	By 30/09/22 A Member briefing on Information Management is scheduled for 01/11/22. Reminders about Data Protection and safeguarding information will be in Newsletter edition 2

Issue Identified	Action to be taken	Lead Responsible Officer	Deadline
Member Communications			
Members are not currently getting feedback from reps on outside bodies	Information from reps on outside bodies will be included in the SWT Member newsletter, as and when the information is available.	Governance Manager and Monitoring Officer	Throughout the year ending 31/03/22
Limited Assurance Internal Audits			
The Corporate Health & Safety Internal Audit report gave limited assurance in July 2021	Ensure that all outstanding Internal Audit recommendations arising from the Corporate Health & Safety report are actioned by the target dates agreed by officers.	Health and Safety Specialist/ Assistant Director Corporate	As per deadlines set out in the Internal Audit report
The Data Centre Review Internal Audit report gave limited assurance in September 2021	Ensure that all outstanding Internal Audit recommendations arising from the Data Centre review report are actioned by the target dates agreed by officers.	ICT Manager/ Assistant Director Corporate	As per deadlines set out in the Internal Audit report
The Procurement Cards Internal Audit report gave limited assurance in April 2022	Ensure that all Internal Audit recommendations arising from the Procurement Cards report are actioned by the target dates agreed by officers.	Assistant Director Finance	As per deadlines set out in the Internal Audit report
The Stores Internal Audit report gave limited assurance in April 2022	Ensure that all outstanding Internal Audit recommendations arising from the Stores report are actioned by the target dates agreed by officers.	Director of Housing	As per deadlines set out in the Internal Audit report

Report Number: SWT 143/22

Somerset West and Taunton Council

Audit and Governance Committee – 7 November 2022

Somerset West and Taunton District Council Statement of Accounts 2021/22

This matter is the responsibility of the Portfolio Holder for Communications and Corporate Resources, Cllr Benet Allen

Report Author: John Dyson, Corporate Finance Manager (Interim)

1 Executive Summary / Purpose of the Report

1.1 The Statement of Accounts for 2021/22 (Appendix A) is required to be approved by the Audit and Governance Committee prior to being signed by the Council's Assistant Director – Finance (s151 Officer) and the Chair of the Audit and Governance Committee.

1.2 The draft Statement of Accounts was signed by the Assistant Director – Finance (s151 Officer) and published online on 30 June 2022. This was one clear month ahead of the regulatory deadline for 2022 of 31 July. Early completion this year has been regarded as a notable achievement during a time when Finance officers have contributed significant time and effort on workstreams for the new unitary council.

1.3 This report also links to and reflects the Audit Findings Report, prepared by the Council's external auditors – Grant Thornton UK LLP. Through the course of the audit, a range of amendments have been identified for correction within the accounts. A schedule of these is set out in the Audit Findings Report, which has been tabled earlier in the meeting of this Committee.

1.4 As part of the overall process for approving the Statement of Accounts, a Management Letter of Representation should be signed by the Council. A draft letter of representation is attached to this report as Appendix B.

2 Recommendations

2.1 The Committee is recommended to:

a) Note the Auditor's unqualified opinion on the Statement of Accounts (Appendix A) - this remains subject to an update on the matter of a statutory override regarding the accounting treatment of Infrastructure Assets under the CIPFA Code of Practice.

b) Either approve the 2021/22 Statement of Accounts as attached to this report (Appendix A) <u>or</u>, if SWTC must await conclusion of the statutory override, delegate final approval of the 2021/22 Statement of Accounts to the Chairman of the Committee, in consultation with the Vice Chairman and Assistant Director – Finance (s151 Officer).

c) Endorse the Chairman of the Committee to sign the Management Letter of Representation (Appendix B) in respect of the financial statements for the year ended 31 March 2022.

3 Background and Full details of the Report

3.1 The Accounts and Audit Regulations 2015 require the audited Statement of Accounts to be approved by a resolution of a nominated committee. The current constitutional arrangements devolve this responsibility to the Audit and Governance Committee.

3.2 Each year the S151 officer is required to sign off the unaudited Draft Accounts as true and fair, usually by 31 May. However, similarly to last year, this deadline was extended to 31 July in recognition of the impact of the coronavirus as well as acute difficulties in resourcing local authority accounting and auditing arrangements across the country. The draft (unaudited) accounts were signed off on 30 June 2022.

3.3 This year the audited Statement of Accounts are required to be approved by Committee by 30 November. Once approved the Statement must be signed by the Council's Assistant Director – Finance (s151 Officer) and the Chair of the Audit and Governance Committee, the auditor should then issue a signed audit opinion and the accounts should then be published on the Council's website.

3.4 The Council's Statement of Accounts is being audited this year by Grant Thornton UK LLP. At the time of writing this report, Grant Thornton has indicated its intention to issue an unqualified opinion, as reported in the Audit Findings Report; however this is subject to the outcome of a technical accounting issue.

3.5 With the emergence of a complex accounting issue relating to Infrastructure Assets, CIPFA has been working with the government and devolved administrations seeking a legislative prescription to support local authorities finalising their year-end accounts work. With the SWTC audit on the brink of completion, subject only to outcomes from the opinion of an audit panel in relation to the Infrastructure Assets issue (details of which were provided earlier in this meeting as part of the Audit Findings Report), one of two approaches may be taken following review of the 2021/22 Statement of Accounts by the Members of this Committee. Either:

a) if the audit is permitted to be concluded and the auditor able to issue the Audit Opinion, Members may approve the 2021/22 Statement of Accounts at this meeting, or

b) if we need to await the issue of a statutory override in relation to Infrastructure Assets by CIPFA, it is recommended that this Committee delegates authority to the Chair and Vice-Chair of the Audit and Governance Committee in consultation with the Assistant Director – Finance (s151 Officer), to approve the

Statement of Accounts upon the favourable outcome of either the audit panel or the statutory override.

3.6 The Management Letter of Representation is a formal letter to the external auditors, Grant Thornton LLP, which is signed by the Council's senior management. The letter attests to the accuracy of the financial statements that the Council has submitted to the auditors for their analysis.

3.7 The Management Letter of Representation enables the Council to declare in writing that the statement of accounts and other presentations to the auditor are sufficient and appropriate and without omission of material facts to the best of the management's knowledge. The auditors will use this letter as part of their audit evidence.

3.8 The most significant changes between Unaudited and Final accounts have been reviewed and reported in the Audit Findings Report, which appears earlier on the agenda to this meeting.

4 Statement of Accounts

4.1 The Statement of Accounts for 2021/22 has been prepared on an IFRS (International Financial Reporting Standards) 'true and fair view' basis, in line with the CIPFA (Chartered Institute of Public Finance Accountancy) Code of Practice on Local Authority Accounting in the UK 2021/22.

4.2 The Statement of Accounts contain four main statements reflecting the position of the Council at 31 March 2022:

- Comprehensive Income and Expenditure Statement
- Movement in Reserves Statement
- Balance Sheet, and
- Cash Flow Statement

4.3 There are also supplementary statements related to the Housing Revenue Account, and the Collection Fund (which deals with the collection and distribution of Council Tax and Business Rates).

4.4 The Council has no subsidiary companies and therefore there are no Group Accounts.

Comprehensive Income and Expenditure Statement

4.5 The Comprehensive Income and Expenditure Statement (CIES) shows the day to day revenue spending and income on the Council's services. It also shows the Council Tax and Government grants received to help pay for those services. The CIES shows the net cost on an "accounting basis" which includes accounting adjustments such as depreciation, impairment and revaluation losses, and other types of accounting adjustments. These adjustments are then reversed out in the Movement in Reserves Statement to show the "funding" position of the Council.

4.6 We also include comparator values for the previous year in the CIES.

4.7 The Financial Outturn position for 2021/22 was reported to Executive Committee at its meeting of 20 July 2022. This included information relating to the Council's financial performance for the 2021/22 financial year. The report highlighted key variances to the budget and provided explanations for these.

Movement in Reserves Statement

4.8 This account shows the changes in the Council's financial resources over the year by showing the movement on the reserves held. These are analysed into Usable Reserves (these can be used to fund spending) and Unusable Reserves (reserves that cannot be spent as they contain technical accounting adjustments that do not represent available funding).

4.9 The Statement shows that the General Fund Reserve balance is above the minimum level required in the Council's financial strategy, with General Fund Reserves reducing from £7.914m to £7.592m. The recommended General Fund minimum balance reserve level for SWTC is £2.4m.

Balance Sheet

4.10 The Balance Sheet provides a snapshot of the Council's financial position as at 31 March 2022. Balances as at 31 March 2021 are provided for comparison purposes. These include updates resulting from adjustments required following the 2021/22 audit.

Cash Flow Statement

4.11 The cash flow statement summarises the flows of cash and cash equivalents into and out of the Council during the year.

4.12 Cash and cash equivalents are represented by the following: cash in hand; deposits with financial institutions repayable without penalty on notice of not more than 24 hours; and investments that mature in one month or less from the date of the balance sheet and are readily convertible into cash.

Housing Revenue Account

4.13 The Housing Revenue Account (HRA) Income and Expenditure Account shows the economic cost in year of providing housing services.

Collection Fund

4.14 The Collection Fund Statement shows the total amount the Council has collected from taxpayers on behalf of, and distributed to, all the precepting authorities and Central Government. The major precepting authorities are Somerset County Council, Avon and Somerset Police, Devon and Somerset Fire and Rescue Authority, and Central Government. The Council has a statutory obligation to maintain a separate Collection Fund Account.

4.15 The presentation of the statement clearly separates the Council Tax and Business Rates (NDR) movements and balances. The statement shows that the Council has collected £155.919m on behalf of ourselves, the precepting authorities and Central Government. This comprises Council Tax income of £109.384m and Business Rates income of £46.535m.

4.16 The statement currently shows an end of year surplus of £1.501m (SWT share is £169k) in respect of Council Tax and an end-of-year deficit of £19.521m (SWT share is £7,808k) in respect of Business Rates.

5 Result of the Audit of the Statement of Accounts

5.1 The external audit review has been substantially completed, with only residual administrative work outstanding. The auditor has indicated their intention to issue an “unqualified opinion” for the Statement of Accounts, as showing a true and fair view of the Council’s financial position and performance.

5.2 During the audit misstatement and disclosure changes were identified which have been incorporated into the final set of financial statements. These have been identified in Appendix C of the Audit Findings Report by Grant Thornton, included earlier on this Agenda.

6 Links to Corporate Aims / Priorities

6.1 The Statement of Accounts reports the financial activities of the Council in the delivery of its corporate aims.

7 Finance / Resource Implications

7.1 These are included within the Statement of Accounts document attached to this report.

8 Legal Implications

8.1 There is a Statement of Responsibilities within the Statement of Accounts, which summarises responsibilities for the Council and its S151 officer. The Accounts are prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, which specifies the principles and practices of accounting required to give a ‘true and fair’ view of the financial position and transactions of the Council.

8.2 The Code sets out the proper accounting practices required by section 21(2) of the Local Government Act 2003. These proper practices apply to:

- Statements of Accounts prepared in accordance with the statutory framework by the Accounts and Audit (England) (Updated) Regulations 2015

- The audit of those accounts undertaken in accordance with the statutory framework established by section 5 of the Local Audit and Accountability Act 2014.

Democratic Path

- **Audit and Governance Committee – 7 November 2022**

Reporting Frequency: **Annually**

List of Appendices:

Appendix A	Somerset West and Taunton Council Statement of Accounts 2021/22
Appendix B	Draft Management Letter of Representation

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Somerset West
and Taunton

SOMERSET WEST AND TAUNTON COUNCIL

STATEMENT OF ACCOUNTS 2021/22

Contents

Narrative Report

STATEMENT BY THE ASSISTANT DIRECTOR – FINANCE (S151 OFFICER)

INTRODUCTION

Welcome to this Statement of Accounts for the year ending 31 March 2022 for Somerset West and Taunton Council (SWT).

Readers of the Statement of Accounts will be familiar with the many events affecting the UK. These include, but are not limited to, the COVID-19 pandemic, struggling worldwide supply chains, price inflation, rising interest rates, global conflicts (particularly in Ukraine), and the continuing adjustments needed to adapt to Brexit. These challenges all impact on individuals and organisations alike throughout our local community. Like all other local councils, SWT is also impacted and has had to adapt. Inevitably, these challenges will continue to impact SWT and the environment in which it operates as we proceed into 2022/23.

Despite the uncertainties caused, the Council's current financial position provides a high degree of financial resilience, underpinned by carefully managed budgets, service delivery and financial reserves. Through continued vigilance, the Council has continued to absorb the pressures from COVID, for example, and has ensured funding has been available to support local economic recovery. In protecting its future delivery of services, the Council has been proactive in securing property investment income through carefully managed development of its property portfolio, thus preserving the Council's financial resilience to meet complex budget demands.

Somerset West and Taunton Council is a relatively new local council, having been formed on 1 April 2019. However, further change will occur on 1 April 2023 when the reorganisation of the five councils in Somerset will see SWT merge into the new unitary authority, Somerset Council.

This is the backdrop to this narrative report, which aims to highlight some of the most important matters reported in the accounts and provides a management commentary on the financial performance and standing of the Council. The commentary is focused both on the performance in the 2021/22 financial year and on issues affecting the Council during 2022/23, its final year before transferring to the new Somerset Council.

SOMERSET WEST AND TAUNTON COUNCIL – KEY INFORMATION

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

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

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

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

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

NEW SOMERSET COUNCIL

The Government has issued a Structural Change Order (The Order), which came into force on the 18 March 2022. The Order confirmed that Somerset's five councils will be replaced by one single council – Somerset Council. The new single council will provide both county and district services across the existing county area from 1 April 2023 to deliver high quality sustainable local services across the county along with effective leadership at both strategic and local levels.

Following local elections to Somerset County Council, held on 6 May 2022, those elected as County Councillors will take responsibility for all current County Council services for their first year and oversee the local government reorganisation to establish the single unitary Somerset Council on 1 April 2023 and then continue as Councillors of the unitary authority for a four-year term. District councils will remain until 31 March 2023 and the Councillors serving on them will continue in their roles until that date. On that date all the Somerset district councils will be wound up and dissolved and the four existing Somerset districts will be abolished.

Planning and preparation work for the local government reorganisation of councils in Somerset has included a scheme to share the implementation costs for the creation of the new authority, which contains a contingency sum for unforeseen cost variations. Budget provision has been made by SWT to meet the anticipated need for additional capacity and backfill in key areas of activity, including both forward-facing services and support services. The aim is to keep costs to a minimum with most transitional work delivered within existing management and staff resources through prioritisation of activity. The business case for implementation of the unitary council in Somerset, anticipates savings can be achieved across the county of £52.6m across a five-year period.

THE GOVERNANCE FRAMEWORK

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

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

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

The Council’s Local Code of Corporate Governance was last reviewed and approved by the Audit and Governance Committee on 22 March 2022.

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

Further information is included in the Annual Governance Statement, which was approved by the Audit and Governance Committee on 13 June 2022.

THE CORPORATE STRATEGY AND PLAN

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

Our four strategic themes are:	Our expected outcomes are:
1. Our Environment and Economy	**A low-carbon, clean, green and prosperous district that attracts high quality employment opportunities and encourages healthy lifestyles.**
2. A transparent and customer-focused Council	**A Council which informs and engages openly with our stakeholders and which consistently delivers excellent customer service.**
3. Homes and Communities	**A district which offers a choice of good quality homes for our residents, whatever their age and income, in communities where support is available for those who need it.**
4. An Enterprising Council	**A financially self-sufficient Council which has expanded its commercial activity and generated more income in order to support service provision.**

Linked to the Corporate Strategy, the Council also publishes its Annual Action Plan, stating its intentions for each year to help achieve the strategic outcomes. The plan for 2021/22 laid out the major projects and initiatives to be focused on outside of our core work. It set out the key actions for our energy and resources over the 12 months to 31 March 2022. A video setting out the highlights of 2021/22 is available to view on the Council's website.

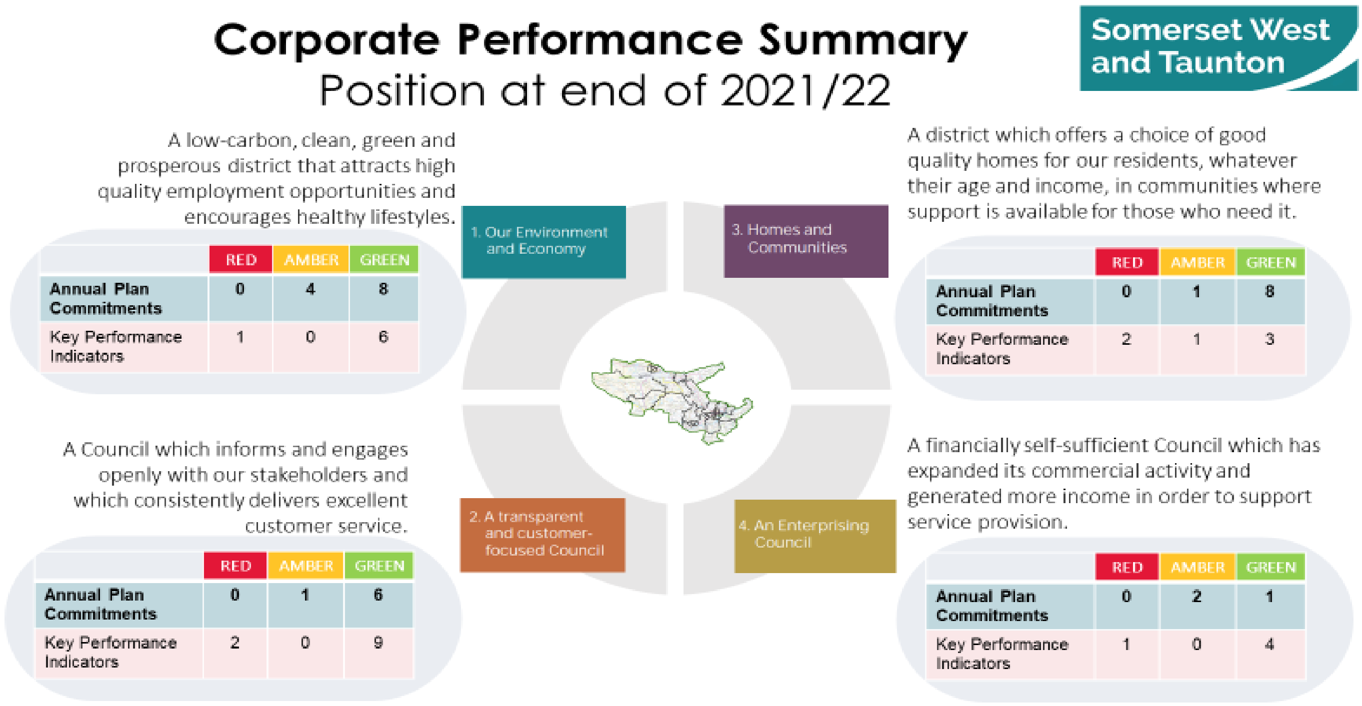
Turning to the forthcoming financial year, the Council's website contains a further video that sets out the priorities in the 2022/23 Annual Plan. The following is a high-level overview of key projects lined up for 2022/23:

- Roll out further vehicle charge points
- Complete the switch of the Council's own cars to electrical vehicles
- Commence the de-carbonisation of our Council-owned homes
- Produce an ecological vision and action plan for the whole district
- Delivering the first phase of Taunton town centre's cycling and walking project
- Complete the major regeneration project at Coal Orchard
- Undertake significant construction work on the Firepool site
- Work with partners for a long-term solution to phosphates issues
- Look to identify suitable employment land across West Somerset
- Undertake a wide range of economic initiatives
- Business case development for Wellington railway station
- Deliver schemes for welcoming town centres
- Help local people find affordable homes, including council homes and working with housing developers and partners
- Provide more support for the homeless
- Develop more pantries
- Maintain funding to community and voluntary groups in the district.

COUNCIL'S PERFORMANCE

During the year, performance was reported quarterly to the Scrutiny and Executive Committees, with the Corporate Performance Outturn reports for 2021/22 going to the Executive in July 2022.

Our performance during 2021/22 is summarised in the following graphic:



DECISION MAKING AND RESPONSIBILITIES

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

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

The Constitution sets out the functions of key governance officers, including the statutory posts of Chief Executive, Monitoring Officer and Section 151 (Chief Finance) Officer. It explains the role of these officers for ensuring that processes are in place for enabling the Council to meet its statutory obligations and also for providing advice to Members, officers and committees on staff management, financial, legal and ethical governance issues.

MANAGING RISK

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

Detailed consideration of this is included in the Council's Annual Governance Statement, which was approved by the meeting of the Council's Audit and Governance Committee on 13 June 2022. The agenda for that meeting is available on the Council's website.

FINANCIAL MANAGEMENT

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

The Council set a balanced budget for 2021/22. Despite the challenges listed in the introduction, above, it is pleasing to report the Council has operated within budget for the year, reporting an underspend against final budget and an increase in general reserves of £2.349m. This follows continual budget management and regular reporting at all levels of the Council.

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

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

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

The Council's financial statements and arrangements for securing value for money are reviewed each year by our external auditor. The Council has opted into the Public Sector Auditor Appointments framework, as an efficient approach to procuring external audit services. Grant Thornton UK LLP is our appointed auditor for 2021/22.

FINANCIAL PERFORMANCE

General Fund Revenue Budget and Reserves

The Council's Original Net Budget for 2021/22 was £18.743m, representing the net cost of General Fund services funded by Business Rates and Council Tax. In 2021/22 the Band D Council Tax rate for Somerset West and Taunton Council was £167.88 (being the average rate per property), generating Council Tax income of £9.393m towards SWT Services (excluding £1.75 per property collected on behalf of Somerset Rivers' Authority).

The Council's actual net expenditure in 2021/22 was £17.317m which together with an in-year funding surplus resulted in a net underspend of £2.349m (-12.5% of final Net Budget), after an adjustment of £2.075m for budgets carried forward to meet expenditure now planned to be delivered in 2022/23.

The net underspend arose due to variances in several budget areas. These are explained in detail in the Council's General Fund Monitoring Outturn Position report for 2021/22, which may be accessed on the Council's website. The most significant underspends were due to:

External Operations and Climate Change

- Asset Management (-£934k) - combination of increased income and delays in delivering planned maintenance due to COVID and other factors
- Major Contracts (-£506k) - combination of the new fleet contract, increase in garden waste income and a reduced inflationary impact on the waste contract

Below Net Cost of Services

- COVID General Grants (-£620k) - additional grants received during the year
- Interest & Investment Income (-551k) – improved non-property-based performance from strategic investments

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

General Fund Outturn 2021/22	Current Budget Net of Carry Forwards	Outturn	Variance	
	£000	£000	£000	%
Development & Place	2,735	2,759	24	0.9%
External Operations & Climate Change	8,578	7,996	-582	-6.8%
Housing & Communities	3,321	2,928	-393	-11.8%
Internal Operations	10,172	9,483	-689	-6.8%
Senior Management Team	554	473	-81	-14.6%
Net Cost of Services	**25,360**	**23,639**	**-1,721**	**-6.8%**
COVID General Grants	-813	-1,433	-620	76.3%
Investment Properties	-4,137	-4,155	-18	0.4%
Interest and Investment Income	-282	-832	-550	195.0%
Somerset Rivers Authority Contribution	98	98	0	0.0%
Expected Credit Losses	0	-138	-138	0.0%
Net Transfers from (-) / to Earmarked Reserves	419	-159	-578	-137.9%
Net Transfers to General Reserves	-2,671	-2,671	0	0.0%
Capital and Other Adjustments	785	2,969	2,184	278.2%
Net Budget	**18,759**	**17,318**	**-1,441**	**-7.7%**
Funding	-18,759	-19,667	-908	4.8%
Variance	**0**	**-2,349**	**-2,349**	**-12.5%**

Note: Negative figures represent income / underspend. Variances are calculated after deduction of budget carry forwards for deferred costs.

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

The General Fund Reserves have decreased from £7.914m at the start of the year to £7.592m as at 31 March 2022. This reflects funds being used to support the base budget for 2021/22, to support service delivery during the year and to accelerate the repayment of debt to reduce risks related to the Council's investment in property for yield and the related borrowing requirements as recommended by our External Auditors as per the Annual Auditor's Report presented to the Audit and Governance Committee in December 2021.

The planned use of reserves in future years will bring the balance down to £6.216m. The minimum assessed balance for adequate reserves is £2.4m therefore the balance provides a good degree of financial resilience for any pressures in 2022/23 such as unforeseen cost increases and income reductions, and to hold funds that are likely to be needed to support transition to and implementation of local government restructuring.

The Council also carries Earmarked Reserve balances, which represent funds that have usually been set aside to support specific spending in future years plus contingencies for specific risks. In total the General Fund Earmarked Reserves balance at 31 March 2022 stands at £27.990m (£33.843m as at 31 March 2021). This balance covers a wide variety of known planned spending commitments. Nearly half of the earmarked reserves are attributable to Business Rates funding to offset collection fund deficits in future years. Other balances have been set aside for managing risk on our investment portfolio and capital financing requirements, as well as repaying debt. We also have reserves for Garden Town, homelessness, economic development initiatives, asset management together with several other smaller commitments which we have prudently put aside.

COVID-19

The COVID pandemic has continued to impact upon the Council's services, costs and income during 2021/22. By the end of the financial year, COVID has resulted in additional cost pressures and loss of income to the General Fund in relation to ongoing Council services including, for example, £1.982m reduction in parking income. This has been partly offset by additional government funding of £1.432m.

The Council has acted in the capacity of "Agent" and "Principal" for the Government, passporting grants to businesses and support to individuals in accordance with Government guidelines. "Agent" payments and grant income have not been included in the CIES, whilst those relating to the Council as "Principal" are included in the CIES. The total amount paid out in 2021/22 was £19.1m. During 2021/22 the Council also administered Business Rate Relief (discounts) schemes totalling £12.5m.

CAPITAL SPENDING AND RESERVES

In addition to our 'revenue' spending on day-to-day service provision, the Council spends money on assets such as land and buildings, vehicles and equipment, systems and technology, and contributions to jointly financed schemes. In 2021/22 there was significant investment in commercial properties as the Council pursued and completed its investment property strategy to generate income for local services.

General Fund capital spend in the year totalled £69.7m. This included £54.9m in commercial properties, which represents the completion of the planned £99m investment in property over two years to generate ongoing income to fund local services. The precise nature of this spend was as reported in the Capital Investment and Treasury Strategies 2021/22 approved by Council on 30 March 2021. There was also £14.8m spent on other General Fund and related schemes, for a wide range of projects which included costs for the Coal Orchard and Firepool developments in Taunton, a contribution to the J25 improvement scheme, and a variety of other projects.

HRA capital spend totalled £12.7m, with £6.8m on HRA major works and improvements, and £5.9m on social housing development schemes.

The major works and improvements capital spend relates to the periodic replacement of major components in our existing housing stock such as kitchens, bathrooms, heating systems and other related works. The spend on the social housing development schemes has been driving forwards a significant investment in regenerating and building new social housing in the North Taunton area, as well as completing on new social housing in Laxton Road and starting work on building new housing in Seaward Way, Minehead.

The following table (overleaf) identifies all capital schemes with spend over £0.4m during 2021/22:

Capital Expenditure 2021/22	£000
General Fund	
Investment Properties	54,902
Coal Orchard Construction continuation	2,132
Firepool Infrastructure	1,652
J25 Improvement Scheme Contribution	1,500
Coastal Communities Fund Grant for Watchet East Quay Development	1,450
Community Infrastructure Levy Grants to Town and Parish Councils	930
Community Infrastructure Levy Education Provision	867
Watchet Harbour East Quay Wall	764
Heritage at Risk	708
Loan to SCCC	685
Disabled Facilities Grant	517
Other General Fund (below £400k)	3,615
Sub-Total General Fund	69,722
HRA	
Major Works	5,661
North Taunton	5,206
Other HRA (below £400k)	1,840
Sub-Total HRA	12,707
Total Capital Expenditure	**82,429**

Capital expenditure is funded from a variety of sources, as shown in the table below:

Sources of Capital Funding 2021/22	Outturn £000
Capital Grants and Contributions	6,396
Capital Receipts	3,991
Revenue Funding and Earmarked Reserves	4,491
Major Repairs Reserve	6,781
Borrowing	60,770
Sub-Total General Fund	**82,429**

The General Fund Capital Programme has an approved capital budget of £62.692m to spend in 2022/23 and future years. The HRA Capital Programme has an approved capital budget of £109.401m to spend in 2022/23 and future years.

The Council plans to support future spending largely through a combination of existing capital reserves, capital receipts, major repairs reserve, external funding, and borrowing. Capital reserves reflect funds set aside to fund investment in capital items in future years, and largely comprise grants, contributions and capital receipts that are committed on projects to be completed in the current approved capital programme.

The Council currently holds £48.604m of capital reserves (£40.028m in 2020/21). Borrowing will tend to be long-term fixed (50 years) for HRA, and short-term for General Fund. This will provide a balanced portfolio of debt for the forthcoming Unitary Council.

BALANCE SHEET

The table below is an extract from our Balance Sheet showing the position at the year-end on 31 March 2022 and, for comparison, the balances held by the Council on 31 March 2021.

Balance Sheet Extract	31 March 2022 £000	31 March 2021 £000
Long-term assets	601,392	504,860
Net current liabilities – comprising debtors, stock and cash less short-term creditors, liabilities and provisions	-44,113	-2,832
Long-term liabilities	-248,039	-254,244
Net assets	**309,240**	**247,784**
Represented by: Usable reserves	84,638	85,578
Represented by: Unusable reserves	224,602	162,206
Total Reserves	**309,240**	**247,784**

Housing Revenue Account (HRA) Budget and Reserves

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

The Net Budget for the HRA is £Nil, reflecting the self-financing nature of the account. However, financial performance is measured against the Gross Income budget, which is £27.667m for the year. The HRA has reported an underspend of £170k for 2021/22 (£0.015m deficit for 2020/21).

HRA Outturn 2021/22	Current Budget	Outturn	Variance	
	£000	£000	£000	%
Gross Income	-27,667	-27,919	-252	0.9%
Service Expenditure	15,354	15,956	602	3.9%
Other Operating Expenditure & Income	12,313	11,793	-520	-4.2%
Variance	**0**	**-170**	**-170**	**-0.6%**

The HRA Reserve has increased from £2.686m at the start of the year to £3.413m at 31 March 2022. The year-end balance is above the minimum level set within the Council's financial strategy of £2m, providing some resilience for financial and service risks and opportunities.

The HRA Earmarked Reserve has decreased from £1.107m at the start of the year to £54k at 31 March 2022. This is a net reduction £1.053m for the year. The reserves are committed to remaining costs associated with the Community Arts Project and funding approved to support the Home Moves Plus scheme.

Treasury Management

Total cash and cash equivalents plus short term investments at 31 March 2022 were £40.388m (£44.895m 31 March 2021). The main factors that would affect cash in the future are:

- Acquisition and disposals relating to the capital programme,
- The value of reserve balances,
- Movements in provisions for collection fund refunds and credit losses,
- Grants and contributions unapplied,
- Cashflow variations,
- Investment and borrowing decisions.

Cash and Cash Equivalents	31 March 2022 £000	31 March 2021 £000
Cash and other cash equivalents	40,388	41,641
Short-term investments	0	3,254
Total	**40,388**	**44,895**

In 2021/22, short-term investments were converted into cash equivalents and cash balances were utilised to reduce new external borrowing needs.

Pensions

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

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

The financial highlights of the Council's share of the Pension Fund as at 31 March 2022 are:

- Pension assets have increased by £19.0m to £165.7m (£146.7m in 2020/21),
- Pension liabilities have increased by £8.0m to £291.4m (£283.4m in 2020/21),
- Unfunded liabilities have reduced by £0.2m to £3.3m (£3.5m in 2020/21), and thus
- The net deficit on the fund has reduced by £11.2m to £129.0m (£140.2m in 2020/21), a net reduction of 8.0%.

This means that the Balance Sheet position for the Council has markedly improved when compared to the deficit that was reported in 2020/21. Investment returns have remained positive, which has contributed to an increase in the value of assets. This is further assisted by a reduction in the assessment of liabilities which, in turn, results from the real discount rate increasing to a level above both last year's and the preceding year's measurements (a combination of a higher discount rate assumption and a higher CPI inflation assumption).

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

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

FUTURE DEVELOPMENTS AND OUTLOOK

Local Government in Somerset

Casting our eyes forward to 1 April 2023, the Council will be part of fundamental change in the structure of Somerset councils, involving the reorganisation of the five councils in Somerset into one new unitary authority, Somerset Council. This follows the Somerset Structural Changes Order 2022, which will transfer responsibility to the new council for the continuity of all locally provided public services.

Financial Planning

Building on the work carried out during 2020/21 on stabilising and improving services following a transformation programme and new directorate management and service structures, close attention has been given to completing the Council's Investment Property plans to support service delivery against a backdrop of tight public sector funding, to realigning to the impact of Covid-19 and to preparing for the challenges in developing sound arrangements for the new unitary council.

A balanced budget for 2022/23 was approved in February 2022. With its services and functions transferring to the new unitary council for Somerset on 1 April 2023, this will be the final budget for Somerset West and Taunton. Forecasting for 2023/24 is indicative only and the medium-term financial plan projected an indicative budget gap by 2023/24 of £5.2m, based on Somerset West and Taunton continuing in its current form. It is not clear what the impact of moving to the unitary will mean for funding, and we do not yet have a provisional finance settlement for 2023/24 on which to base estimates. It is therefore prudently assumed one-off allocations in the 2022/23 finance settlement will not continue into the following year. Costs and income will also be rolled into unitary council budgets and be updated according to the design and priorities of the new council including any savings that the unitary may deliver in its first year.

From a funding perspective, the Council's General Fund revenue resources are cautiously projected to fall significantly, assuming New Homes Bonus funding (£1.7m in 2021/22) will continue to fall to zero in 2023/24. Additionally, EDF's planned decommission of Hinkley B nuclear power station commencing by July 2022 (subject to government review) will have a major impact on the level of retained Business Rates funding available to the Council with Business Rates Relief funding estimates falling by approximately £1.9m per year as a result. There will then be a gap of several years before Business Rates funding is expected to grow when Hinkley C comes into operation. There is a financial planning risk though as Government is still committed to reviewing Business Rates retention and relative needs and resources funding distribution.

The 2022/23 budget plans use significant funds from revenue reserves to support investment in service delivery and capital projects plus one-off costs related to the implementation of local government restructuring in Somerset. In total, £4.2m will support one-off costs, with £2.6m covering recurring costs in line with the agreed financial strategy for next year. It is recognised that supporting ongoing costs from reserves is not sustainable in the long run but is considered prudent in the current context and meets the objectives of the financial strategy in the lead up to structural change facing the Council in April 2023.

EXPLANATION OF ACCOUNTING STATEMENTS

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

- The **Comprehensive Income and Expenditure Statement (CIES)** (page 15) brings together details of the Council's day-to-day revenue spending and income on its services, and other gains and losses in the year.
- The **Movement in Reserves Statement** (page 16) shows the changes in the Council's financial resources over the year, by showing the movement on the different reserves held, analysed into 'usable reserves' (that can be used to fund spending) or other reserves
- The **Balance Sheet** (page 17) is a measure of the Council's financial position at a point in time (31 March) and sets out what is owned and what is owed.
- The **Cash Flow Statement** (page 19) summarises how the Council generates and uses cash and cash equivalents during the year.
- The **Notes to the Financial Statements** (pages 20 to 92) provide supplementary information on some of the figures contained within the primary statements. They also include accounting policies, which guide the treatment of income and expenditure, and disclosures relating to the assets and liabilities of the Council.

We include two supplementary financial statements, these being:

- The **Housing Revenue Account** (HRA, on pages 93 to 99) – whilst income and expenditure for the HRA is included within the CIES, above, the HRA remains a ring-fenced account which the Council is required to account for separately.
- The **Collection Fund** (pages 100 to 101) is the statement reflecting the Council's statutory obligation as a Billing Authority. As a Billing Authority, SWT issues Council Tax bills on behalf of all local authorities serving its area of responsibility. The Collection Fund is an independent account of income relating to Council Tax and Non-Domestic Rates collected on behalf of those authorities.

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

FURTHER INFORMATION

Further information on the contents of these statements, and additional copies of this booklet can be obtained from:

P Fitzgerald ACMA CGMA, Assistant Director – Finance (S151 Officer),
Deane House, Belvedere Road, Taunton, TA1 1HE
Telephone: (01823) 217557
E-mail to: S151@somersetwestandtaunton.gov.uk

The Statement of Responsibilities for the Statement of Accounts

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Assistant Director – Finance (S151 Officer).
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts (which is delegated to the Audit and Governance Committee).

The Assistant Director - Finance (S151 Officer) responsibilities:

The Assistant Director – Finance (S151 Officer) is responsible for the preparation of the Council's Statement of Accounts which, in accordance with proper practices as set out in the CIPFA (Chartered Institute of Public Finance and Accounting) Code of Practice on Local Authority Accounting in the United Kingdom (referred to as the Code).

In preparing this Statement of Accounts, the Assistant Director – Finance (S151 Officer) has:

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

The Assistant Director – Finance (S151 Officer) has also:

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

Certification of the Accounts

This Statement of Accounts gives a true and fair view of the financial position of Somerset West and Taunton Council at 31 March 2022 and its income and expenditure for the year ended 31 March 2022.

Approval of the Accounts

The draft unaudited Statement of Accounts was signed and issued by the Assistant Director – Finance (S151 Officer) on 30 June 2022. The audited version of the Statement of Accounts was presented to the meeting of the Council's Audit and Governance Committee for formal approval on 7 November 2022. Under powers allocated by the constitutional arrangements of the Council, the Statement of Accounts and Statement of Responsibilities is signed by the Chair of the Committee and countersigned by the Assistant Director – Finance (S151 Officer), immediately followed by publication following the conclusion of the audit.

Signed:

Councillor Lee Baker Chair of Audit and Governance Committee	Paul Fitzgerald Assistant Director – Finance (S151 Officer)
7 November 2022	7 November 2022

Comprehensive Income and Expenditure Statement (CIES)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents). Councils raise taxation (and rents) to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the expenditure and funding analysis and the Movement in Reserves Statement.

2020/21 Gross Expenditure £000	2020/21 Gross Income £000	2020/21 Net Expenditure £000		Notes	2021/22 Gross Expenditure £000	2021/22 Gross Income £000	2021/22 Net Expenditure £000
11,049	-4,223	6,826	Development and Place		12,359	-3,778	8,581
24,906	-7,056	17,850	External Operations & Climate Change		24,251	-10,408	13,843
5,251	-1,412	3,839	Housing & Communities		5,689	-2,245	3,444
48,776	-39,207	9,569	Internal Operations		45,947	-35,000	10,947
880	-13	867	Senior Management Team		737	-176	561
24,268	-27,022	-2,754	Housing Revenue Account		26,594	-27,238	-644
115,130	**-78,933**	**36,197**	**Cost of Services**		**115,577**	**-78,845**	**36,732**
		5,310	Other Operating Expenditure	**10**			1,119
		1,229	Financing and Investment Income and Expenditure	**11**			308
		-41,276	Taxation and Non-Specific Grant Income	**12**			-36,435
		1,460	**(Surplus) or Deficit on Provision of Services**				**1,724**
		-18,099	Surplus (-) or deficit on revaluation of Property, Plant and Equipment assets				-40,843
		25,227	Remeasurement of the net defined benefit liability				-22,337
		7,128	**Other Comprehensive Income and Expenditure**				**-63,180**
		8,588	**Total Comprehensive Income and Expenditure**				**-61,456**

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax (or rents) for the year. The net increase / decrease line shows the statutory General Fund balance and Housing Revenue Account (HRA) balance movements in the year following those adjustments.

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
2021/22								
Balance at 1 April 2021	**-41,758**	**-3,792**	**-18,596**	**-6,773**	**-14,659**	**-85,578**	**-162,206**	**-247,784**
Movement in Reserves during 2021/22								
Total Comprehensive Income and Expenditure	404	1,319	0	0	0	**1,723**	-63,179	**-61,456**
Adjustments between accounting basis and funding basis under regulations (note 8)	5,773	-996	198	-1,427	-4,331	**-783**	783	**0**
Increase (-) / Decrease in 2021/22	**6,177**	**323**	**198**	**-1,427**	**-4,331**	**940**	**-62,396**	**-61,456**
Balance at 31 March 2022	**-35,581**	**-3,469**	**-18,398**	**-8,200**	**-18,990**	**-84,638**	**-224,602**	**-309,240**
2020/21								
Balance at 1 April 2020	**-25,108**	**-4,349**	**-17,165**	**-3,708**	**-9,583**	**-59,913**	**-196,459**	**-256,372**
Movement in Reserves during 2020/21								
Total Comprehensive Income and Expenditure	-1,236	2,696				**1,460**	7,128	**8,588**
Adjustments between accounting basis and funding basis under regulations (note 8)	-15,414	-2,139	-1,431	-3,065	-5,076	**-27,125**	27,125	**0**
Increase (-) / Decrease in 2020/21	**-16,650**	**557**	**-1,431**	**-3,065**	**-5,076**	**-25,665**	**34,253**	**8,588**
Balance at 31 March 2021	**-41,758**	**-3,792**	**-18,596**	**-6,773**	**-14,659**	**-85,578**	**-162,206**	**-247,784**

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Balance Sheet

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

Restated 1 April 2020 £000	31 March 2021 £000		Notes	31 March 2022 £000
296,914	312,891	Council Dwellings		353,095
105,256	103,304	Other Land and Buildings		103,044
6,402	5,326	Vehicles, Plant and Equipment		4,936
10,543	9,488	Infrastructure Assets		9,502
7,876	7,876	Community Assets		7,876
177	177	Surplus Assets		197
5,128	9,159	Assets Under Construction		13,097
432,296	**448,221**	**Total Property, Plant and Equipment**	14	**491,747**
141	141	Heritage Assets		141
6,763	50,044	Investment Property	15	103,064
647	1,099	Intangible Assets		1,935
3	3	Long-term Investments	16	3
6,606	5,352	Long-term Debtors	20	4,502
446,456	**504,860**	**Long Term Assets**		**601,392**
5,026	3,254	Short-term Investments	16	0
3,260	3,560	Assets Held for Sale	18	4,924
1,969	4,908	Inventories	19	4,340
13,524	35,594	Short-term Debtors	20	20,972
28,691	41,641	Cash and Cash Equivalents	21	40,914
52,470	**88,957**	**Current Assets**		**71,150**
-25,507	-57,013	Short-term Borrowing	16	-75,042
-28,345	-32,621	Short-term Creditors	22	-39,671
0	-1,252	Grants Receipts In Advance, Revenue	32	-163
0	0	Grants Receipts In Advance, Capital	32	-111
-945	-903	Provisions	23	-276
-54,797	**-91,789**	**Current Liabilities**		**-115,263**
-75,601	-105,683	Long-term Borrowing	16	-105,683
-111,912	-140,156	Other Long-term Liabilities	16	-128,970
0	-4,051	Grants Receipts In Advance, Revenue	32	-2,624
-244	-4,354	Grants Receipts In Advance, Capital	32	-10,762
-187,757	**-254,244**	**Long-term Liabilities**		**-248,039**
256,372	**247,784**	**Net Assets**		**309,240**
59,913	85,578	Usable Reserves	24	84,638
196,459	162,206	Unusable reserves	25	224,602
256,372	**247,784**	**Total Reserves**		**309,240**

The unaudited accounts were issued on 30 June 2022 and the audited accounts were authorised for issue on 7 November 2022.

Signed:

Paul Fitzgerald ACMA CGMA
Assistant Director – Finance (S151 Officer)
7 November 2022

The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories:

- The first category of reserves are usable reserves – these are reserves that the Council may use to provide services, which is subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
- The second category of reserves - those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line ‘adjustments between accounting basis and funding basis under regulations’.

Restated Balance Sheet – Prior Period Adjustment (2020/21)

The audit of the accounts for 2021/22 identified the need to amend the financial reporting treatment relating to assets. Costs that had been previously apportioned under Inventory Assets were found to relate to Assets under Construction. These costs, being part of the Coal Orchard site which was under development, occurred prior to and during 2020/21. Therefore, in showing the restatement applicable to 2020/21, reference has been made to the opening balance at 1 April 2020 in line with the Accounting Code of Practice. An adjustment of £0.958m has been as at 1 April 2020 and for £2,522 as at 31 March 2021 to re-categorise expenditure within Inventories.

Effect on the Balance Sheet	**As Restated 1 April 2020 £000**	**As Originally Stated 31 March 2021 £000**	**As Restated 31 March 2021 £000**	***Amount of the Restatement for 2020/21 £000***
Property, Plant and Equipment				
Assets Under Construction	5,128	6,637	9,159	*2,522*
Total Property, Plant and Equipment	**432,296**	**445,699**	**448,221**	***2,522***
Current Assets				
Inventories	1,969	7,430	4,908	*-2,522*
Current Assets	**52,470**	**91,479**	**88,957**	***-2,522***

These adjustments do, in turn, feature within the restated disclosure notes for Assets under Construction (within Note 14) and Inventories (Note 19).

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Authority.

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

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

2020/21 £000		Notes	2021/22 £000
-1,460	**Net surplus or deficit (-) on the provision of services**	CIES	**-1,724**
11,298	Adjustments to net surplus or deficit on the provision of services for non cash movements	26	54,359
-3,955	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities	26	-4,221
5,883	**Net cash flows from Operating Activities**		**48,414**
-54,433	Investing Activities	27	-67,141
61,500	Financing Activities	28	18,000
12,950	**Net increase or decrease (-) in cash and cash equivalents**		**-727**
28,691	Cash and cash equivalents at the beginning of the reporting period	21	41,641
41,641	**Cash and cash equivalents at the end of the reporting period**	21	**40,914**

Notes to the Core Financial Statements

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

Note 1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end on 31 March 2022. The Accounts and Audit Regulations 2015 (as amended) require the Council to prepare an annual Statement of Accounts in accordance with proper accounting practice, namely the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, supported by International Financial Reporting Standards (IFRS). These practices are recognised by Section 21 of the 2003 Act, accompanied by statutory guidance issued under Section 12 of the 2003 Act.

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

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

ii. Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Cash and Cash Equivalents

Cash 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 one month or less from the date of the Balance Sheet and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

iv. Charges to Revenue for Non-Current Assets

Services and support services are debited with the following amounts to record the cost of holding non-current (fixed) assets during the year:

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

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. This is termed ‘Minimum Revenue Provision’ (MRP). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by MRP in the General Fund balance and Housing Revenue Account balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

v. Council Tax and Non-Domestic Rates

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

Accounting for Council Tax and Business Rates

The Council Tax and Business Rates income included in the CIES is the Council’s share of accrued income for the year. However, regulations determine the amount of Council Tax and Business Rates that must be included in the authority’s General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority’s share of the end of year balances in respect of Council Tax and Business Rates relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

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

vi. Employee Benefits

Benefits Payable During Employment

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

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

Termination Benefits

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

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

Post-Employment Benefits

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

The Local Government Pension Scheme

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

- The liabilities of the SCC pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of future earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.60%, which is based on yields on high quality (usually AA-rated) corporate bonds, taking into account the term of the pension scheme's liabilities.
- The assets of the SCC pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price

- property – market value.

The change in the net pension liability is analysed into the following components:
Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the CIES to the services for which the employees worked.
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the CIES.
- net interest on the net defined benefit liability – i.e. net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the SCC pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

vii. Events After The Reporting Period

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

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

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

viii. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective rate of interest is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.
For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Financial Assets

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

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

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

Financial assets measured at amortised cost

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

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

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

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

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

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

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

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

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

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

Expected Credit Loss Model

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

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

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

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations.

ix. Government Grants and Contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income and Expenditure (non-ring-fenced revenue grants and all capital grants) in the CIES.

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

x. Community Infrastructure Levy

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

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

xi. Intangible Assets

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible assets held by the Council meet this criterion and they are, therefore, carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CIES. An asset is tested for impairment whenever there is an indication the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

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

xii. Investment Property

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line of the CIES and result in a gain for the General Fund balance. However, revaluation and disposal gains are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any proceeds greater than £10,000) the Capital Receipts Reserve.

xiii. Leases

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

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

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

A new accounting standard (IFRS 16) has been produced that introduces a revision to the methodology of carrying leases in an entity's financial accounts. Essentially, IFRS 16 would bring financing arrangements that meet the definition of Finance Leases onto the Balance Sheet. However, as part of a sector-wide consultation process, CIPFA/ LASAAC have stated their decision to defer the implementation of IFRS 16 until 1 April 2024 (essentially deferring it for inclusion in the 2024/25 Code, although the actual date of inclusion into the Code remains subject to annual review). The position is explained further in Note 2 to these accounts.

The Council as Lessee

Operating Leases

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

The Council as Lessor

Operating Leases

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

xiv. Overheads and Support Services

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

xv. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, and fully revalued as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CIES where they arise from the reversal of a loss previously charged to a service.

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

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

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

Depreciation

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

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

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

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

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

Impairment

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

Where impairment losses are identified, they are accounted for as follows:

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

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

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell.

Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on assets held for sale.

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

xvi. Provisions and Contingent Liabilities

Provisions

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

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

Contingent Liabilities

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

Contingent Assets

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

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

xvii. Reserves

The Council sets aside specific amounts as reserves for future policy purposes and/or to cover contingencies. Reserves are created by transferring amounts out of the General Fund balance or Housing Revenue Account balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then transferred back into the General Fund balance or Housing Revenue Account balance so that there is no net charge against Council Tax for the expenditure.
Separate reserves are maintained for capital and revenue spending; in line with legislation and accounting practice, capital reserves cannot be used to support general revenue spending although revenue reserves may be used to support capital spending.

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

xviii. Revenue Expenditure Funded from Capital under Statute

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

xix. VAT

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

xx. Fair Value Measurement of non-financial assets

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

a) in the principal market for the asset, or

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

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

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

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

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

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

xxi. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. In relation to stocks and stores of materials and goods, the cost of inventories is assigned using the FIFO (first in first out) costing formula.
For long-term contracts/ projects, such as those involving the construction of assets for resale, the cost of inventories is assigned by using specific identification of their individual costs. The cost is included in the Balance Sheet until sold, at which point the cost and income attributable to sold inventory assets are recognised in the CIES.

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

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

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

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the Council to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued, but has not yet been adopted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

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

- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). Following a period of practitioner consultation across the sector during 2021/22, CIPFA/ LASAAC have stated their intention to defer the obligatory implementation of IFRS 16 for local government until 1 April 2024, with the expectation for its inclusion within the 2024/25 Code. Whilst the standard has already been issued and authorities may choose to implement the standard at an early date (at either 1 April 2022 or 2023), Somerset West and Taunton Council has elected not to implement the standard in advance. This is in line with the other county and district councils in Somerset, ensuring a unified methodology on the approach to formation of the new unitary Somerset Council on 1 April 2023. Consequently, review work required to adopt IFRS 16 has been deferred, pending formation of Somerset Council. SWT Council, therefore, is not in a position to quantify the impact of this new accounting standard within the 2021/22 Statement of Accounts, although there is no impact to the overall financial resources of the Council.
- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes four changed standards:
  - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS

- IAS 37 (Onerous contracts) – clarifies the intention of the standard.
- IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material.
- IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

None of the four matters covered in the annual improvements are dealt with in detail in the 2022/23 Code. Following outcomes from the CIPFA/LASAAC consultation process on the 2022/23 Code, the Council does not envisage these matters having a significant effect on local authority financial statements.

Note 3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies, set out as Note 1 to the Core Financial Statements, the Council has had to make judgements about complex transactions or those involving uncertainty about future events. The main critical judgements made in this Statement of Accounts for 2021/22 are set out below:

- Across the county of Somerset, the four district councils and the County Council will amalgamate their services and transfer into one new unitary authority, to be called Somerset Council. Following consideration by both Houses of Parliament, the Secretary of State has made the Somerset Structural Changes Order 2022, which paves the way for the new Somerset Council to be established on 1 April 2023. Whilst this carries no direct impact on the Statement of Accounts in 2021/22, the new unitary council will develop accounting policies which may vary from those employed by SWT Council. Whilst there will be a wholescale transfer of assets and liabilities to the new council on 1 April 2023, the assets and liabilities held on SWT's Balance Sheet as at 31 March 2022 will be carried forward to the 2022/23 accounts for SWT for which a full accounting year will follow through to 31 March 2023.
- There remains uncertainty about future levels of funding for individual local authorities. This stems from continued delays by the Government in issuing funding settlements extending beyond one financial year. This uncertainty is heightened by the impact of other high-profile issues, including rising inflation in the UK, increases in the Bank of England Base Rate (the Bank Rate), as well as the continuing impact of Brexit and Covid-19 on the local and national economy and international trading. As a result, the Council's operating environment, in a demand-led sector, and issues such as reduced labour supply required for development and regeneration initiatives, could continue to impact on future service delivery and investment. However, whilst these issues impact on shaping future budget updates by this Council and budget decisions by the new unitary council, it is considered that such factors will not have materially impacted on the presentation of substance of this Statement of Accounts.
- During 2021/22 the Council received significant amounts of grant funding. A proportion was to support the Council in its obligations in providing services and were passed through the CIES. The remaining proportion was to provide support to businesses during the Covid-19 lockdown and recovery periods. In relation to this second proportion, the mechanism of transferring these Government grants across to businesses led to the judgement that the Council was acting as agent for the Government and, as a result, those payments have not been presented through the CIES. Any residual sums, due to be refunded back to Government, have been posted to the Balance Sheet as at 31 March 2022. If payments made as agent had been posted through Income and Expenditure, it is

considered that this would have mis-represented the costs aligned with the Council's obligations and activities.

- Outline planning consent has been given for the development of a mix of office, hotel and residential accommodation and supporting waterfront leisure and retail outlets at Firepool in Taunton. The Council is working closely with key partners to develop a business case for the project and to seek support from the Government and others to take it forward. Some initial groundworks have commenced on the site following planning approvals during the year specific to access, public realm and infrastructure works. Proposals are currently being investigated and decisions are awaited on the mix of units to be provided as further complex planning issues continue to be resolved. Therefore, whilst residential units being developed for sale would usually be treated as Inventory items, the judgement has been made to contain these early costs in the Balance Sheet as Assets Under Construction because no allocation of costs incurred to date can be attributable to such assets at this time. This will be reviewed and updated in each successive future year when appropriate decisions enable the appropriate costs to be defined and allocated to housing units.

Note 4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the authority about the future or that are otherwise uncertain. For example, one factor that requires estimation techniques to be employed, and which is currently most evident, has been the outbreak of the coronavirus (COVID-19). Whilst contributing professionals continue to employ practical methods of placing judgements on the content of the accounts, unusual movements in property, trading and financial markets, together with the continuation of remote working by professionals in conducting some of their work, may affect the estimation uncertainty in the Statement of Accounts. Other factors that require estimation techniques may arise from instances where future events and future outcomes cannot be determined with certainty. Therefore judgements are made that take into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the authority's Balance Sheet as at 31 March 2022, for which there is a significant risk of material adjustment in the forthcoming financial year, are set out as follows:

Item	Significant Uncertainties	Effect if Actual Results Differ from Assumptions
Land and buildings, Investment Properties and Council Dwellings	Assets are depreciated over their estimated useful lives. If in the current economic climate historic levels of repairs and maintenance expenditure cannot be sustained, the useful lives of assets may reduce. Assets are held on a valuation basis. Valuations are inherently subjective and based on the expert judgement of the Council's valuers, which include assumptions in respect of market value, yields and obsolescence.	The incorrect application of expert judgement in the valuation of assets could result in a material misstatement of the asset values on the Balance Sheet in either this financial year or in future years. For example, a change in the underlying assumptions that leads to a 1% increase in property values would see an increase in value of £5.7m.

Item	Significant Uncertainties	Effect if Actual Results Differ from Assumptions
Investment Properties - Fair Value Measurements	When the fair values of financial assets and liabilities cannot be measured based on quoted prices in active markets their fair value is measured using valuation techniques. Where possible, the inputs to these techniques are based on observable data but where this is not possible, the application of judgement is required. These judgements typically include considerations such as uncertainty and risk. [Continued overleaf…] Where quoted prices are not available the Council employs relevant experts to identify the most appropriate valuation technique to determine fair value. Further information about determining fair value is disclosed in Notes 15 and 16.	Significant changes in any of the unobservable inputs would result in a significantly higher or lower fair value measurement for investment properties. A change in the underlying assumptions that leads to a 1% increase in investment property values would see an increase in value of £1.0m based on the property portfolio valued as at 31 March 2022.
Pensions Liability	Estimates of the net liability to pay pensions depends on a number of complex judgements relating to various key components, including the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Recent signs of volatility in UK economic conditions can further impact on these assumptions, increasing the level of uncertainty. The Council works in partnership with Somerset County Council to engage actuaries to provide expert advice about the assumptions to be applied. Part of the valuation process is to review previous assumptions and test them against what actually happened, to provide further data for future assumptions.	The effects on the net pension liability of many changes in individual assumptions can be measured. For example, if the discount rate were to change by plus or minus 0.1% from its assumed 2.60%, then the projected present value in total obligation cost would be between £8.3m lower to £8.9m higher. A similar change of 1 year in the mortality age range assumption means the projected present value in total obligation cost could rise by £9.0m or fall by £8.3m.

Item	Significant Uncertainties	Effect if Actual Results Differ from Assumptions
	The assumptions are both difficult to predict from historical data and likely to change significantly in the short to medium term. The pension liability and its underlying data is therefore very much a carefully-reasoned estimate of the most likely combination of factors but, by the very nature of the components involved, the level of uncertainty is regarded as being significant.	However, the assumptions interact in complex ways; for example, pension membership may fall, the proportion of commutable pension exchanged by members for cash on retirement may go up while members live longer and equity yields improve.

For the avoidance of doubt this explanatory note, including the 'material valuation uncertainty' declaration, does not mean that the valuation(s) cannot be relied upon. Rather, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared.

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

Note 5. Material Items of Income and Expense

The Council received £8.649m at the end of March 2022 from Central Government in respect of the Council Tax Rebate Scheme (energy support) to be distributed to households during 2022/23 to assist with the rise in household energy bills.

The Council incurs a significant proportion of spend on benefit payments, which is funded predominantly by Government grant. Housing Benefit and subsidy payments are included within Internal Operations on the face of the CIES and payments amounted to £28.615m in 2021/22 (£30.257m in 2020/21). Housing Benefit subsidy amounted to £28.467m in 2021/22 (£30.178m in 2020/21).

Note 6. Events After the Balance Sheet Date

There have been no other events after the balance sheet date of 31 March 2022 that require the financial statements or notes to be adjusted for 2021/22.

Note 7. Expenditure and Funding Analysis

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

			2021/22		
	As Reported for Resource Management	Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances (Note 7a)	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis (Note 7a)	Net Expenditure in the CIES
	£000	£000	£000	£000	£000
Development and Place	2,759	-721	2,038	6,543	8,581
External Operations & Climate Change	8,094	-2,100	5,994	7,849	13,843
Housing & Communities	2,928	-546	2,382	1,062	3,444
Internal Operations	9,482	-2,198	7,284	3,663	10,947
Senior Management Team	473	0	473	88	561
Housing Revenue Account	-170	-10,256	-10,426	9,782	-644
Net Cost of Services	**23,566**	**-15,821**	**7,745**	**28,987**	**36,732**
Other Income and Expenditure	-26,085	24,841	-1,244	-33,763	-35,007
Surplus (-) or Deficit	**-2,519**	**9,020**	**6,501**	**-4,776**	**1,725**
Opening General Fund and HRA Balances			-45,550		
Surplus (-) or Deficit on General Fund and HRA Balances in Year			6,500		
Closing General Fund and HRA Balances at 31 March *			**-39,050**		

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

2020/21	As Reported for Resource Management £000	Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances (Note 7a) £000	2020/21 Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis (Note 7a) £000	Net Expenditure in the CIES £000
Development and Place	2,055	-306	1,749	5,077	6,826
External Operations & Climate Change	12,906	-2,563	10,343	7,507	17,850
Housing & Communities	3,424	-726	2,698	1,140	3,838
Internal Operations	9,719	-2,564	7,155	2,414	9,569
Senior Management Team	844	0	844	22	866
Housing Revenue Account	-11,350	646	-10,704	7,951	-2,753
Net Cost of Services	**17,598**	**-5,513**	**12,085**	**24,111**	**36,196**
Other Income and Expenditure	-18,832	-9,346	-28,178	-6,558	-34,737
Surplus (-) or Deficit	**-1,234**	**-14,859**	**-16,093**	**17,553**	**1,460**
Opening General Fund and HRA Balances			-29,457		
Surplus (-) or Deficit on General Fund and HRA Balances in Year			-16,093		
Closing General Fund and HRA Balances at 31 March *			**-45,550**		

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

Note 7a. Adjustments between Funding Basis and Accounting Basis

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

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes Note i £000	Net Change for Pensions Adjustments Note ii £000	Other Statutory Differences Note iii £000	Total Adjustment Between Funding and Accounting Basis £000
2020/21				
Development and Place	4,976	43	58	5,077
External Operations & Climate Change	7,398	53	56	7,507
Housing & Communities	1,097	26	17	1,140
Internal Operations	502	1,778	134	2,414
Senior Management Team	0	9	13	22
Housing Revenue Account	7,231	602	118	7,951
Net Cost of Services	**21,204**	**2,511**	**396**	**24,111**
Other Income and Expenditure from the Expenditure and Funding Analysis	**-23,836**	**506**	**16,772**	**-6,558**
Difference between General Fund Surplus or Deficit and CIES Surplus or Deficit on the Provision of Services	**-2,632**	**3,017**	**17,168**	**17,553**

Note 7a. i - Adjustments for capital purposes

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

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

- **Financing and investment income and expenditure** – the statutory charges for capital financing, i.e. Minimum Revenue Provision for debt repayment and other revenue contributions, are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

- **Taxation and non-specific grant income** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

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

Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:

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

Note 7a. iii - Other statutory adjustments

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

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

Note 8. Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

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

General Fund Balance

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

Housing Revenue Account (HRA) Balance

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

Major Repairs Reserve

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

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

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

2020/21	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements					
Pension costs (transferred to or from the Pensions Reserve)	2,273	744			
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	-1,088				
Council Tax and NNDR (transfers to or from the Collection Fund)	17,860				
Holiday Pay (transferred to or from the Accumulated Absences Account)	278	118			
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (charged to the Capital Adjustment Account)	3,547	12,840			11,355
Total Adjustment to Revenue Resources	**22,870**	**13,702**	**0**	**0**	**11,355**
Adjustment between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-1,084	-2,870	3,954		
Admin costs of non-current asset disposals (funded by a contrib'n from the Capital Receipts Reserve)	0	44	-44		
Payments to the gov't housing receipts pool (funded by a transfer from the Capital Receipts Reserve)		382	-382		
Posting of HRA resources from revenue to the Major Repairs Reserve		-7,297		7,297	
Statutory provision for the repayment of debt (transfer from capital adjustment account)	-700	-1,821			
Capital expenditure financed from revenue balances	-3,245				
Total Adjustments between Revenue and Capital Resources	**-5,029**	**-11,562**	**3,528**	**7,297**	**0**
Adjustments to Capital Resources					
Use of the Capital Receipts reserve to finance capital expenditure			-2,097		
Use of the Major Repairs Reserve to finance capital expenditure				-4,232	
Application of capital grants to finance capital expenditure	-2,427				-6,279
Total Adjustments to Capital Resources	**-2,427**	**0**	**-2,097**	**-4,232**	**-6,279**
Total Adjustments 2020/21	**15,414**	**2,139**	**1,431**	**3,065**	**5,076**

Note 9. Movements in Earmarked Reserves

The tables below show the amounts set aside from the General Fund and HRA balances in capital or revenue earmarked reserves to provide financing for future expenditure plans. It also shows the movement in each major earmarked reserve where amounts have either been posted to the reserve or back to meet General Fund and HRA expenditure in 2021/22.

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

Earmarked Reserves	Balance at 31/03/2020 £000	Transfers Out £000	Transfers In £000	Balance at 31/03/2021 £000	Transfers Out £000	Transfers In £000	Balance at 31/03/2022 £000
General Fund							
Asset Management - General	**0**		687	**687**	-168		**519**
Budget Volatility and Risk	**0**	0	2,400	**2,400**	-2,400		**0**
Business Rates Volatility Reserve	**3,303**	-1,051	3,123	**5,375**	-2,011	1,989	**5,353**
Capital Funding Reserve	**456**	-313	0	**143**		1,270	**1,413**
Carry Forwards	**61**	-57	2,108	**2,112**	-2,112	2,075	**2,075**
Commercial Investment Financing Fund	**0**			**0**	-173	2,173	**2,000**
Contingency (Negative RSG)	**108**	-93		**15**	-15		**0**
COVID grants - balances carried forward:							
Council Tax Hardship Fund	**0**		134	**134**	-50		**84**
S31 Business Rates Reliefs grant	**0**		11,695	**11,695**	-11,118	5,234	**5,811**
S31 Business Rates TIG	**0**		3,081	**3,081**	-999	416	**2,498**
Economic Development & Growth Initiatives	**1,268**	-999	500	**769**	-151	25	**643**
Garden Village	**814**	-349	405	**870**	-231	340	**979**
Homelessness Prevention	**164**		120	**284**		400	**684**
Investment Properties Sinking Fund	**0**			**0**		500	**500**
Investment Risk Reserve	**3,500**		173	**3,673**	-673	151	**3,151**
Local Plan Development & Inspection Costs	**178**	-52		**126**			**126**
Monkton Heathfield	**189**	-173		**16**	-16		**0**
New Homes Bonus Reserve	**6,860**	-9,521	2,853	**192**	-62	41	**171**
Rough Sleepers Initiative	**81**	-81	126	**126**	-126	3	**3**
Self Insurance Fund	**200**			**200**			**200**

Continued on next page…

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Earmarked Reserves	Balance at 31/03/2020 £000	Transfers Out £000	Transfers In £000	Balance at 31/03/2021 £000	Transfers Out £000	Transfers In £000	Balance at 31/03/2022 £000
General Fund (continued)							
Steam Coast Trail	**93**	-13	46	**126**	-8		**118**
Strategic Housing Market Area Assessment	**569**	-36		**533**	-36		**497**
Taunton Strategic Flood Alleviation	**238**			**238**	-238		**0**
Toneworks Heritage Site	**0**	-417	419	**2**	-1,093	1,257	**166**
Transformation / Internal Change Reserve	**326**	-135		**191**	-50		**141**
Travel Plan	**192**	-142		**50**			**50**
Other Earmarked Reserves	**1,986**	-1,443	262	**805**	-453	456	**808**
Total General Fund	**20,586**	**-14,875**	**28,132**	**33,843**	**-22,183**	**16,330**	**27,990**

Earmarked Reserves	Balance at 01/04/2020 £000	Transfers Out £000	Transfers In £000	Balance at 31/03/2021 £000	Transfers Out £000	Transfers In £000	Balance at 31/03/2022 £000
Housing Revenue Account (HRA)							
Asbestos Surveys	**102**	-102		**0**			**0**
Employment & Skills	**102**	-102		**0**			**0**
Social Housing Development Fund	**1,232**	-382		**850**	-909	59	**0**
Transformation Reserve	**175**			**175**	-175		**0**
Other HRA Earmarked Reserves	**37**	-24	69	**82**	-71	43	**54**
Total HRA	**1,648**	**-610**	**69**	**1,107**	**-1,155**	**102**	**54**

The purposes for which individual reserves with balances in excess of £1 million have been held in either 2020/21 or 2021/22 are as follows:

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

Note 10. Other Operating Expenditure

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

2020/21 £000		2021/22 £000
2,446	Parish Council precepts	2,508
382	Payments to the Government Housing Capital Receipts Pool	382
59	Pension Administration Costs	69
2,423	Gains (-) / Losses on the disposal of non-current assets	-1,840
5,310	**Total**	**1,119**

Note 11. Financing and Investment Income and Expenditure

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

2020/21 £000		2021/22 £000
2,561	Interest payable and similar charges	2,939
1,925	Net interest on the net defined pensions liability / asset (-)	2,978
-860	Interest receivable and similar income	-787
-1,190	Income and expenditure in relation to investment properties and changes in their fair value	-3,883
-174	Expected Credit Losses increase / decrease (-)	-939
-1,033	Fair Value Adjustment	0
1,229	**Total**	**308**

Note 12. Taxation and Non-Specific Grant Income

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

2020/21 £000		2021/22 £000
-11,724	Council tax income	-12,307
-6,566	Non domestic rates income and expenditure	-8,813
-9,219	Non-ringfenced Government grants	-4,656
-13,767	Capital grants and contributions	-10,659
-41,276	**Total**	**-36,435**

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

Note 13. Expenditure and Income Analysed by Nature

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

2020/21 £000		2021/22 £000
	Expenditure	
28,710	Employee Related Expenses	38,366
64,635	Other Services Expenses	56,936
21,204	Depreciation, Amortisation, Impairment and Revenue Expenditure funded from Capital under Statute	20,229
2,423	Loss / Gain (-) on the Disposal of Assets	-1,840
4,096	Interest Payments	5,120
2,446	Precepts and Levies	2,508
382	Payments to Housing Capital Receipts Pool	382
123,896	**Total Expenditure**	**121,701**
	Income	
-36,705	Fees, Charges and Other Service Income	-41,434
-18,289	Income from Council Tax, Non-Domestic Rates, District Rate Income	-21,120
-65,371	Government Grants and Contributions	-52,753
-1,211	Income and Expenditure in relation to investment properties and changes in their fair value	-3,883
-860	Interest and Investment Income	-787
-122,436	**Total Income**	**-119,977**
1,460	**Surplus (-) or Deficit on the Provision of Services**	**1,724**

Segmental Income

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

2020/21 £000		2021/22 £000
-1,579	Development and Place	-1,489
-6,472	External Operations & Climate Change	-10,076
-290	Housing & Communities	-579
-1,417	Internal Operations	-2,087
0	Senior Management Team	-169
-12	Financing & Investment Income	-39
-26,935	Housing Revenue Account	-26,995
-36,705	**Income analysed on a segmental Basis**	**-41,434**

Note 14. Property, Plant and Equipment (PPE)

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

2021/22	Council Dwellings £000	Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Cost or Valuation								
At 1 April 2021	**312,891**	**103,706**	**13,940**	**18,296**	**7,953**	**177**	**9,159**	**466,122**
Additions	12,313	74	609	764	0	0	4,807	**18,567**
Revaluation increases / decreases (-) recognised in the Revaluation reserve	31,546	108	0	0	0	68	0	**31,722**
Revaluation increases / decreases (-) recognised in the Surplus/Deficit on the Provision of Services	0	-1,997	0	0	0	-48	0	**-2,045**
Derecognition - Disposals	-852	0	-3,615	0	0	0	0	**-4,467**
Derecognition - Other	0	-48	0	0	0	0	0	**-48**
Assets reclassified within PPE	46	0	0	0	0	0	0	**46**
Assets reclassified to(-) /from Investment Properties	0	10	0	0	0	0	0	**10**
Assets reclassified to(-) /from Inventory	0	1,465	0	0	0	0	-869	**596**
Assets reclassified to(-) /from Held for Sale	-2,848	0	0	0	0	0	0	**-2,848**
At 31 March 2022	**353,096**	**103,318**	**10,934**	**19,060**	**7,953**	**197**	**13,097**	**507,655**
Accumulated Depreciation & Impairment								
At 1 April 2021	**0**	**-402**	**-8,614**	**-8,808**	**-77**	**0**	**0**	**-17,901**
Depreciation charge	-8,005	-1,150	-999	-750	0	0	0	**-10,904**
Depreciation written out to the Revaluation Reserve	8,005	1,263	0	0	0	0	0	**9,268**
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	13	0	0	0	0	0	**13**
Derecognition - Disposals	0	0	3,615	0	0	0	0	**3,615**
Derecognition - Other		2	0	0	0	0	0	**2**
At 31 March 2022	**0**	**-274**	**-5,998**	**-9,558**	**-77**	**0**	**0**	**-15,907**
Net Book Value At 31 March 2022	**353,096**	**103,044**	**4,936**	**9,502**	**7,876**	**197**	**13,097**	**491,748**

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2020/21	Council Dwellings £000	Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000 Restated	Total £000
Cost or Valuation								
At 1 April 2020	**296,914**	**106,974**	**13,857**	**18,601**	**7,953**	**177**	**5,128**	**449,604**
Additions	8,907	120	83	0	0	0	6,279	**15,389**
Revaluation increases / decreases (-) recognised in the Revaluation reserve	13,491	-4,875	0	0	0	0	0	**8,616**
Revaluation increases / decreases (-) recognised in the Surplus/Deficit on the Provision of Services	0	-2,756	0	-305	0	0	0	**-3,061**
Derecognition - Disposals	-4,287	-97	0	0	0	0	0	**-4,384**
Assets reclassified within PPE	0	3,812	0	0	0	0	-3,812	**0**
Assets reclassified (to)/from Inventory	0	0	0	0	0	0	1,564	**1,564**
Assets reclassified to(-) /from Held for Sale	-2,134	528	0	0	0	0	0	**-1,606**
At 31 March 2021	**312,891**	**103,706**	**13,940**	**18,296**	**7,953**	**177**	**9,159**	**466,122**
Accumulated Depreciation & Impairment								
At 1 April 2020	**0**	**-1,718**	**-7,455**	**-8,058**	**-77**	**0**	**0**	**-17,308**
Depreciation charge	-6,883	-1,287	-1,159	-750	0	0	0	**-10,079**
Depreciation written out to the Revaluation Reserve	6,883	2,600	0	0	0	0	0	**9,483**
Depreciation written out to Surplus/Deficit on the Provision of Services	0	1	0	0	0	0	0	**1**
Derecognition - Disposals	0	2	0	0	0	0	0	**2**
At 31 March 2021	**0**	**-402**	**-8,614**	**-8,808**	**-77**	**0**	**0**	**-17,901**
Net Book Value At 31 March 2021	**312,891**	**103,304**	**5,326**	**9,488**	**7,876**	**177**	**9,159**	**448,221**

Details of the restated values for Assets Under Construction in 2020/21 are set out below the Balance Sheet in a note of explanation for the prior year adjustment (see page 18).

Depreciation

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

Capital commitments

The Council maintains a comprehensive Capital Programme for investment in both its General Fund and HRA services. The latest General Fund Programme approved by Full Council on 24 February 2022 projected forwards by three years, commencing 2022/23. It included forecasts of £85.7m for General Fund schemes. The latest Housing Revenue Account (HRA) Programme, approved by Full Council on 8 February 2022, projected forwards by ten years commencing 2022/23. It included forecasts of £100.5m for HRA schemes. Details of the Programme are available on the Council website and within the agenda of each of those two Council meetings.

At 31 March 2022, and as part of these budget forecasts, the Council had entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2022/23 and future years to a cost of £28.5m. The major commitments are:

Housing - Kitchen Replacement & Bathroom Replacement Programme	£5.6m
Housing - Fire door Replacement Programme	£2.2m
North Taunton Phase A	£5.5m
Seaward Way	£9.2m

Revaluations

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

Valuations at 31 March 2022 have been carried out by Wilks Head & Eve, Chartered Surveyors. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). Whilst, at present, the Council does not revalue its vehicles, plant and equipment, depreciated historic cost is used as a proxy for fair value.

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

- Planning Proposals
  - We have not made formal written enquiries of the Local Authority Planning Departments to ascertain if there are any adverse proposals likely to affect specific properties. We are instructed, however, that for the purposes of this Valuation Certificate, we should assume that there are no planning proposals that are likely to have an effect on the value of the properties unless these were specifically notified to us.
- Construction and State of Repair
  - Structural / Condition surveys have not been undertaken of the properties nor have the service installations been tested.
  - We have not carried out a structural survey nor have we inspected those parts of the properties that are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition. We cannot express an opinion about or advise upon the condition of uninspected parts and this report should not be taken as making any implied representation or statement about such parts.

  - No allowances have been made for rights, obligations or liabilities arising from the Defective Premises Act 1972.
  - Unless we are aware that a specific property has a limited economic life, we have assumed that the assets are at a suitable level of condition for service provision, and that all internal and external repairs and maintenance have been carried out. We have assumed that these repairs do not constitute improvement to the properties and do not have a material effect on asset value.

- Hazardous or Deleterious Materials
  - We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of these properties or has since been incorporated and we are therefore unable to report that the properties are free from risk in this respect. For the purpose of this report we have assumed that such investigation would not disclose the presence of any such material in any adverse condition.
- Contaminated Land
  - Other than as specifically detailed for any property in respect of the latest issues concerning phosphates, we are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the property and which may draw attention to any contamination or possibility of any such contamination. In undertaking our work, we have been instructed to assume that no contaminative or potentially contaminative uses have ever been carried out on the property. We have not carried out any investigation into past or present uses either of the properties or of any neighbouring land to establish whether there is any potential for contamination from these sites to the subject property and have therefore assumed that none exists.
  - Should it however be established subsequently that contamination exists at any of the properties or any neighbouring land or that the properties have been or are being put to a contaminative use this might reduce the values now reported.
- Plant and Machinery
  - Any plant and machinery that has been considered to form part of the property or service installations is included in the valuation. Where there is doubt as to the correct classification, assets installed primarily to provide services to the properties have been valued with the land and buildings and assets primarily serving the commercial or industrial process have been excluded. Any departure from this is stated on the relevant Valuation Statement.
- Lotting
  - Where applicable, properties have been lotted. No allowance or discount has been made for any flooding of the market which might, in practice, happen if several properties were offered for sale simultaneously. The figure reported is the aggregate of the values on separate properties.
- Taxation
  - No allowance has been made for liability for taxation which may arise on disposal, whether actual or notional. Where possible VAT and Capital Gains Tax are specifically excluded, and our valuation does not reflect costs of realisation unless specifically requested by the client. No additions have been made for Stamp Duty Land Tax (SDLT).

- Acquisition and Disposal Costs
  - No notional directly attributable acquisition costs or selling costs have been applied to or deducted from the Current Value and Fair Value figures provided within this report.
  - For indicative purposes only, the Valuer would expect purchaser's cost to be in the region of 0.5% and 5.0% (plus or minus) dependant on the overall value of the asset and property type on an acquisition or disposal respectively.
  - The Valuer has made no allowance for any vendor's costs or taxation (actual or notional) nor has any allowances been made for any capital or annual grants or incentives to which a purchaser may be entitled.
  - The Valuer has not been asked by the client to specifically reflect these costs separately.
  - Guidance on this matter is provided within UKVS 1 Paragraph 1.7 Costs to be excluded of the Red Book:
    - The valuer must not include directly attributable acquisition or disposal costs in the valuation. When asked by the client to reflect costs, these must be stated separately;
    - In determining the figure to enter into the balance sheet (the 'carrying amount'), FRS 15 requires the addition of notional, directly attributable acquisition costs, where material, to the Existing Use Value. Likewise, where property is surplus to the entity's requirements and valued on the basis of market value, there should be a deduction for expected, directly attributable selling costs, where material. If requested to advise on these costs, the Valuer should report them separately and not amalgamate them with either the Existing Use Value or market value. The valuation should reflect the Valuer's opinion of the consideration that would appear in the hypothetical sale and purchase contract;
    - FRS 15 states that directly attributable costs can include stamp duty, import duties and non-refundable purchase taxes, as well as professional fees, the Valuer is alerted to a potential problem with a property that would, or would potentially, be subject to VAT in any transaction but the entity may not be able to reclaim the VAT. The decision whether or not to treat this as a directly attributable acquisition cost should be determined by the entity, together with its auditors. Even if this is the case the Valuer should state clearly in the report what assumptions have been made and the likely impact of VAT in any transaction; and
    - In the case of surplus properties, directly attributable selling costs that are material may need to be itemised separately. If this is the case, they will include not only the transaction costs but also any marketing costs that can be reasonable anticipated.
- Energy Performance Certificates
  - In England and Wales, the Energy Performance of Buildings Directive requiring Energy Performance Certificates (EPC) is relevant.
  - This directive requires all properties to have an Energy Performance Certificate (EPC) covering the residential and commercial sectors. The Certificate is valid for ten years and includes an Energy Efficient Rating of between A and G.

- Since 26th March 2015 the minimum energy efficiency standard (MEES) has been introduced.
- This minimum standard applies to both domestic and non-domestic property and from 1st April 2018 Landlords have been unable to let an F or G rated commercial property on a new or renewed tenancy / lease.
- From 1st April 2020, the regulations apply to all property leases, initially for domestic properties, and then in 2023 non-domestic properties too.
- Exceptions include leases of less than six months and leases of longer than 99 years as well as listed buildings.
- For these purposes we have assumed that all properties valued within the portfolio meet the E or higher required rating for letting purposes.

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

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Asset Under Construction £000	Total £000
Valued at Fair Value	0	0	0	0	0	197	0	**197**
Valued at Historic Cost	0	0	4,936	9,502	7,876	0	13,097	**35,411**
Valued at:								
31 March 2017	304	0	0	0	0	0	0	**304**
31 March 2019	32	0	0	0	0	0	0	**32**
31 March 2020	56	19,796	0	0	0	0	0	**19,852**
31 March 2021	0	6,582	0	0	0	0	0	**6,582**
31 March 2022	352,704	76,666	0	0	0	0	0	**429,370**
Total Net Book Value	**353,096**	**103,044**	**4,936**	**9,502**	**7,876**	**197**	**13,097**	**491,748**

Note 15. Investment Property

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

2020/21 £000		2021/22 £000
-1,644	Rental income from investment property	-6,087
494	Costs Related to investment property	333
-1,150	**Total**	**-5,754**

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

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

2020/21 £000		2021/22 £000
6,763	Balance at start of the year	50,044
44,074	Additions	54,901
-644	Disposals	0
-149	Net gains / losses(-) from fair value adjustments	-1,871
	Transfers:	
0	To(-) / from Property, Plant & Equipment	-10
50,044	**Balance at end of the year**	**103,064**

Fair Value Measurement of Investment Property

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

2020/21 £000	Significant Observable Inputs (Level 2)	2021/22 £000
49,321	Commercial Buildings	102,321
723	Commercial Land	743
50,044	**Investment Property**	**103,064**

Significant Observable Inputs – Level 2

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

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

Highest and Best Use of Investment Properties

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

Valuation Techniques

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

Note 16. Financial Instruments

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions such as those relating to taxes and government grants do not give rise to financial instruments.

The term 'financial instrument' covers both financial assets and financial liabilities. These range from straightforward trade receivables and trade payables to more complex transactions such as financial guarantees, derivatives and embedded derivatives. The Council's borrowing, and investment transactions are also classified as financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The Council's non-derivative financial liabilities held during the year are measured at amortised cost and comprised:

- Long-term loans from the Public Works Loan Board and commercial lenders,
- Short-term loans from other local authorities, and
- Trade payables for goods and services received.

Financial Assets

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

Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flows) comprising:

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

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

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

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

Financial Instruments – Balances

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

31 March 2021			31 March 2022	
Long Term £000	**Short Term £000**	**Financial Liabilities**	**Long Term £000**	**Short Term £000**
		Loans at amortised cost:		
-105,500	-57,000	Principal sum borrowed	-105,500	-75,000
-183	-13	Accrued interest	-183	-42
-105,683	**-57,013**	**Total Borrowing**	**-105,683**	**-75,042**
		Liabilities at amortised cost:		
0	-4,447	Trade payables	0	-4,570
0	**-4,447**	**Included in Creditors**	**0**	**-4,570**
-4,354	-33,477	*Liabilities not defined as financial instruments*	10,762	-37,999
-4,354	**-37,924**	**Total Creditors**	**10,762**	**-42,569**
-105,683	**-61,460**	**Total Financial Liabilities**	**-105,683**	**-79,612**

(Note: total excludes Liabilities not defined as financial instruments)

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

31 March 2021 Long Term £000	31 March 2021 Short Term £000	Financial Assets	31 March 2022 Long Term £000	31 March 2022 Short Term £000
		At amortised cost		
3	3,254	Principal	3	0
3	**3,254**	**Total Investments**	**3**	**0**
		At amortised cost		
	11,785	Principal		5,033
		At fair value through profit & loss		
	29,856	Fair value		35,355
	41,641	**Total Cash and Cash Equivalents**		**40,388**
		At amortised cost		
0	1,320	Trade receivables		1,192
5,352	819	Loans made for service purposes	4,502	7
5,352	**2,139**	**Included in Debtors**	**4,502**	**1,199**
0	33,455	*Assets not defined as financial instruments*	0	20,299
5,352	**35,594**	**Total Debtors**	**4,502**	**21,498**
5,355	**47,034**	**Total Financial Assets**	**4,505**	**41,587**

(Note: total excludes Assets not defined as financial instruments)

Financial Instruments - Gains and Losses

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

2020/21 Financial Liabilities Amortised Cost £000	2020/21 Financial Assets Amortised Cost £000	2020/21 Financial Assets Fair Value through Profit & Loss £000	2020/21 Total £000		2021/22 Financial Liabilities Amortised Cost £000	2021/22 Financial Assets Amortised Cost £000	2021/22 Financial Assets Fair Value through Profit & Loss £000	2021/22 Total £000
-2,561	0	0	-2,561	Interest expense	-2,939	0	0	-2,939
-2,561	**0**	**0**	**-2,561**	**Interest payable and similar charges**	**-2,939**	**0**	**0**	**-2,939**
0	153	708	861	Interest income	0	205	581	786
0	0	1,088	1,088	Gains from changes in fair value	0	0	758	758
0	**153**	**1,796**	**1,949**	**Interest and investment income**	**0**	**205**	**1,339**	**1,544**
-2,561	**153**	**1,796**	**-612**	**Net impact on surplus/deficit on provision of services**	**-2,939**	**205**	**1,339**	**-1,395**
0	0	1,084	1,084	Gain / (Losses) on revaluation	0	0	0	0
0	**0**	**1,084**	**1,084**	**Impact on other comprehensive income**	**0**	**0**	**0**	**0**
-2,561	**153**	**2,880**	**472**	**Net Gain/(Loss) for the year**	**-2,939**	**205**	**1,339**	**-1,395**

Financial Instruments – Fair Values

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

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2022, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans,
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March,
- No early repayment or impairment is recognised for any financial instrument, and
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount, given the continued low interest rate environment.

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

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

31 March 2021				31 March 2022		
Fair Value Level	**Carrying Amount £000**	**Fair Value £000**	**Financial Liabilities**	**Fair Value Level**	**Carrying Amount £000**	**Fair Value £000**
			Financial Liabilities held at Amortised Cost			
2	-102,641	-111,906	Long Term Loans from PWLB	2	-92,636	-90,851
2	-3,038	-5,281	Barclays Loan	2	-3,038	-4,430
2	-57,017	-57,035	Local Authority Loans	2	-85,051	-84,707
	-162,696	**-174,222**	**Total**		-180,725	**-179,988**
	-4,447		Liabilities for which fair value is not disclosed	*	-4,570	
	-167,143		**Total Financial Liabilities**		**-185,295**	
			Recorded on Balance Sheet as:			
	-4,447		Short Term Creditors		-4,570	
	-57,013		Short Term Borrowing		-75,042	
	-105,683		Long Term Borrowing		-105,683	
	-167,143		**Total Financial Liabilities**		**-185,295**	

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

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

31 March 2021				31 March 2022		
Fair Value Level	**Carrying Amount £000**	**Fair Value £000**	**Financial Assets**	**Fair Value Level**	**Carrying Amount £000**	**Fair Value £000**
			Financial Assets held at Fair Value			
1	16,707	16,707	Bond Funds	1	17,449	17,449
1	13,150	13,150	Money Market Funds	1	17,905	17,905
			Financial Assets held at Amortised Cost			
*	997	997	Bank Accounts	*	2,135	2,135
*	14,045	14,045	Term Deposits	*	2,901	2,899
2	6,170	6,290	Loans made for Service Purposes	2	5,367	5,430
	51,069	**51,189**	**Total**		**45,757**	**45,818**
*	1,320		Assets for which fair value is not disclosed	*	1,192	
	52,389		**Total Financial Assets**		**46,949**	
			Recorded on Balance Sheet as:			
	3		Long-Term Investments		3	
	5,352		Long-Term Debtors		5,733	
	3,254		Short-Term Investments		0	
	2,138		Short-Term Debtors		826	
	41,642		Cash & Cash Equivalents		40,387	
	52,389		**Total Financial Assets**		**46,949**	

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

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

Note 17. Nature and Extent of Risks Arising From Financial Instruments

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

As part of the adoption of the Treasury Management Code, the Council approves a Capital, Investment and Treasury Strategy before the start of each financial year. This comprehensive strategy document includes the setting of parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Capital, Investment and Treasury Strategy includes an Annual Investment Strategy, which complies with the requirements of guidance originating from HM Treasury. This guidance emphasises that priority is to be given to security and liquidity, rather than yield. Hence the Council's financial strategy for treasury management is to improve the net income available through treasury management to fund services, whilst maintaining a prudent balance between security, liquidity and yield.

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

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

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

Credit Risk: Treasury Investments

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

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £7.0m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown it is rare for such entities to be unable to meet their commitments. A risk of non-recovery applies to all of the Council's deposits, but there was no evidence at the 31 March 2022 that this was likely to crystallise.

The Council does not hold collateral against any investments.

Credit Risk Exposure

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

2020/21 Long Term £000	2020/21 Short Term £000	Credit Rating	2021/22 Long Term £000	2021/22 Short Term £000
0	30,150	AAA	35,354	0
0	14,042	AA	2,899	0
0	0	A	1,500	0
0	**44,192**	**Total**	**39,753**	**0**

Trade Receivables

During 2021/22 the Council continued to carefully review historic debtor balances and has written off old irrecoverable debts. The Council has a policy of exploring cost effective ways to ensure debts are fully recovered and thus minimise exposure to credit risk.

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

31 March 2021 Trade Debtors £000		31 March 2022 Trade Debtors £000
940	Past due less than 3 months	1,628
249	Past due over 3 months up to 12 months	129
90	Past due over 12 months up to 24 months	65
236	Past due over 24 months	196
1,515		**2,018**

Credit Risk: Loans

To meet the Council's service objectives, it has lent money to local organisations at market rates. The amount recognised on the balance sheet is £5.061m.

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

Loss allowances on loans for service purposes total £0.043m (£0.087m 2020/21) and have been calculated by reference to 12-month expected credit losses as there is no experience of default on such loans.

Liquidity Risk

The Council has had varying access to borrowing at favourable rates from the Public Works Loans Board during 2021/22. It has also been able to borrow extensively from other local authorities for short duration, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it might need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. The risk is managed by maintaining a spread of fixed and variable rate loans. The fixed rate loans are implicitly linked to long-term housing assets, and shorter-term variable loans to commercial properties.

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

2020/21 Long Term £000	2020/21 Short Term £000		2021/22 Long Term £000	2021/22 Short Term £000
		Loans by Type		
92,500	10,000	Public Works Loan Board	87,500	5,000
3,000	0	Other Financial Institutions	3,000	0
10,000	47,000	Other Local Authorities	0	85,000
105,500	**57,000**		**90,500**	**90,000**
		Loans by Maturity		
0	57,000	Less than 1 year	90,000	
5,000	0	Over 1 but not over 2 years		7,000
30,000	0	Over 2 but not over 5 years		29,000
33,500	0	Over 5 but not over 10 years		17,500
0	0	Over 10 but not over 15 years		0
37,000	0	More than 20 years		37,000
105,500	**57,000**		**90,000**	**90,500**

Market Risks:

Interest Rate Risk

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

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

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

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

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

2021/22	£000
Increase in interest payable on variable rate borrowings	481
Increase in interest receivable on variable rate investments	177
Impact on Surplus or Deficit on the Provision of Services	**658**
Decrease in fair value of fixed rate borrowings	11,028
Decrease in fair value of fixed rate investment assets	1,349

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

Price Risk

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

Foreign Exchange Risk

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

Note 18. Assets Held for Sale

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

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

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

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

2020/21 £000		2021/22 £000
3,260	**Balance outstanding at start of the year**	**3,560**
	Assets newly classified as held for sale:	
2,134	Property, Plant and Equipment	2,848
	Assets declassified as held for sale:	
-528	Property, Plant and Equipment	
	Surplus assets not held for sale:	
-1,306	Assets sold	-1,484
3,560	**Balance outstanding at year end**	**4,924**

Note 19. Inventories

The Council holds Inventories of £4.34m, almost all relating to Regeneration schemes.

31 March 2021 £000 Restated		31 March 2022 £000
4,734	Inventory assets relating to Regeneration Schemes	4,138
174	Other Inventories comprising Materials and stock	202
4,908	**Total**	**4,340**

Details of the restated values for Inventory at 31 March 2021 are set out below the Balance Sheet in a note of explanation for the prior year adjustment (see page 18).

Note 20. Debtors

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

Current Debtors:

31 March 2021 £000		31 March 2022 £000
1,320	Trade receivables	1,192
312	Prepayments	807
33,962	Other receivable amounts	18,973
35,594	**Total**	**20,972**

The substantial reduction in other receivable amounts as at 31st March 2022 was mainly as a result of a decrease in the central government overall share of the collection fund position of £10m at the year end.

Long-term Debtors:

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

31 March 2021 £000		31 March 2022 £000
427	Sundry Mortgages	357
9	Car/Bike Loans to Employees	14
5,003	Service Loans	4,174
-87	Expected Credit Losses	-43
5,352	**Total**	**4,502**

Debtors for Local Taxation:

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

31 March 2021 £000		31 March 2022 £000
1,243	Less than one year	945
791	One to two years	405
420	Two to three years	390
970	More than three years	898
3,424	**Total**	**2,638**

Note 21. Cash and Cash Equivalents

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

31 March 2021 £000		31 March 2022 £000
-20	Cash held by the Council	11
1,017	Bank current accounts	1,150
0	Call Accounts	1,500
16,706	Bond Funds	17,449
10,788	Debt Management Office	2,899
13,150	Money Market Fund	17,905
41,641	**Total Cash and Cash Equivalents**	**40,914**

Note 22. Creditors

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

Creditors: Short-term Creditors (under one year)

31 March 2021 £000		31 March 2022 £000
-4,447	Trade payables	-4,570
-28,174	Other payables	-35,101
-32,621	**Total**	**-39,671**

Note 23. Provisions

	NNDR Appeals £000	Short-Term Other Provisions £000	Total £000
Balance at start of year - 1 April 2021	**883**	**20**	**903**
Amounts used in year	-284	0	**-284**
Unused amounts reversed in year	-323	-20	**-343**
Balance at year-end - 31 March 2022	**276**	**0**	**276**
Balance at start of year - 1 April 2020	**925**	**20**	**945**
Additional provisions made in year	1,410	0	**1,410**
Amounts used in year	-705	0	**-705**
Unused amounts reversed in year	-747	0	**-747**
Balance at year-end - 31 March 2021	**883**	**20**	**903**

Note 24. Usable Reserves

The table below details the Council's usable reserves which can be applied to fund expenditure or reduce local taxation. Further detail can be found with the Movement in Reserves Statement on page 16.

31 March 2021 £000		31 March 2022 £000
7,914	General Fund Balance	7,592
33,843	General Fund Earmarked Reserves	27,990
2,685	Housing Revenue Account Balance	3,413
1,107	Housing Revenue Account Earmarked Reserves	54
18,596	Capital Receipts Reserve	18,398
6,773	Major Repairs Reserve	8,201
14,659	Capital Grants Unapplied Account	18,990
85,578	**Total Usable Reserves**	**84,638**

Note 25. Unusable Reserves

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

31 March 2021 £000		31 March 2022 £000
143,115	Revaluation Reserve	183,042
176,029	Capital Adjustment Account	177,907
-140,156	Pensions Reserve	-128,970
-15,901	Collection Fund Adjustment Account	-7,295
-478	Accumulated Absences Account	-436
-403	Financial Instruments Revaluation Reserve	354
162,206	**Total Unusable Reserves**	**224,602**

Revaluation Reserve

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

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

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

The table below (see overleaf) shows the transactions that have gone through the revaluation reserve:

31 March 2021 £000		31 March 2022 £000	31 March 2022 £000
125,399	**Balance as at 1 April**		**143,115**
22,988	Upward revaluation of assets	46,618	
-4,889	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-5,775	
18,099	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		40,843
-365	Difference between fair value depreciation and historical cost depreciation	-360	
-18	Accumulated gains on assets sold or scrapped	-556	
-383	Amount written off to the Capital Adjustment Account		-916
143,115	**Balance as at 31 March**		**183,042**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES. The account is credited with amounts set aside by the Council as finance for the cost of acquisition, construction and subsequent costs.

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

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

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

The Capital Adjustment Account is presented overleaf:

Capital Adjustment Account

31 March 2021 £000		31 March 2022 £000	£000
182,586	**Balance as at 1 April**		**176,029**
	Reversal of items relating to capital expenditure debited or credited to the CIES		
-10,216	Charges for Depreciation and impairment of non current assets	-12,433	
-2,978	Revaluation losses on Property, Plant and Equipment	-311	
-224	Amortisation of intangible assets	-311	
-7,840	Revenue expenditure funded from capital under statute	-7,129	
-6,334	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-504	
-27,592			-20,688
383	Adjusting amounts written out of the Revaluation Reserve		-916
-27,209	**Net written out amount of the cost of non current assets consumed in the year**		**-21,604**
	Capital financing applied in the year:		
2,097	Use of the Capital Receipts Reserve to finance new capital expenditure	3,991	
4,232	Use of Major Repairs Reserve to finance new capital expenditure	6,782	
2,427	Capital grants and contributions credited to CIES that have been applied to capital financing	926	
6,279	Application of grants to capital financing from the Capital Grants Unapplied Account	5,470	
3,216	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	5,095	
3,245	Capital expenditure charged against the General Fund and HRA balances	4,491	
21,496			26,755
-149	Movements in the market value of Investment Properties debited or credited to the CIES		-1,871
-695	Deferred Debtors repaid		-1,402
176,029	**Balance as at 31 March**		**177,907**

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Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions.

The Council accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns in any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to the pension fund or eventually pays any pensions for which it is directly responsible.

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

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

2020/21 £000		2021/22 £000
-111,912	**Balance as at 1 April**	**-140,156**
-25,227	Remeasurement of the net defined benefit (liability)/assets	22,337
-8,552	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	-16,763
5,535	Employer's pension contributions and direct payments to pensioners payable in the year	5,612
-140,156	**Balance as at 31 March**	**-128,970**

Collection Fund Adjustment Account

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

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

Due to COVID, businesses were given a Business Rate holiday and the Council was reimbursed for an income shortfall. Monies received by S31 grant have been placed into earmarked reserves, as shown in Note 9. Movements in Earmarked Reserves.

	2020/21				2021/22	
Council Tax £000	**Business Rates £000**	**Total £000**		**Council Tax £000**	**Business Rates £000**	**Total £000**
-3	**1,962**	**1,959**	**Balance as at 1 April**	**-58**	**-15,843**	**-15,901**
-55	-17,805	-17,860	Amount by which council tax and non-domestic rates income credited to the CIES is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	227	8,379	8,606
-58	**-15,843**	**-15,901**	**Balance as at 31 March**	**169**	**-7,464**	**-7,295**

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Accumulated Absences Account

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

2020/21			2021/22	
£000	**£000**		**£000**	**£000**
	-82	**Balance as at 1st April**		**-478**
82		Settlement or cancellation of accrual made at the end of the preceding year	478	
-478		Amounts accrued at the end of the current year	-436	
	-396	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.		42
	-478	**Balance as at 31st March**		**-436**

Financial Instruments Revaluation Reserve

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

a) revalued downwards or impaired and the gains are lost, or

b) disposed of and the gains are realised.

2020/21		2021/22
£000		**£000**
-1,491	**Balance as at 1st April**	**-403**
1,163	Upward revaluation of Investments	1,050
-35	Downward revaluation of investment	-293
-363		**354**
-40	Accumulated gains or losses on assets sold and maturing assets written out to the CIES as part of other investment income	0
-403	**Balance as at 31st March**	**354**

Note 26. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2020/21 £000		2021/22 £000
899	Interest received	812
-2,474	Interest paid	-2,912
-1,575	**Net Cash Flow From Operating Activities**	**-2,100**

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

2020/21 £000		2021/22 £000
10,079	Depreciation	10,904
3,060	Impairment and downward valuations	1,887
225	Amortisation	311
149	Movement in fair value of investment property	1,871
498	Increase/ (decrease) in impairment for bad debts	-397
15,450	Increase/ (decrease) in creditors	7,079
-21,294	(Increase)/ decrease in debtors	15,869
-4,503	(Increase)/ decrease in inventories	-28
3,017	Movement in pension liability	11,151
-1,673	Increase/ (decrease) in Grants Receipts In Advance	4,003
6,332	Carrying amount of non-current assets sold or derecognised	2,336
-42	Increase/ (decrease) in provisions	-627
11,298	**Adjustments For Non-Cash Movements**	**54,359**

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

2020/21 £000		2021/22 £000
-3,955	Proceeds from the sale of property plant and equipment, investment property and intangible assets	-4,221
-3,955	**Adjustments For Investing and Financing Activities**	**-4,221**

Note 27. Cash Flow Statement – Investing Activities

2020/21 £000		2021/22 £000
-60,140	Purchase of Property, Plant and Equipment, Investment Property and intangible assets	-74,616
-24,233	Purchase of short-term & long-term investments	-42,780
3,955	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	4,221
25,985	Proceeds from short-term and long-term investments	46,034
-54,433	**Net cash flows from investing activities**	**-67,141**

Note 28. Cash Flow Statement – Financing Activities

2020/21 £000		2021/22 £000
109,000	Cash receipts of short-term and long-term borrowing	95,000
-47,500	Repayment of short-term and long-term borrowing	-77,000
61,500	**Net cash flows from financing activities**	**18,000**

Reconciliation of Liabilities Arising from Financing Activities

	2021/22	Financing cash flows	Changes which are not funding cash flows		2021/22
	1 April		Acquistions	Other non-financing cash flows	31 March
	£000	£000	£000	£000	£000
Long Term Borrowings	105,500			-15,000	90,500
Short Term Borrowings	57,000	18,000		15,000	90,000
Total liabilities from financing actvities	**162,500**	**18,000**	**0**	**0**	**180,500**

	2020/21	Financing cash flows	Changes which are not funding cash flows		2020/21
	1 April		Acquistions	Other non-financing cash flows	31 March
	£000	£000	£000	£000	£000
Long Term Borrowings	75,500	40,000		-10,000	105,500
Short Term Borrowings	25,500	21,500		10,000	57,000
Total liabilities from financing actvities	**101,000**	**61,500**	**0**	**0**	**162,500**

Note 29. Members’ Allowances

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

2020/21 £000		2021/22 £000
399	Allowances	407
27	Expenses	5
426	**Allowances paid in the year**	**412**

Note 30. Officers' Remuneration

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

Post holder information (Post Title)		Salary, Fees and Allowances	Expenses Allowances	Total Remuneration excluding pension contributions	Pension Contributions	Total Remuneration	Annualised Salary
		£	£	£	£	£	£
Chief Executive (current postholder)	**2021/22**	**47,226**	**0**	**47,226**	**8,265**	**55,491**	
Chief Executive (previous postholder)	**2021/22**	**76,536**	**0**	**76,536**	**12,488**	**89,024**	
Total		**123,762**	**0**	**123,762**	**20,753**	**144,515**	**126,875**
	2020/21	*120,526*	*0*	*120,526*	*21,092*	*141,618*	*120,526*
Director Development and Place (current postholder)	**2021/22**	**63,360**	**0**	**63,360**	**11,088**	**74,448**	
Director Development and Place (previous postholder)	**2021/22**	**43,693**	**0**	**43,693**	**7,107**	**50,800**	
Total		**107,053**	**0**	**107,053**	**18,195**	**125,248**	**104,291**
	2020/21	*104,121*	*0*	*104,121*	*18,221*	*122,342*	*104,121*
Director for Housing and Communities	**2021/22**	**104,291**	**344**	**104,635**	**18,251**	**122,886**	**104,291**
	2020/21	*102,750*	*313*	*103,063*	*17,981*	*121,044*	*102,750*
Director of External Operations and Climate Change	**2021/22**	**64,504**	**205**	**64,709**	**11,900**	**76,609**	**104,291**
	2020/21	*102,750*	*218*	*102,968*	*17,301*	*120,269*	*102,750*
Director of Internal Operations	**2021/22**	**104,291**	**0**	**104,291**	**18,251**	**122,542**	**104,291**
	2020/21	*99,941*	*0*	*99,941*	*17,490*	*117,431*	*99,941*
Assistant Director & S151 Officer	**2021/22**	**73,215**	**306**	**73,521**	**12,813**	**86,334**	**73,215**
	2020/21	*72,125*	*297*	*72,422*	*12,622*	*85,044*	*72,125*
Governance Manager	**2021/22**	**57,511**	**0**	**57,511**	**10,064**	**67,575**	**57,511**
	2020/21	*58,342*	*0*	*58,342*	*10,210*	*68,552*	*58,342*

Notes regarding senior officers:-

Chief Executive – The previous postholder left the employment of the Council on 31st October 2021. The current postholder commenced this post on 17th November 2021.

Director Development and Place – The previous postholder left the employment of the Council on 22nd August 2021. The current postholder commenced this post on 23rd August 2021 and, in addition, assumed the duties of Director of External Operations and Climate Change from 16th November 2021. In order to aid comparison of figures, the posts have been shown separately in the table, above. However, the joint role formally became Director Place and Climate Change.

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

2020/21 Number of employees Total	Remuneration Band	2021/22 Number of employees Total
24	£50,000 - £54,999	35
3	£55,000 - £59,999	3
2	£60,000 - £64,999	4
1	£65,000 - £69,999	6
1	£70,000 - £74,999	1
1	£80,000 - £84,999	1
1	£85,000 - £89,999	0

Termination Benefits

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

Exit Package Cost Band (including special payments)	Number of Other Departures Agreed		Number of Compulsory Redundancies		Total Number of Exit Packages By Cost Band		Total Cost of Exit Packages In Each Band	
	2020/21	2021/22	*2020/21*	2021/22	*2020/21*	2021/22	*2020/21* £	2021/22 £
£0 - £20,000	0	2	2	0	2	2	27,010	25,062
£20,001-£40,000	1	3	0	0	1	3	31,335	81,919
£40,001-£60,000	0	1	0	0	0	1	0	41,478
Total included in the CIES	**1**	**6**	**2**	**0**	**3**	**6**	**58,345**	**148,459**

Note 31. External Audit Costs

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

2020/21 £000		2021/22 £000
99	Fees payable to external auditors with regards to external audit services carried out by the appointed auditor for the year	74
39	Fees paid to external auditors for the certification of grant claims and returns for the year	26
138	**Total**	**100**

The cost of external audit services for 2021/22 (£68k) relates to the basic 2021/22 audit fee.

Fees for the certification of grant claims (£26k) include £20k for grant claims relating to Housing Benefit Subsidy and £6k for Capital Receipts Pooling.

Note 32. Grant Income

The Council credited the following grants, contributions and donations to the CIES in 2021/22:

2020/21 £000		2021/22 £000
	Credited to Taxation and Non Specific Grant Income	
-6	Revenue Support Grant	-6
-3,253	New Homes Bonus	-1,743
-5,960	Other Non Specific Government Grants	-2,907
-13,767	Capital Grants	-10,659
-22,986	**Total**	**-15,315**
	Credited to Services	
-21,428	Rent Allowances	-20,129
-8,750	Rent Rebates	-8,337
-407	Housing Benefit Admin	-479
-6,981	COVID Grants	-3,133
-4,819	Other Grants and Contributions	-5,360
-42,385	**Total**	**-37,438**
-65,371		**-52,753**

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

31 March 2021 £000		31 March 2022 £000
	Current Liabilities	
	Grants Receipts in Advance (revenue grants):	
-978	COVID-19 Additional Restriction Grants	0
-274	COVID-19 Local Restriction Grants	-13
0	COVID-19 Community Outbreak Management Fund	-150
-1,252	**Total**	**-163**
	Grants Receipts in Advance (capital grants):	
0	Electric Vehicle Charging Points	**-111**

31 March 2021 £000		31 March 2022 £000
	Long-term Liabilities	
	Grants Receipts in Advance (revenue grants):	
-4,051	s106 Developers' Contributions and Commuted Sums	**-2,624**
	Grants Receipts in Advance (capital grants):	
-4,354	s106 Developers' Contributions	**-10,762**

Note 33. Related Parties

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

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

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

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

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

UK Central Government

UK Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, housing benefits, etc). Grant income is shown in Note 32 within this Statement of Accounts.

Somerset County Council (SCC)

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

Other Entities – Partnership Arrangements

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

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

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

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

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

Members and Officers

Elected Members, Statutory Officers, Directors and Assistant Directors are required to disclose whether, or not, transactions may have occurred between Somerset West and Taunton Council and those organisations in which those Members and senior officers, or their immediate families, hold positions of influence. This is because Members and senior officers of the Council have direct control over the Council's financial and operating policies. All 59 elected Members and 16 senior officers returned their declarations in respect of 2021/22.

The total of Members' allowances paid in 2021/22 is shown in Note 29. Details officers' remuneration are disclosed in Note 30.

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

Related Party Transactions 2021/22	Income £000	Expenditure £000	Debtors Outstanding as at 31st March 2022 £000	Creditors Outstanding as at 31st March 2022 £000
Exmoor National Park Authority		19		
Hestercombe House and Garden Trust	11		81	
Mendip District Council	41	560	6	39
Minehead Town Council		41		
North Taunton Partnership		20		
Refugee Aid from Taunton*		-		
Sedgemoor District Council	459	1,292	35	154
Somerset Building Control Partnership		19		16
Somerset Community Foundation		29		
Somerset County Council	2,158	4,002	316	591
South West Audit Partnership		159		
Take Art Ltd		10		
Wellington Town Council		65		25
West Somerset Advice Bureau		48		
Total	**2,669**	**6,264**	**438**	**825**

* Whilst no monetary transaction occurred during the financial year, premises were made available to this charity by the Council.

Where Members and Officers have disclosed related party transactions during 2021/22, the nature of those that are relevant and material are described below:

- Five Members are Members of Exmoor National Park Authority.
- One Member is a Trustee Representative for Hestercombe House and Gardens.
- One Member and a member of their family are elected Members of Minehead Town Council.
- One Member is a Trustee of North Taunton Partnership.
- One Member and a member of their family are Founder/ Trustee of Refugee Aid from Taunton.
- One Member is Director and Trustee for Somerset Community Foundation.
- One Member is a Director of Take Art Ltd.
- One Member is a Member of WACET / District Councillor member as Chair of the Group.
- One Member is a Trustee of West Somerset Advice Bureau.

Note 34. Capital Expenditure and Capital Financing

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

2020/21 £000		2021/22 £000
141,936	**Opening Capital Financing Requirement**	**192,920**
	Capital investment	
15,386	Property, Plant and Equipment	18,567
0	Loans made for service provision	684
677	Intangible Assets	1,147
44,074	Investment Properties	54,902
4,503	Inventory	0
7,840	Revenue Expenditure Funded from Capital under Statute	7,129
72,480		**82,429**
	Sources of finance	
-2,097	Capital receipts	-3,991
-8,706	Government Grants and Other Contributions	-6,396
-4,232	Major Repairs Allowance	-6,781
	Sums set aside from revenue	
-3,245	Direct revenue contributions	-4,491
-3,216	Minimum Revenue Provision (MRP / VRP)	-5,094
-21,496		**-26,753**
192,920	**Closing Capital Financing Requirement**	**248,596**
	Explanation of movements in the Capital Financing Requirement in year:	
50,984	Increase / (Decrease) in underlying need to borrowing (unsupported by Government financial assistance)	55,676
50,984	**Increase/(decrease) in Capital Financing Requirement**	**55,676**

Note 35. Leases

Council as Lessor

Operating Leases

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

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

2020/21 £000		2021/22 £000
-4,791	Not later than one year	-8,678
-17,698	Later than one year and not later than five years	-30,685
-26,973	Later than five years	-63,060
-49,462	**Total payments due in future years**	**-102,423**

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

Council as Lessee

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

2020/21 £000		2021/22 £000
48	Not later than one year	49
161	Later than one year and not later than five years	136
1,516	Later than five years	1,527
1,725	**Total payments due in future years**	**1,712**

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

2020/21 £000		2021/22 £000
125	Minimum Lease Payments	**83**

Note 36. Defined Benefit Pensions Schemes

Participation in Pension Schemes

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

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

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and is contracted out of the State Second Pension Scheme and currently provides benefits based on career average revalued salary and length of service on retirement, with various protections in place for those members in the scheme before the changes took place.

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

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

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

Transactions relating to post-employment benefits

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

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

2020/21 £000		2021/22 £000
	Comprehensive Income and Expenditure Statement (CIES)	
	Cost of Services	
5,906	Current service cost	13,716
79	Administration expenses	69
	Financing and Investment Income and Expenditure:	
2,567	Net interest expense	2,978
8,552	**Total Post Employment Benefits charged to the Surplus on the Provision of Services**	16,763
	Remeasurement of the net defined liability comprising:	
-28,714	Return on assets (excluding the amount included in the net interest expense)	-9,710
59,700	Actuarial gains and losses arising on changes in financial assumptions	-13,410
-2,528	Actuarial gains and losses arising on changes in demographic assumptions	0
-3,231	Experience gain and loss on defined benefit obligation	783
25,227	**Total Post Employment Benefit Charged to the Income and Expenditure Statement**	**-22,337**
	Movement in Reserves Statement	
-8,552	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	-16,763
	Actual amount charged against the General Fund balance for pensions in the year:	
5,535	Employers contributions payable to scheme	5,612

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

2020/21 £000	Local Government Pension Scheme	2021/22 £000
-283,386	Present value of the defined obligation	-291,388
146,732	Fair value of plan assets	165,697
-136,654	Sub-total	-125,691
-3,502	Present value of unfunded obligation	-3,279
-140,156	**Net liability arising from defined benefit obligation**	**-128,970**

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

2020/21 £000	Funded liabilities: Local Government Pension Scheme	2021/22 £000
-228,452	**Opening balances as at 1 April**	**-286,888**
-5,867	Current service cost	-9,464
-5,292	Interest cost	-6,213
-1,166	Contributions from scheme participants	-1,288
	Remeasurement (gains) and losses	
2,528	Actuarial gains/(losses) arising from changes in demographic assumptions	0
-59,700	Actuarial gains/(losses) arising from changes in financial assumptions	13,410
0	Liabilities assumed / (extinguished) on settlements	-9,678
3,231	Experience loss/(gain) on defined benefit obligation	-783
-39	Past service cost	0
7,643	Benefits paid	6,018
226	Unfunded Pension Payments	219
-286,888	**Closing balance as at 31 March**	**-294,667**

Reconciliation of fair value of the scheme assets:

2020/21 £000	Local Government Pension Scheme	2021/22 £000
116,540	**Opening fair value of scheme assets**	**146,732**
2,725	Interest income	3,235
	Remeasurement (gain/loss):	
28,714	The return on plan assets, excluding the amount in the net interest expense	9,710
0	Settlement prices received / (paid)	5,426
5,535	Contributions from employers	5,612
1,166	Contributions from scheme participants into the scheme	1,288
-7,869	Benefits paid	-6,237
-79	Administration expenses	-69
146,732	**Closing balance as at 31st March**	**165,697**

Local Government Pension Scheme assets comprised:

2020/21 £000	Fair Value of Scheme Assets	2021/22 £000
106,101	Equities	120,321
8,183	Gilts	8,359
13,809	Other bonds	16,033
9,838	Property	13,309
8,801	Cash	7,675
146,732	**Total**	**165,697**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. The Local Government Pension Scheme has been assessed by Barnett Waddingham LLP, an independent firm of actuaries, with estimates for the Council Fund being based on the latest full valuation of the scheme as at 31 March 2020.

2020/21	Local Government Pension Scheme	2021/22
	Long-term expected rate of return on assets in the scheme:	
	Mortality assumptions:	
	Longevity at 65 for current pensioners	
23.1	- Men	23.1
24.6	- Women	24.7
	Longevity at 65 for future pensioners	
24.4	- Men	24.4
26.0	- Women	26.1
2.80%	Rate of inflation - CPI	3.20%
3.80%	Rate of increase in salaries	4.20%
2.80%	Rate of increase in pensions	3.20%
2.00%	Rate for discounting scheme liabilities	2.60%

Sensitivity Analysis:

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

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

Sensitivity Analysis 2021/22	£000	£000	£000
Adjustment to discount rate	**0.1%**	**0.0%**	**-0.1%**
Present Value of total obligation	289,003	294,667	300,447
Projected service cost	8,316	8,610	8,913
Adjustment to long term salary increase	**0.1%**	**0.0%**	**-0.1%**
Present Value of total obligation	295,074	294,667	294,263
Projected service cost	8,615	8,610	8,605
Adjustment to pension increases and deferred revaluation	**0.1%**	**0.0%**	**-0.1%**
Present Value of total obligation	299,999	294,667	289,434
Projected service cost	8,911	8,610	8,318
Adjustment to life expectancy assumptions	**+1 Year**	**None**	**-1 Year**
Present Value of total obligation	308,528	294,667	281,462
Projected service cost	8,968	8,610	8,264

Impact on the Council's Cash Flows

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of -£128.970m (-£140.156m 2020/21) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

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

The total of contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2023 is £5.463m.

Note 37. Contingent Liabilities

Contingent liabilities are not recognised in the accounting statements. Instead they are disclosed by way of a note if there is a possible obligation, which may require a payment or transfer of economic benefits. The Council has the following contingent liabilities: as at 31 March 2022:

i) The Council may be subject to claims for remedial works for the Coal Orchard regeneration project as a result of the main contractor going into administration. The Council proposes to set aside a sum of £185,000 in its reserves in 2022/23 to finance any such claims made under warranty. Whilst the instances and value of any such claims cannot be determined in advance, this is regarded as an appropriate sum to cover the Council's potential liabilities during the 2½ year initial defects warranty period.

ii) The Council leases the Canonsgrove Halls of Residence under the government's 'Everyone In' scheme in response to the Covid-19 pandemic. The Council carries a commitment to ensure that the owners of the building incur no loss under the scheme and to reinstate the Halls for any damages that may have been sustained during their use. Once again, the extent of any potential reinstatement works cannot be determined in advance.

Note 38. Contingent Assets

Hinkley Point C

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

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

The Council will receive a minimum of £5.778m (maximum £6.031m) in total from the s106 relating to the development consent order. The payments are due over a number of years with the last one due in 2024.’ Between now and 2024, the Council is due to receive a minimum of £0.154m.

SUPPLEMENTARY FINANCIAL STATEMENTS

Housing Revenue Account

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

2020/21 £000		2021/22 £000	2021/22 £000
	Income		
-24,277	Dwelling Rents		-24,543
-709	Non Dwelling Rents		-684
-1,563	Charges for Services/Facilities		-1,444
-473	Contributions Towards Expenditure		-566
-27,022			-27,237
	Expenditure		
3,517	Repairs and Maintenance	3,803	
12,159	Supervision and Management	12,064	
471	Rents, Rates, Taxes and Other Charges	546	
7,231	Depreciation and Impairment of Fixed Assets	9,835	
-162	Movement in the Allowance for Bad Debts	116	
23,216			26,364
-3,806	**Net Income of HRA Services as included in the CIES**		**-873**
229	HRA Service Share of Corporate and Democratic Core		229
-3,577	**Net (Income)/Expenditure of HRA Services**		**-644**
	HRA Share of Operating and Expenditure included in the CIES:		
20	Pension Administration Costs		16
2,820	(Gain) or Loss on Sale of HRA Fixed Assets		-989
2,442	Interest Payable and Similar Charges		2,809
-33	Interest and Investment Income		-390
642	Pension Interest Cost		715
382	Capital grants and contributions		-217
2,696	**(Surplus)/Deficit for the year on HRA Services**		**1,300**

Statement of Movement on the HRA Balance

2020/21 £000		2021/22 £000	2021/22 £000
2,700	**Balance on the HRA at the end of the previous year**		**2,685**
-2,696	Surplus / (Deficit) for the year on the HRA Income and Expenditure Account	-1,300	
2,139	Adjustments between accounting basis and funding under Statute (see analysis in Notes to the Supplementary Statements)	996	
-557	Net Increase or (Decrease) before transfers to or from		-304
542	Transfers (to) or from Reserves		1,031
-15	Increase or (Decrease) in the Year on the HRA		727
2,685	**Balance on the HRA at the end of the current year**		**3,412**

Housing Revenue Account Notes

HRA Note A. Housing Stock

The Council was responsible for managing 5,675 dwellings during 2021/22. The stock at 31 March was made up as follows:

2020/21 number of		2021/22 number of
2,795	Houses	2,770
847	Bungalows	844
2,056	Flats and Maisonettes	2,058
5,698		**5,672**
3	Shared Equity	3
5,701		**5,675**

HRA Note B. Value of Assets

The balance sheet values of HRA assets at 31 March 2022 and 31 March 2021 are shown below.

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

HRA Non-current assets Movement in 2020/21	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Total Property, Plant and Equipment £000	Assets Held For Sale £000	Intangible Assets £000	Total £000
Cost or Valuation								
At 1 April 2020	**296,914**	**8,771**	**333**	**1,987**	**308,005**	**2,732**	**776**	**311,513**
Additions	8,907	0	0	0	**8,907**	0	239	**9,146**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	13,491	-102	0	0	**13,389**	0	0	**13,389**
Revaluation increases / (decreases) recognised in the Surplus/deficit on the Provision of Services	0	-82	0	-14	**-96**	0	0	**-96**
Derecognition - Disposals	-4,287	-54			**-4,341**	-1,306	0	**-5,647**
Reclassified (to)/from Held From Sale	-2,134	0	0	0	**-2,134**	2,134		**0**
At 31 March 2021	**312,891**	**8,533**	**333**	**1,973**	**323,730**	**3,560**	**1,015**	**328,305**
Accumulated Depreciation and Impairment								
At 1 April 2020	**0**	**-89**	**-226**	**-1,775**	**-2,090**	**0**	**-757**	**-2,847**
Depreciation charge	-6,883	-90	-39	-44	**-7,056**	0	-5	**-7,061**
Depreciation written out to the Revaluation Reserve	6,883	8	0	0	**6,891**	0	0	**6,891**
Derecognition - Disposals	0	1	0	0	**1**	0	0	**1**
At 31 March 2021	**0**	**-170**	**-265**	**-1,819**	**-2,254**	**0**	**-762**	**-3,016**
<u>Net Book Value</u>								
At 31 March 2021	**312,891**	**8,363**	**68**	**154**	**321,476**	**3,560**	**253**	**325,289**

HRA Note C. Value of Dwellings at 31 March 2022

The open market value of dwellings within the HRA at 31 March 2022 is £1,008.8m (31 March 2021 £894.0m) compared with the balance sheet value of £353.1m (31 March 2021 £312.9m). The difference of £655.7m (31 March 2021 £581.1m) represents the economic cost to the Government of providing Council housing at less than open market rents.

HRA Note D. Rent Arrears

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

31 March £000		31 March £000
672	Rent Arrears	**759**
-277	Provision for Bad Debts	-343
395	**Anticipated Collectable Arrears**	**416**

Anticipated Collectable Arrears as a % of Gross Rent Income 1.6% (1.5% in 2020/21)

HRA Note E. Rent Rebates

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

HRA Note F. Gross Rent Income

This is the total rent income due for the year after allowing for voids. During the year 1.99% (1.98% in 2020/21) of available properties were vacant. Average weekly rents were £85.54, an increase of £1.26 (1.50%) over the previous year.

HRA Note G. Major Repairs Reserve

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

2020/21 £000		2021/22 £000
3,707	**Balance as at 1 April**	**6,773**
7,297	Transfer from Revenue to Major Repairs Reserve	8,209
-4,231	Financing of HRA Capital Expenditure	-6,781
6,773	**Balance as at 31 March**	**8,201**

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

2020/21 £000		2021/22 £000
	HRA Capital Expenditure	
9,036	Dwellings	12,313
110	Intangible Assets	395
9,146		**12,708**
	Financed By	
1,357	Capital Receipts	1,164
0	Grants and Contributions	126
4,232	Major Repairs Reserve	6,781
3,557	Borrowing	4,637
9,146		**12,708**

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

2020/21 £000		2021/22 £000
2,870	Dwellings	3,313
-44	Administrative Cost of Sales	-46
2,826		**3,267**

HRA Note I. Pension Scheme

Following advice issued by CIPFA regarding Accounting for Defined Benefit Retirement Benefits in the HRA, Somerset West and Taunton Council has concluded that neither ring-fencing nor resource accounting in the HRA require the HRA to be treated differently from other services on the grounds of proper practice. There is therefore an amount of £939,285 included within management expenditure, which reflects the current service costs of the Pension Scheme, in accordance with IAS 19. These costs are currently notional and do not represent real cash outflows. Within the Housing Revenue Account these costs are negated by a contribution from the pension reserve.

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

This note details the adjustments that are made to the surplus/deficit for the year recognised by the Council on the HRA Statement in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2020/21 £000		2021/22 £000
118	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statute requirements	-27
2,821	Reversal of (gain) or loss on sale of HRA non-current assets	-989
-1,439	Capital expenditure charged against revenue	-687
744	HRA share of contributions to or from the Pensions Reserve	1,670
-38	Transfer to/(from) Earmarked Reserves	0
-7,297	Transfer to/(from) the Major Repairs Reserve	-8,209
7,230	Transfer to/(from) the Capital Adjustment Account	9,238
2,139	Balance on the HRA at the end of the current year	**996**

Collection Fund

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

2020/21 Business Rates £000	2020/21 Council Tax £000	2020/21 Total £000		2021/22 Business Rates £000	2021/22 Council Tax £000	2021/22 Total £000
			Income			
0	-103,046	-103,046	Council Tax Receivable	0	-109,384	**-109,384**
-21,259	0	-21,259	Business Rates Receivable	-46,535	0	**-46,535**
828	0	828	Transitional Protection Payments	339	0	**339**
			Apportionment of Previous Year's Surplus/(Deficit):			
801	0	801	Central Government	-15,622	0	**-15,622**
1,663	-402	1,261	Somerset County Council	-2,874	48	**-2,826**
0	-70	-70	Police and Crime Comm. for Avon & Somerset	0	9	**9**
46	-28	18	Devon & Somerset Fire & Rescue Authority	-314	3	**-311**
2,071	-64	2,007	Somerset West and Taunton Council	-12,556	8	**-12,548**
-15,850	**-103,610**	**-119,460**	**Total Income**	**-77,562**	**-109,316**	**-186,878**
			Expenditure			
			Demands and Shares:			
28,754	0	28,754	Central Government	29,308	0	**29,308**
5,176	72,775	77,951	Somerset County Council	5,275	75,727	**81,002**
0	12,860	12,860	Police and Crime Comm. for Avon & Somerset	0	13,495	**13,495**
575	4,981	5,556	Devon & Somerset Fire & Rescue Authority	586	5,035	**5,621**
23,003	9,293	32,296	Somerset West and Taunton Council	23,446	9,490	**32,936**
0	2,476	2,476	Parish / Town Councils	0	2,538	**2,538**
249	0	249	Costs of Collection	251	0	**251**
106	0	106	Increase/(Decrease) in Provision for Appeals	-1,519	0	**-1,519**
1,698	1,691	3,389	Increase/(Decrease) Allowance for Bad & Doubtful Debts	-391	1,026	**635**
205	0	205	Disregarded Amounts	549	0	**549**
59,766	**104,076**	**163,842**	**Total Expenditure**	**57,505**	**107,311**	**164,816**
43,916	**466**	**44,382**	**(Surplus)/Deficit for the year**	**-20,057**	**-2,005**	**-22,062**
-4,338	38	**-4,300**	(Surplus)/Deficit Balance Brought Forward	39,578	504	40,082
39,578	**504**	**40,082**	**(Surplus)/Deficit Balance Carried Forward**	**19,521**	**-1,501**	**18,020**
			Attributable to:			
19,728	0	**19,728**	Central Government	9,761	0	**9,761**
3,613	357	**3,970**	Somerset County Council	1,757	-1,069	**688**
0	63	**63**	Police and Crime Comm. for Avon & Somerset	0	-195	**-195**
396	25	**421**	Devon and Somerset Fire and Rescue Authority	195	-68	**127**
15,841	59	**15,900**	Somerset West and Taunton Council	7,808	-169	**7,639**
39,578	**504**	**40,082**		**19,521**	**-1,501**	**18,020**

Collection Fund Notes

Council Tax

The Council's tax base for 2021/22, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply), converted to an equivalent number of Band D dwelling, was calculated as follows:

Band	Number of Taxable Dwellings after Discount	Ratio	Band D Equivalent Dwellings
A (Disabled Reduction)	11.66	5/9	6.48
A	6,542.78	6/9	4,361.85
B	15,621.72	7/9	12,150.23
C	13,005.47	8/9	11,560.42
D	9,965.85	9/9	9,965.85
E	7,618.99	11/9	9,312.10
F	4,607.29	13/9	6,654.97
G	2,151.57	15/9	3,585.95
H	113.00	18/9	226.00
	59,638.33		**57,823.84**
Less adjustment for Non-Collection			-1,875.97
Council Tax Base 2021/22			**55,947.87**

The reduction in the tax base to 55,947.87 (56,499.87 in 2020/21) is the result of an increase in the allowance made for non-collection from 1.50% in 2020/21 to 3.25% in 2021/22. This reflects the potential impact of COVID-19 and economic conditions on people's ability to pay.

Income from Business Ratepayers

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

The total non-domestic rateable value at 31 March 2022 was £150,157,648 (31 March 2021 was £141,927,010). Both the standard national non-domestic multiplier (£0.512) and the national non-domestic small business multiplier (£0.499) were frozen by Central Government for the 2021/22 financial year.

Independent auditor's report to the Members of Somerset West and Taunton Council

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Somerset West and Taunton Council (the 'Authority') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Statement of Movement on the HRA Balance, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the Notes to the Core Financial Statements, the Housing Revenue Account Notes and the Collection Fund Notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2022 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Assistant Director - Finance (S151 Officer)'s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Assistant Director - Finance (S151 Officer)'s conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Assistant Director - Finance (S151 Officer)'s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Assistant Director - Finance (S151 Officer) with respect to going concern are described in the 'Responsibilities of the Authority, the Assistant Director - Finance (S151 Officer) and Those Charged with Governance for the financial statements' section of this report.

Other information

The Assistant Director - Finance (S151 Officer) is responsible for the other information. The other information comprises the information included in the Statement of Accounts and the Annual Governance Statement, other than the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Assistant Director - Finance (S151 Officer) and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities for the Statement of Accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Assistant Director - Finance (S151 Officer). The Assistant Director - Finance (S151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Assistant Director - Finance (S151 Officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Assistant Director - Finance (S151 Officer) is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Governance Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 1972, the Local Government and Housing Act 1989 and the Local Government Act 2003.
- We enquired of senior officers and the Audit and Governance Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers and the Audit and Governance committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journal entries posted by users with administration access rights and material management estimates and judgements.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Assistant Director - Finance (S151 Officer) has in place to prevent and detect fraud;
  - journal entry testing, with a focus on unusual and high risk journals, including those identified as posted by senior personnel, those with administration rights on the system, those made by unusual posters or in unusual accounts combinations;
  - challenging assumptions and judgements made by management in significant accounting estimates in respect of the valuation of land and buildings, investment property, council dwellings and defined benefit pensions liability valuations]; and
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting

irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to the valuation of land and buildings, investment property, council dwellings and defined benefit pensions liability valuations.
- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority’s operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

Report on other legal and regulatory requirements – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

Our work on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority’s arrangements in our Auditor’s Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor’s report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Somerset West and Taunton for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report; and
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2022.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Jackson Murray, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

Date:

Glossary of Terms and Abbreviations

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

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

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

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

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

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

Appropriations
Amounts transferred between statutory funds and revenue or capital reserves.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Earmarked Reserves
Amounts of money set aside for a specific purpose.

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

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

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

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

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

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

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

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

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

Housing Revenue Account (HRA)
This is a ringfenced account which sets out the expenditure and income arising from the direct provision of housing by the Council in its role as a housing landlord. Neither the General Fund nor the Housing Revenue Account may subsidise each other.

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

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

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

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

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

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

Liquid Resources
Assets which are readily convertible into known amounts of cash.

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

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

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

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

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

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

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

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

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

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

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

Public Works Loan Board (PWLB)
A central government agency, which usually provides long-term loans to local authorities.

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

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

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

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

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

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

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

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

DRAFT

Grant Thornton UK LLP
2 Glass Wharf
Bristol
BS2 0EL

Our Ref: S151/PF
Your Ref:
Date: 7 November 2022

Dear Sirs

Somerset West and Taunton Council
Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Somerset West and Taunton Council for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves.

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include valuation of land and buildings, investment properties, council dwellings and the net defined benefit pension liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the financial statements:

    a. there are no unrecorded liabilities, actual or contingent
    b. none of the assets of the Council has been assigned, pledged or mortgaged
    c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year end. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. The prior period adjustments disclosed in relevant Notes to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

xv. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:

a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entity to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

xvi. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.

xvii. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

Information Provided

xviii. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.

xix. We have communicated to you all deficiencies in internal control of which management is aware.

xx. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xxi. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xxii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

  a. management;
  b. employees who have significant roles in internal control; or
  c. others where the fraud could have a material effect on the financial statements.

xxiii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxiv. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxv. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xxvi. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxvii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxviii. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Governance Committee at its meeting on 7 November 2022.

Yours faithfully

Name	Paul Fitzgerald	*as signed*
Position	Assistant Director – Finance (S151 Officer)	
Date	7 November 2022	

Name	Councillor Lee Baker	*as signed*
Position	Chair of Audit and Governance Committee	
Date	7 November 2022	

Signed on behalf of the Council
Tel: 0300 304 8000
Line opening hours 8:00 am to 6:00 pm Monday to Friday
Email: enquiries@somersetwestandtaunton.gov.uk