AUDIT COMMITTEE

Thursday, 28 March 2024

10.00 am

John Meikle Room, The Deane House, Belvedere Road, Taunton TA1 1HE

SUPPLEMENT TO THE AGENDA

To: The members of the Audit Committee

We are now able to enclose the following information which was unavailable when the agenda was published:

Agenda Item 6	External Audit Findings Report and Audit Conclusion for South Somerset District Council 2022/23 (Pages 3 - 154) • Cover report • Appendix 1 – Grant Thornton UK LLP current 2022.23 Audit Findings Report, pending ongoing audit work • Appendix 2 – Legacy South Somerset District Council's Statement of Accounts 2022-23, redrafted for current findings and updated AGS Available in Supplement 3 to the Audit Committee Agenda: • Appendix 3 - Grant Thornton UK LLP current 2022/23 DRAFT Audit Opinion • Appendix 4 - South Somerset District Council's DRAFT Letter of Representation

Audit Committee
Meeting Date – 28th March 2024

External Audit Findings Report and Audit Conclusion for South Somerset District Council 2022/23

Lead Member(s): Cllr Liz Leyshon, Deputy Leader of the Council and Lead Member for Resources and Performance
Local Member(s) and Division: All
Lead Officer: Jason Vaughan, Executive Director Resources & Corporate Services
Nicola Hix, Service Director – Finance and Procurement
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Summary

1. The Accounts and Audit Regulations 2015, as amended by the Accounts and Audit (amendment) Regulations 2022 states that, as part of the formal process of closing the 2022/23 accounts, for the legacy South Somerset District Council, the Chief Financial Officer is required to approve the draft Statement of Accounts by 31 May and the Audit Committee is required to approve the audited accounts by 30th September 2023.

2. In discussions with Grant Thornton UK LLP around resource availability and quality of draft accounts produced, not all legacy Somerset District/County accounts could be completed and audited within the above timeline. Compounded to that, the 2021/22 accounts for South Somerset District Council were being finalised during 2023. Therefore, draft 2022/23 accounts were published at the end of August 2023 and have been audited between November 2023 to March 2024.

3. The 2022/23 external audit is yet to be finalised and therefore not presented to this committee date for approval. The current Audit Finding Report issued by Grant Thornton UK LLP presents the current status of the audit against an audit plan to the date of this committee. This indicates work is well underway, in most instances sample information now returned to the auditors for review. Giving reasonable assurance that completion of this audit and the final accounts sign off can be

achieved by the end of April. Instead, pending no material or significant changes required to the accounts from the finalisation of the audit, delegated authority is sought.

Recommendations

4. The Audit Committee are asked to:

   4.1. Note the status of the ongoing audit by reviewing the latest Audit Findings report from the external Auditors Grant Thornton UK LLP, as per Appendix 1.

   4.2. Note the revised Statement of Accounts as attached in Appendix 2 for South Somerset District Council for 2022/23.

   4.3. Delegate approval for the final accounts to the Executive Director of Resources and Corporate Services in conjunction with the Chair or Vice-Chair, once any outstanding matters have been resolved.

   4.4. Delegate approval for the signing of a letter of representation, alongside point 4.3.

Financial and Risk Implications

5. There are no direct financial and risk implications.

HR Implications

6. There are no direct HR implications from the Statement of Accounts/reports.

Legal Implications

7. There are no direct legal implications.

Other Implications

8. There are no other considered implications

Background Papers

Statement of Accounts

9. The Accounts and Audit Regulations issued by the Secretary of State set out the requirements for the preparation and publication of final accounts. These regulations include the requirement for the formal approval, by a full Committee, of the Authority's Statement of Accounts.

10. The Statement of Accounts (Appendix 2 – updated accounts with known audit finding adjustments) has been prepared in accordance with the current Code of Practice on Local Authority Accounting in Great Britain (The Code). The Statement is required to present a true and fair view of the former South Somerset District Council's financial position as at 31 March 2023 and also the income and expenditure for the financial year 2022/23.

11. The Authority's external auditors, Grant Thornton, started their detailed examination of the Statement of Accounts in November 2023. The audit has experienced delays due to staff capacity, loss of knowledge and quality of documentation held. The commitment, by the Council and its auditors Grant Thornton, to the completion of the 2022/23 final audited accounts remains and work into April is expected to achieve this.

12. The Audit Findings Report, in appendix 1, from pages 8 to 11 sets out that substantially all the detailed sample work has been issued and returned pending auditor reviews. The key showing Red, Amber, Green represents where the audit plan expected to be versus the current status by the 28th March 2024. This includes commentary to reason the delays in the audit work being completed.

13. There are a series of audit findings, as set out in Appendix D of the report (page 38 onwards). These findings are yet to be formalised in the report but these known findings have been adjusted in the latest accounts presented and therefore should not pose risk to the outcome of the opinion.

14. The most significant being the classification, valuation and reconciliation of assets. Reclassification of Huish Park awaits final confirmation from Grant Thornton on the revised valuation provided, all other fixed asset changes have been accepted and applied. There is also the revised treatment for the disposal of inventories during 2021/22 and 2022/23 which will result in an additional £4.2m of capital receipts being available to the Council. Finally, presentation and reconciliation has been a challenge, with number of changes being made and the need to rework the accounts. Some additional quality assurance is underway from

other Council accountants alongside the work that Granton Thornton are undertaking.

15. Page 6 of the Audit Findings report 'anticipates issuing an unqualified audit opinion' on the accounts. This is subject to any significant further audit findings over the next few weeks.

16. Grant Thornton are only able to formally conclude the audit and issue their final Audit Report and Audit Certificate if they have received a copy of the Statement of Accounts as approved by this Committee and all elements of their work are concluded.

Letter of Representation

17. The International Standard on Auditing 580 requires auditors to obtain written representations from management and, where appropriate those charged with governance in an audit of the financial statements. This statement as a formal Management Representation letter to Grant Thornton, will be written when the audit is complete.

18. The Committee are requested to delegate approval for this representation. Once approved the letter will be passed to our auditors.

Annual Governance Statement

19. The Annual Governance Statement (AGS) for 2022/23 was approved by the Audit Committee as part of the draft accounts in August 2023. Best practice requires local authorities to review their Annual Governance Statement immediately before the Statement of Accounts is approved to ensure that the governance framework and risks have not significantly changed since the review was carried out.

20. In the light of Local Government Reorganisation, also updated in the other former councils AGS and account sign offs, the Governance Board will develop an Action Plan for 2023/24 aimed at further strengthening the Council's governance. Many of these will already be known and on-going actions, such as the review of the Constitution and key financial and organisational policies. This follows the best practice in that the Annual Governance Statement should also reflect the unique

features and challenges of the Council, and that it should therefore anticipate known and potential governance challenges ahead.

Appendices

- Appendix 1 – Grant Thornton UK LLP current 2022/23 Audit Findings Report, pending ongoing audit work
- Appendix 2 – Legacy South Somerset District Council's Statement of Accounts 2022- 23, redrafted for current findings and updated AGS
- Appendix 3 - Grant Thornton UK LLP current 2022/23 DRAFT Audit Opinion **(contained in supplement 3 to the Audit Committee Agenda)**
- Appendix 4 - South Somerset District Council's DRAFT Letter of Representation **(contained in supplement 3 to the Audit Committee Agenda)**

Grant Thornton

The Audit Findings for South Somerset District Council

Year ended 31 March 2023

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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The Key Audit Partner(s) for Council's Material Subsidiaries are:

David Jones
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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 have been discussed with management.

Name: Barrie Morris

For Grant Thornton UK LLP

Date:

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of South Somerset District Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2023 for the attention of 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 group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's 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 has been completed both on site and remotely between November 2023 and March 2024. Given the current progress in responding to our enquiries, the audit will continue into April. We aim to conclude as promptly as possible, the delays to date have led to concern relating to our ability to conclude the audit in a timely way. Our findings to date are summarised on pages 6 to 27. We have identified 4 adjustments to the financial statements. The impact of these adjustments is still to be confirmed, as our audit work remains in progress. Audit adjustments are detailed in Appendix E. We have also raised recommendations for management as a result of our audit work. These are set out in Appendix C. Our follow up of recommendations from the prior year's audit are detailed in Appendix D.

Our work is still underway and a detailed schedule of outstanding audit areas is listed on page 8 to 11 of this report. Once the detailed audit fieldwork has been completed, we will need the following to conclude the audit:

- final review of audit file by the audit manager and key audit partner;
- receipt of management representation letter {see appendix H}; 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 financial statements audit report opinion will be unqualified including an Emphasis of Matter paragraph highlighting the demise of South Somerset District Council on 1 April 2023. We have not been able to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. A further explanation of the significant weaknesses we have identified in the Council's arrangements is detailed on page 29 of this report.

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 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 completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report covering the four legacy Somerset councils including South Somerset DC, which was presented to the January 2024 Audit Committee. We identified significant weaknesses in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our findings are set out in the value for money arrangements section of this report (Section 3).

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 have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

Significant matters

As reported in our prior period Audit Findings Report, we are aware that there have been, and continue to be, a number of conflicting priorities impacting capacity levels at the Council, including Local Government Reorganisation, loss of experienced and key staff and the budgeting processes, that has contributed to delays in supporting the audit process. We acknowledge the actions taken by management to alleviate some of these issues including employing temporary additional resources to support the audit process. Despite the actions taken, we continue to experience issues in the following areas:

- loss of corporate experience impacting on the speed and quality of audit responses in certain areas;
- issues with the quality of working papers provided to support audit queries; and
- difficulties in receiving populations at individual transactional level which requires further work from ourselves to get the information into a format suitable to identify samples but also increases the sample sizes.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see About time? (grantthornton.co.uk)

We would like to thank everyone at the Council for their support in working with us to deliver the audit in advance of the proposed backstop date. As in previous years, the process has not been as smooth as we would like, with numerous issues identified which caused delays to the timely completion of the audit. We have acknowledged the council's limited resources and the loss of corporate knowledge, which has exacerbated the issues.

National context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. South Somerset has, for the last few years maintained a high level of short-term borrowing to support he financing requirements of its investment portfolio. We have reviewed this in our VFM work and have identified recommendations in previous years.

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 and the Audit Committee.

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 group's business and is risk based, and in particular included:

- an evaluation of the group's internal controls environment, including its IT systems and controls;
- an evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response.
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

As highlighted in the audit of the prior period, the impact of local government reorganisation has meant that your finance team faced significant audit challenges this year. This reduced capacity coupled with the loss of key corporate knowledge within accountancy roles has led to significant delays in completing audit work.

We have had to undertake additional audit procedures and involve technical specialists as auditors' experts in order to gain sufficient assurance in respect of our auditor's opinion on the financial statements. This will result in additional audit fees, which are subject to final approval by PSAA Ltd.

Conclusion

Our audit of your financial statements is still in progress, subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion including an emphasis of matter, as detailed in the separate committee paper. These outstanding items are detailed on pages 8 to 11.

Acknowledgements

We recognise that this has been a challenging audit process. There have been many conflicting priorities impacting those officers that both produce the financial statements and support us in the audit. We acknowledge their support in resolving our queries throughout the audit.

Barrie Morris
Grant Thornton UK LLP

2. Financial Statements

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 18 January 2024.

We have also determined an additional lower materiality in relation to senior officers remuneration disclosures of £20,000 at an individual officer level.

We set out in this table our determination of materiality for South Somerset District Council and group.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,150,000	1,100,000	We considered materiality from the perspective of the users of the financial statements. The Council prepares an expenditure based budget for the financial year with the primary objective to provide services for the local community and therefore gross expenditure at the Net Cost of Services level was deemed as the most appropriate benchmark. We have used total assets as benchmark for the Group financial statements.
Performance materiality	700,000	650,000	
Trivial matters	57,000	55,000	
Materiality for senior officer remuneration	N/A	20,000	We considered materiality from the perspective of the users of the financial statements as well as the sensitivity of the disclosure.

2. Financial Statements

Audit Area	Progress	Reason for incomplete work
Audit planning	🟩	While significant delays were experienced initially, delaying he team's ability to begin work on other areas, work is now complete.
Financial Statements	🟥	Various tasks checking the accuracy of the statements. This is in progress with management responses to our queries having been received in mid-March.
Group consolidation	🟥	Redrafted accounts have now been received with known changes. Management are undertaking a quality assurance process, and work will commence after conclusion of that process.
Journal entries	🟩	Work has been substantially completed by the audit team. 2 of 40 items are outstanding.
Going concern	🟩	Management's initial response to the request for a Going Concern assessment did not include consideration of the subsidiary companies represented with the Group accounts. Management have since provided details of this assessment and the audit team will evaluate this for appropriateness.
Other information	🟨	Other information relates to our review of the Narrative report and Annual Governance Statement, the other information published alongside the financial statements. This work has not yet been initiated as sample testing has been prioritised due to the additional turn-around time required from the client. This is aligned with the audit plan.
Cash flow statement	🟥	Redrafted accounts have now been received with known changes. Management are undertaking a quality assurance process, and work will commence after conclusion of that process.
Movement in reserves	🟥	Redrafted accounts have now been received with known changes. Management are undertaking a quality assurance process, and work will commence after conclusion of that process.
Expenditure and Funding Analysis	🟥	This work has not yet been initiated due to reconciliation issues in opening balances brought forward work, and delays in audit planning work. Redrafted accounts have now been received with known changes. Management are undertaking a quality assurance process, and work will commence after conclusion of that process.
Additions & REFCUS	🟨	Due to issues with the trial balance reconciliation, sampling work started later than our initial plan. We experienced delays in receipt of evidence for REFCUS. Additions work is substantially complete.

Key

🟢 Expected to be complete by 28 March 2024
🟡 Some risk to completion by 28 March 2024
🔴 Will not be complete by 28 March 2024

2. Financial Statements

Audit Area	Progress	Reason for incomplete work
Depreciation	🟩	The work on depreciation has been completed. However, due to issues with Fixed Asset Register having incorrect values, we needed to reperform and update some of the amounts from the updated Fixed Asset Register.
Land & Building Revaluations	🟥	We experienced issues having to reperform some work, delays in responses to queries raised and difficulties in reconciling working papers to the fixed asset register and the valuation reports. Work is well progressed, but a number of queries have been shared with management and the valuer.
Group PPE	🟨	Specific procedures on Group PPE valuations are in progress. We have received responses to queries informed by our internal valuations experts, from Management's expert (JLL) and final queries are being discussed. We identified issues with the valuation movements realised in year and their reconciliation through to the Group notes. Updated working papers have been provided and work is underway again.
PPE closing balances	🟨	Other sections in relation to PPE have been prioritised. This work is linked to those and will be completed subject to completion of the other PPE sections.
Assets under Construction	🟥	Our initial work led to the challenge of the classification of Huish park, which was included as an Asset Under Construction and therefore was not subject to revaluation. However, the asset seemed to be operational. This challenge led to management commissioning a valuation of the asset, which has delayed our ability to undertake procedures. We have appointed an auditor's expert who is currently reviewing this valuation. We also identified some additions relating to assets which were revalued during the period. The council's valuer had not been notified of these additions. After discussing with the valuer, who confirmed the value of those assets would have changed significantly and who provided an updated valuation for two assets, management have adjusted for these valuations.
Inventories	🟥	This work has been subject to delay due to an error identified with the disclosure of the proceeds of the sale of inventory within the Statement of Accounts. This was accounted for within the Balance Sheet but not within the Comprehensive Income and Expenditure. As a result, there was a lead in time from the Council to work out the correct accounting treatment for this and update the Inventories disclosures. We await updated accounts to review the amendments.
Investment Properties	🟥	We experienced issues having to reperform some work, delays in responses to queries raised and difficulties in reconciling working papers to the fixed asset register and the valuation reports. Work is well progressed, but a number of queries have been shared with management and the valuer.
Investments	🟨	This work has begun. We are working with management to obtain appropriate Letters of authority as several institutions are requesting updated authority to release confirmations.
Debtors	🟨	A number of issues have been identified with the reconciliation of Short-term Debtors. The information provided wasdifficult to understand and to extract a population at transactional level for sample testing. These issues have meant that the Council has had to revisit and reproduce the work, so that we can appropriately understand the figures detailed within. This led to significant delays in this work, but we have now selected a sample and have received the majority of the evidence.

2. Financial Statements

Audit Area	Progress	Reason for incomplete work
Cash	🟩	Work is complete subject to review
Borrowings	🟨	This work has begun. Letters of authority are being sought from management as several institutions are requesting updated authority to release confirmations.
Provisions	🟥	This work has not yet been started. This is as a result of delays in other areas.
Grants received in advanced	🟩	This work has been initiated but detailed testing has been delayed due to the prioritisation of other areas, such as sampling. Testing is in progress, with additional evidence requested on a number of sample items.
Pension Liability	🟩	A small number of outstanding queries with both the council and the Actuary
Fees & Charges and other income	🟩	Since receiving the draft accounts, the audit team have had significant issues in reconciling income presented within the CIES, back to Note 7 (Income & Expenditure analysed by nature). Numerous revisions of Note 7 have been shared, each attempting to resolve the reconciliation issues. Samples have now been selected and testing is in progress.
Grant income	🟥	See comments on fees and charges income above. Initial evidence has been received with queries being raised to the council on several items.
Employee Benefit Expenditure	🟨	This testing has been started but was initially delayed by overruns in audit planning work. Final testing for employee benefit expenditure is now in progress.
Housing Benefit Expenditure	🟩	This work has been started, but we have faced delays in obtaining access to Northgate via VPN which is needed to obtain evidence.
Other Expenditure	🟨	Since receiving the draft accounts, the audit team have had significant issues in reconciling expenditure presented within the CIES, back to Note 7 (Income & Expenditure analysed by nature). Numerous revisions of Note 7 have been shared, each attempting to resolve the reconciliation issues. Samples have now been selected and most of the evidence received.
Completeness of Expenditure	🟩	Although the audit team has been able to test most samples for invoices received, there have been delays from the client in confirming the accrual treatment of some invoices. A small amount of this work remains outstanding.

2. Financial Statements

Audit Area	Progress	Reason for incomplete work
Audit Fees	🟩	This work has not yet been initiated as sample testing has been prioritised due to the additional turn-around time required from the client.
Financial Instruments	🟥	This work has not yet been initiated due to other areas facing delays and requiring prioritising.
Remuneration disclosures	🟨	This work has not yet been initiated as sample testing has been prioritised due to the additional turn-around time required from the client.
Income and Expenditure disclosures	🟨	This work has not yet been initiated as sample testing has been prioritised due to the additional turn-around time required from the client. Initial review of the documents identified a possible issue with the calculation which has been raised with management.
Capital Disclosures	🟥	Queries outstanding in relation to MRP and reconciliation issues between the Capital Expenditure & Financing note and other areas of the accounts. Due to delays in other areas of work, this has not been picked up by the audit team as early as we had originally planned.
Collection Fund	🟨	This work has been started, but we have faced delays on the reconciliation of the Collection Fund Statements, and delays in obtaining access to Northgate via VPN which is needed to obtain evidence.
Related Parties	🟨	This work has not yet been initiated as sample testing has been prioritised due to the additional turn-around time required from the client.
Accounting estimates	🟩	This work has not yet been initiated as sample testing has been prioritised due to the additional turn-around time required from the client.
Group audit	🟥	All reviews of component auditor work is complete. Audit team are waiting on revised consolidated statements to performed review due to changes between draft and final subsidiary statements.

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	Relevant to Council and/or Group
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated the design and implementation 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 • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness Work is still in progress. Our audit work to date has not identified any issues in respect of management override of controls. We identified one control issue, whereby peer review of posted journals ceased part way through the year. See Appendix B for more detail.	Council & Group
ISA240 revenue recognition risk – the Council's reported revenue contains fraudulent transactions 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.	As reported in our Audit Plan, we have rebutted this presumed risk for the council, because: there is little incentive to manipulate revenue recognition; opportunities to manipulate revenue recognition are very limited; the culture and ethical frameworks of local authorities, including South Somerset District Council, mean that all forms of fraud are seen as unacceptable; and Our planning assessment has not changed and we have determined that it is still appropriate to rebut this risk for the council. In contrast, we consider that the risk of fraudulent revenue recognition exists at the subsidiary companies due to the significance of the company's turnover and the estimation required in recognising accrued income. We have therefore undertaken a review of the component auditor's work to ensure sufficient, appropriate audit procedures have been undertaken on the component revenue balances.	Council and Group

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Valuation of land and buildings The Authority revalue 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 (£55.9m council and an additional £63.2m of group assets) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority 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 key underlying valuation inputs and assumptions, which have a material impact on the valuations, as a significant risk, which was one of the most significant assessed risks of material misstatement.	Audit procedures include: • evaluating management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; • evaluating the competence, capabilities and objectivity of the valuation expert; • writing to the valuer to confirm the basis on which the valuations were carried out; • challenging the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • testing, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register; • evaluating the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value; and • engaging an auditors' expert and undertake procedures to confirm that the group Property Plant & Equipment has been included in the group financial statements at an appropriate valuation. Our audit work on the council balances is in progress and we are undertaking our detailed testing on a sample of assets that we have identified as either being outside of our expectations or of high value or complex in nature. Our audit work on the Group PPE balance is progressing. We engaged an auditor's expert to support us in the review of the valuations. Their work remains in progress.	Council & Group

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Valuation of Investment Property The Authority revalue Investment Properties annually. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£102.4m) and the sensitivity of this estimate to changes in key assumptions. We therefore identified valuation of Investment Properties, particularly key underlying valuation inputs and assumptions, which have a material impact on the valuations, as a significant risk, which was one of the most significant assessed risks of material misstatement.	Audit procedures include: • evaluating management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; • evaluating the competence, capabilities and objectivity of the valuation expert; • write to the valuer to confirm the basis on which the valuations were carried out; • challenging the information and assumptions used by the valuer to assess completeness and consistency with our understanding; and • testing, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register. Our work to date has identified that the council has classified the purchase of land at Huish Park during the period as an Investment Property under construction, when the asset is fully functional. We challenged management who have determined that the asset is not under construction, proposed an adjustment and have undertaken a valuation of the asset. In response, we have engaged an auditor’s expert to support us in the valuation of the asset, given it is an asset not frequently seen as investment property. Our work remains in progress.	Council

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
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 (£17.9m 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 0.5% change in these two assumptions would have approximately 7.6% 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.	We have: • updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; • agreed the advance payment made to the pension fund during the year to the expected accounting treatment and relevant financial disclosures; and • obtained assurances from the auditor of Somerset Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. Our audit work has not identified any issues in respect of valuation of the pension fund liability to date. Work is substantially complete, with a few queries outstanding.	**Council**

2. Financial Statements - Observations in respect of other risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan.

Issue	Commentary	
Cyber Security We note that the Council does not have a formal policy covering cyber risk.	1 in 3 UK entities suffer from a cyber breach every month, so it's more a case of 'when' an attack happens, not 'if'. High profile cyber-attacks undermine trust in an organisation and shatter hard won reputations and trust. Over 80% of the cyber-attacks we read about could have been prevented through simple good practice. Understanding and managing cyber risk is fundamental to any organisation.	**Auditor view** We recommend that Somerset Council, as South Somerset DC's successor authority, proactively looks at its cyber preparedness and puts in place appropriate policies/safeguards. **Management response** Agreed
Payroll software The Council transferred payroll systems in December 2022 from iTrent to SAP as part of the LGR programme to be consistent with the new Council payroll system.	As part of the LGR programme, the Council transferred its payroll onto the payroll software that the new Unitary Council will be using. As a result of changing payroll systems part way through the financial year, data needed to be transferred to the new system. Our work on the system transfer has yet to commence.	**Auditor view** TBC – work remains in progress

2. Financial Statements - Observations in respect of other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan.

Issue

Completeness

As part of our audit work, we perform completeness checks on income, expenditure, debtors and creditors transactions around the year end to check that accounting entries are recorded in the correct financial year. We also look at bank transactions as supporting evidence.

Due to the Local Government Reorganisation, the 'after year end' transactions would be with the new Unitary Council and as Auditors to four of the legacy Councils, being Somerset West and Taunton, Somerset County, South Somerset and Sedgemoor, we decided to perform this piece of work once, covering all four entities. This was performed by the Somerset West and Taunton audit team, and their findings are replicated here as they are relevant to South Somerset.

Commentary

We have completed our testing on the completeness samples and have noted several errors, however, because they were derived from populations that could not be disaggregated by the legacy council and council specific listings were unavailable, it was deemed appropriate to evaluate the results of each of the testing documents in the same way for each legacy council, by apportioning the error values across the Councils based on each Council's cost of service figure as reported in their draft financial statements. A breakdown of these errors, where relevant to South Somerset is shown below:

Expenditure – Bank Payments – The total sample error rate was only 1.85%, giving us assurance that there is a low risk of material misstatement and was made up of a transposition error and unaccrued 2022/23 expenditure that was not yet paid. South Somerset DC's share of this error is £231k understatement.

Expenditure – Invoices Received - The total sample error rate was only 4.96% for the errors that were apportioned, giving us assurance that there is a low risk of material misstatement, this was made up of an accrual estimate with a high variance, an unaccounted-for credit note, and unaccrued 2022/23 expenditure that was not yet paid. South Somerset DC's share of this error is £159k overstatement.

Income – Invoices Raised - The total sample error rate was only 0.27% for the errors that were apportioned, giving us assurance that there is a low risk of material misstatement, this was made up by only one sample that related to unaccrued 2022/23 income that was not yet received. South Somerset DC's share of this error is £2k understatement.

2. Financial Statements - Observations in respect of other issues

Commentary - continued

IT issues

- An issue was identified where the invoices received system read the value of the purchase order and paid that amount rather than the invoice amount resulting in a substantial overpayment. This error was noted on two samples, (neither related to South Somerset) as per the interim commentary on the previous page. In October 2023, management confirmed that this is an on-going issue.
- The VAT of an invoice was not initially paid with the invoice and a decimal error occurred with another invoice resulting in a substantial overpayment, both issues were the result of integration errors, and it took the council three and six months respectively to make and reclaim the payments.
- The Council implemented a new finance system on 1 April 2023. The Council, however, was unable to set up new customers due to IT issues for the first 47 days of the financial year.

Auditor view

We recommend that:

- Management review the finance system in place and implement a solution for the system paying purchase order values rather than invoice values and ensures that the correct figure including VAT is processed for payment.
- Management implements a control environment whereby payments are matched against invoices and authorized before being paid.
- Management implement training for staff to ensure that the new finance system is understood and that each individual is confident on how to perform their respective roles.
- Management implement a system for identifying accruals across financial years.
- Management undertake a review of expenditure at the 2022/23 year end to identify accruals not included in the legacy Council's financial statements to ensure that they are subsequently recorded in the new financial year.

Management response

As the opening commentary of this section states, not all of these issues raised can be directly attributable to SSDC. Due to the data being consolidated and the new system, these issues have been estimated for SSDC by applying an apportionment.
In response from a wider perspective, management note the findings documented here and will look to address these if they have not already done so. The Council are in a lot stronger position with their finance system now than it was at the start of the financial year, with additional processes embedded and further training / up-skilling carried out that will have addressed some of these issues raised.

2. Financial Statements: Key findings arising from the group audit

Component	**Component auditor**	**Findings**	**Group audit impact**
SSDC Opium Power Ltd	Old Mill Ltd	An unqualified audit opinion for SSDC opium Power Limited was issued by Old Mill on 23 November 2023. No significant issues were identified. Adjustments impacting the company's income and expenditure statement of £2.1m were posted.	We are awaiting updated accounts for management to take the group amendments into account. Once received, we will review the consolidation workings.
Fareham Energy Reserve Ltd		An unqualified audit opinion for SSDC opium Power Limited was issued by Old Mill on 27 November 2023. No significant issues were identified. Adjustments impacting the company's income and expenditure statement of £2.4m were posted.	We are awaiting updated accounts for management to take the group amendments into account. Once received, we will review the consolidation workings.
Fareham Energy Reserve 2 Ltd		An unqualified audit opinion for SSDC opium Power Limited was issued by Old Mill on 27 November 2023. No significant issues were identified. Adjustments impacting the company's income and expenditure statement of £586k were posted.	We are awaiting updated accounts for management to take the group amendments into account. Once received, we will review the consolidation workings.

2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £55.9m (Council) and £63.2m (group)	Other land and buildings comprises £26.9m of specialised assets such as schools and libraries, 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 (£30.1m)are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Wilkes Head & Eve to complete the valuation of properties as at 31 December 2022 on a five yearly cyclical basis. 17% of total assets were revalued during 2022/23.Management have considered the year end value of non-valued properties/ and the potential valuation change in the assets revalued at 31 March 2023 by applying indices to determine whether there as been a material change in the total value of these properties since the last date of revaluation. Management's assessment of assets not revalued has identified a material change to the properties valued since the revaluation date. Management's valuer has stated that this is not in line with his expectations. The total year end valuation of land and buildings was £57m, a net increase/decrease of £11.9m from 2021/22 (£45.1m). Group Property Plant & Equipment has been revalued by management's external Expert, Jones Lang Lassalle (JLL).	Our audit work in progress. We have challenged management and the council's valuation team over their indices analysis which produced a material difference between the date assets were last revalued and the current financial year end. Management's internal valuation team have asserted that the movements do not need to be taken into consideration when confirming the material accuracy of assets not revalued in year/. We have challenged them to provide evidence to support this fact. This work is still in progress. We have engaged an auditor's expert to support us in our review of the group PPE balance. This work is also in progress.	TBC

Assessment

- ● [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation	The Council has engaged Wilkes Head & Eve to complete the valuation of properties as at 31 March 2023 on an annual basis. 100% of total assets were revalued during 2022/23. The total year end valuation of investment property was £96.7m, a net increase of £6.7m from 2021/22 (£90m).	Our audit work is in progress. We have identified two assets which were not revalued during the period, which is not compliant with the CIPFA code requirements. One of these assets has subsequently been revalued, and management are currently processing updates to the financial statements.	TBC

Assessment

- ● [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

<table>
<tr><th>Significant judgement or estimate</th><th>Summary of management's approach</th><th>Audit Comments</th><th>Assessment</th></tr>
<tr>
<td>Net pension liability – £17.9m</td>
<td>The Council's net pension liability at 31 March 2023 is £17.9m (PY £72.6m) comprising the Somerset pension Fund Local Government scheme. The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.
The latest full actuarial valuation was completed as at 31 March 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £54.7m net actuarial gain/loss during 2022/23.</td>
<td>We have:

reviewed the estimate, undertaking tests on the asset and liability elements of the net liability. Using analytical procedures we have compared actual results with expectations and have concluded that the results are reasonable;
We have reviewed the work of Barnett Waddingham, through the use of an auditor's expert, PWC;
We have undertaken an assessment of the actuary's roll forward approach, including completing detail work to confirm reasonableness of their valuation approach.

<table>
<tr><th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr>
<tr><td>Discount rate</td><td>4.80%</td><td>4.80% - 4.85%</td><td>✓</td></tr>
<tr><td>Pension increase rate</td><td>2.95%</td><td>2.65% - 2.95%</td><td>✓</td></tr>
<tr><td>Salary growth</td><td>1.75%</td><td>0.5% - 2.5%</td><td>✓</td></tr>
<tr><td>Life expectancy – Males currently aged 45/65</td><td>22.7
21.4</td><td>20.9 - 23.4
19.5 - 22.1</td><td>✓</td></tr>
<tr><td>Life expectancy – Females currently aged 45/65</td><td>24.7
23.2</td><td>24.3 - 25.9
22.9 - 24.5</td><td>✓</td></tr>
</table>

We have undertaken checks on the completeness and accuracy of the underlying information used to determine the estimate in order to determine the reasonableness of increase in the estimate. We have also ensured adequacy of the disclosure of the estimate in the financial statements.

Our work is well progressed and most areas have been concluded subject to review. We have not identified any issues to date.</td>
<td>TBC</td>
</tr>
</table>

Assessment

- ● [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £1.9m	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. The year end MRP charge was £1.9m, a net increase of £900k from 2021/22.	Government consulted (February 2022) 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. A subsequent survey indicated amended proposals to provide additional flexibilities for certain capital loans. Government has not yet issued a full response to the consultation. Our work on the minimum revenue provision is still in progress.	TBC

Assessment

- ● [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

			ITGC control area rating				
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
E5	ITGC assessment (design and implementation effectiveness only)	🟢	🟢	🟢	⚫		TBC – work underway
SAP	ITGC assessment (design, implementation and operating effectiveness)	🟢	🟢	🟢	⚫		TBC – work underway
iTrent	ITGC assessment (design and implementation effectiveness only)	🟢	🟢	⚫	⚫		TBC – work underway

Assessment

- 🔴 Significant deficiencies identified in IT controls relevant to the audit of financial statements
- 🟡 Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- 🟢 IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ⚫ Not in scope for testing

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 Committee. We have not been made aware of any 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, including specific representations in respect of the Group, which is included in the Audit Committee papers. Specific representations have been requested from management in respect of Equal Pay claims and Reinforced autoclaved aerated Concrete (RAAC).
Confirmation requests from third parties	We requested from management permission to send confirmation requests to baking institutions and institutions the council has treasury investments with. This permission was granted, and the requests were sent. We are awaiting a number of these requests and have sought the support of the council to obtain the letters.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review is in progress, but to date has found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	As referred to on page 5 we encountered a number of difficulties in completing our audit work, including slow response times and inadequate quality of responses.

2. Financial Statements: other communication requirements

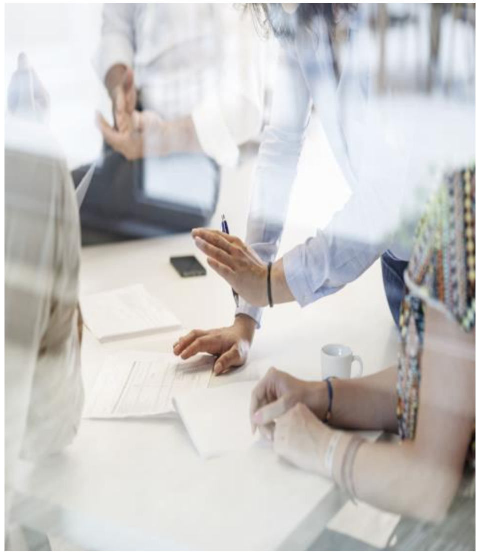
Our responsibility

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 • 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 • 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 to date. Our work is still in progress. At present, we plan to issue an unmodified opinion in this respect – refer to Appendix I
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. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have reported significant weaknesses in our audit report, as detailed on page 29.
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 detailed work is not required as the Council does not exceed the threshold;
Certification of the closure of the audit	We intend to certify the closure of the 2022/23 audit of South Somerset District Council in the audit report, as detailed in Appendix I, on completion of remaining audit procedures.



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

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 completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which was presented to the Audit Committee in January 2024.

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. The significant weaknesses we identified are detailed in the table below, along with the further procedures we performed and our conclusions. We identified significant weaknesses in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our auditor's report will make reference to this significant weakness in arrangements, as required by the Code.

Criteria		**Summary of actions for Somerset Council to address**
Financial sustainability	R	Significant weaknesses in arrangements identified and two key recommendations made relating to: • implementing the transformation programme at scale and pace; • ensuring that proper governance arrangements are in place to oversee the disposal of the commercial investment property portfolio;
Governance	R	Significant weaknesses in arrangements identified and a key recommendation made relating to: • continuing to develop the functionality of the Microsoft Dynamics finance system and resolve outstanding processes at pace to ensure that the system supports efficient and accurate financial reporting. In addition, two improvement recommendations have been made relating to: • implementing robust risk management reporting arrangements at Somerset Council; • implementing robust arrangements for preventing and detecting fraud and corruption at Somerset Council;
Improving economy, efficiency and effectiveness	R	Significant weaknesses in arrangements identified and a key recommendation made relating to: • implementing robust procurement and contract management arrangements at Somerset Council. In addition, an improvement recommendation has been made relating to: • implementing robust arrangements for benchmarking service cost and performance at Somerset Council.

R	Significant weaknesses in arrangements identified and key recommendations made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
G	No significant weaknesses in arrangements identified or improvement recommendation made.

4. Other statutory powers and duties

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

Issue	Commentary
Eg Public Interest report, statutory recommendations	We have not exercised any statutory powers or duties.

5. Independence and ethics

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms). In this context, we disclose the following to you:

Barrie Morris is currently serving his 7th year on the engagement. As discussed and agreed with Public Sector Audit Appointments Limited (PSAA), Barrie will remain in post until the conclusion of the 2022-23 audit period as the last period of audit for the organisation.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we 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 F.

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 Grant Thornton International Transparency report 2023.

5. 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 which were charged from the beginning of the financial year to March 2024, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim 2022-23	32,000*	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, relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee based on the amount of work required and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Housing Benefit Claim 2021-22	20,000		
	56,000		

*Estimated fee

5. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	**Conclusion**
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Company that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff [that would exceed the threshold set in the Ethical Standard]

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 and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Appendices

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), 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.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified 5 recommendations for the group 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 2023/24 audit of the successor body, Somerset Council. 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
High	An analysis of assets not revalued during the period was not completed at the point of accounts preparation. This was completed in February 2024. There is a risk that when carrying out the analysis late, management may miss potential material movements. This is a risk which has previously been raised.	We continue to recommend that management undertakes an assessment of assets not revalued at the point of preparation of the financial statements. **Management response** Agree. A full assessment is planned to take place.
High	Journals posted by the lead specialist – Finance, were reviewed by a peer during the year. When that peer left the organisation in September 2022, no replacement was identified, meaning a number of the Lead specialist's journals were not reviewed.	We recommend that management ensures any journal review process is amended at the point staff members leave the organisation. **Management response** This was specific to SSDC. Different individuals are in place for Somerset Council.
Medium	A number of investment properties have not been revalued as at 31 March 2023, which is expected as per the CIPFA code. One newly purchased asset was also not revalued as at 31 March 2023. If assets are not revalued annual, there is a risk that the values included in the financial statements are materially misstated.	We recommend that management revalue its investment property assets on an annual basis. **Management response** Agree this will take place.
Low	We identified that as part of their group consolidation process, management do not check companies house for updated and finalised subsidiary accounts to determine whether amounts have moved significantly between the draft and final statements. Without checks, there is a risk that the group balances consolidated are materially inaccurate.	We recommend that management implements a process to consider any updated as a result of subsidiary audit procedures. **Management response** Agree - this will form part of Somerset Council process.
Low	Management have asserted that a sense check of the actuarial report is undertaken as part of close down, but were unable to evidence this to us. There is a risk that errors in the data may not be identified if reviews and reconciliations are not undertaken.	We recommend that management documents a review of it's actuarial report on receipt to evidence the review has been conducted. **Management response** Agree.

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Key

- ● High – Significant effect on financial statements or the control environment
- ● Medium – Limited Effect on financial statements or the control environment
- ● Low – Best practice

C. Follow up of prior year recommendations

We identified the following issues in the audit of South Somerset District Council's 2021/22 financial statements, which resulted in 5 recommendations being reported in our 2021/22 Audit Findings report. We have followed up on the implementation of our recommendations and note that some are still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	We identified that the council had a lower than expected salary assumption percentage included in it's IAS 19 report for 2021-22. We recommended that for future periods, the council reviews the IAS 19 reports to ensure that the actuary is using appropriate assumptions that reflect the market position and that challenge is raised where this is not the case.	We did not identify any concerns in relation to IAS 19 assumption used in 2022-23.
TBC	As reported in the previous few years, we identified several assets whose useful economic life was outside of the ranges identified in the council's policy. We continued our recommendation that management reviews its asset lives and associated policies for appropriateness.	Our work in this area is still in progress.
TBC	Our testing of inventories identified one asset that was held at an amount greater than the net sale proceeds received by the council. While the difference was trivial, we recommended that annually, management reviewed it's inventory balances to ensure that the assets are appropriately held at the lower of cost or net realisable value.	Our work in this area is still in progress.
TBC	Our expert's review of the Group PPE valuation models identified a number of recommendations. Our expert has suggested that that one weighted average discount rate is applied to all cash flows rather than applying differing amounts to the calculation.	Our work in this area is still in progress.
X	We experienced issues with understanding some of the supporting working papers, several which were produced by staff who have since left the organisation. We also experienced some issues with the supporting evidence provided to us and had to request additional evidence to support items selected for testing.	We recognise that management face significant challenges with the loss of corporate knowledge, however we have continued to experience issues as part of the 2022-23 financial statements audit.

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Assessment

✓ Action completed

X Not yet addressed

D. 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.

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 2023.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000
We identified that management has treated an operational investment property as under construction. We challenged this and management have agreed to adjust. Management is currently processing this.	TBC	TBC	TBC	TBC
Management originally reported the total of investment properties as £102m on its balance sheet but supporting scheduled suggested the total should be £96.7m. Management is currently processing this adjustment.	TBC	TBC	TBC	TBC
The Group balance sheet and Group PPE note do not match. At present we suspect the Group balance sheet requires adjusting down by £1.5m, but await confirmation from the council	TBC	TBC	TBC	TBC
The proceeds from the sale of inventory within the year were only included within the balance sheet, this income was not recognised within the CIES as required. As a result the client have reviewed and agreed to update both the CIES and Note 7 to reflect this income. Management is currently processing this adjustment.	TBC	TBC	TBC	TBC
Overall impact	£X,XXX	£X,XXX	£X,XXX	£X,XXX

D. 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.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
In Note 15 - Property, Plant and Equipment, the comparatives movements disclosure originally stated balances in relation to 2020-21 rather than 2021-22. As the current year accounts are in relation to year 2022-23 the correct comparative figures should be 2021-22.	We recommended that management adjust to show the correct comparator figures. Management is in the process of updating the accounts. We will confirm the adjustments have been processed as part of our concluding procedures.	TBC
PPE Notes: Note 15 - the 'increase/ decrease in revaluation reserve' does not reconcile to the prior year audited Financial statements. This is due to an error of 544k that was corrected last year. Note 16 – the draft note stated that some assets had not been revalued since 31 December 2016. From our knowledge of the council and requirements of the CIPFA code, this was not in line with the existing practices. Management confirmed that this Note will be updated in the accounts to reflect fact that the earliest cyclical revaluation date was 31 December 2018. We also noted a variance of £19.7m between Note 16 and Note 15. Management are reviewing this discrepancy.	We recommended that management adjust to show the correct comparator figures. Management is in the process of updating the accounts. We will confirm the adjustments have been processed as part of our concluding procedures.	TBC
Figures for Note 4 on the Collection Fund are the same as those included for the 21-22 period. This has been raised to the client who have agreed that these have not been updated.	We recommended that management adjust to show the correct comparator figures. Management is in the process of updating the accounts. We will confirm the adjustments have been processed as part of our concluding procedures.	
The council's draft income and expenditure by nature note has changed a number of times due to difficulties in reconciling sampling populations. Management are in the process of updating the latest version of the note.	We recommend that as part of closedown processes management undertakes a reconciliation and prepares populations for audit, to ensure these reconciliation issues to not occur in the future.	✓
The council's draft income and expenditure by nature note has changed a number of times due to difficulties in reconciling sampling populations. Management are in the process of updating the latest version of the note.	We recommended that management adjust to show the correct comparator figures. Management is in the process of updating the accounts. We will confirm the adjustments have been processed as part of our concluding procedures.	✓

D. 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.

Disclosure/issue/Omission	**Auditor recommendations**	**Adjusted?**
General typographical errors and presentational and grammar changes as well as amendments to years or notes were made.	We await the updated financial statements to confirm these have been adjusted for.	TBC
We encountered difficulties reconciling Note 42 to the population provided to us. Management have confirmed that note 42 will require an update, which we are awaiting.	We await the updated financial statements to confirm these have been adjusted for.	TBC

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Completeness testing identified understatement and overstatement of expenditure netting to £72k understatement (see pages 17 & 18)	Dr Expenditure - 72	Cr Accruals - 72	Dr Expenditure - 72	72	Not material
Overall impact	£72	£72	£72	£72	

D. Audit Adjustments (continued)

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 2021/22 financial statements

Detail	**Comprehensive Income and Expenditure Statement £'000**	**Statement of Financial Position £' 000**	**Impact on total net expenditure £'000**	**Reason for not adjusting**
In our view the council should be providing for MRP on capital loans to third parties.	206	£nil	206	The council does not agree that statutory guidance indicates a need to provide for MRP on commercial loans to third parties.
The council has a carried forward debtors of £102k relating to elections included in it's financial statements. We were unable to verify this amount to supporting information, and as such are not able to verify it is appropriate.	nil	(102)	nil	Not material
Our recalculation of management's collection fund provision for debts identified a £119k difference to management's calculation.	119	(119)	119	The difference has a risen through estimation rather than factual error
Our Expenditure testing identified an error of £19.5k across two items. After extension of testing, we identified a projected error of £395,158 within the population	395	(395)	395	The error is extrapolated not factual.
Testing of land & building assets identified overstatement of an asset by £253k	253	(253)	253	Not material
In reconciling the movements in reserves throughout the single entity accounts, there was one difference of £220k that management were unable to explain. This related to a difference between the Capital Financing Requirement note and the amount stated in the capital grants unapplied reserve.	220	220	220	As we are unable to verify the appropriateness of the difference, we have reported it as a potential error
Overall impact	**£1,193**	**(£649)**	**£1,193**	

E. Fees and non-audit services

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

Audit fees	**Proposed fee**	**Final Fee**
Scale fee per PSAA for 2022-23	53,568	53,568
Use of expert for Council	5,000	5,000
Use of expert for Group PPE (specialist energy storage valuers)	20,000	20,000
Additional Requirements – Payroll Change of Circumstances (Information Provided by the Entity) IPE Testing	500	500
Additional Requirements – Collection Fund Reliefs (Information Provided by the Entity) IPE Testing	750	750
Value for Money audit – new NAO requirements	9,000	9,000
ISA 540	2,100	2,100
ISA 315	3,000	3,000
Additional journals testing	3,000	3,000
Additional audit work on Group Accounts	5,000	5,000
Additional audit testing following previous audit findings in connection with poor quality accounts	10,000	10,000
Reduced materiality	5,000	5,000
Estimated impact of delayed responses on the timely completion of audit procedures		35,450*
Estimated quality of evidence returned		9,850*
Estimated fee	**116,918**	TBC

* To be confirmed on completion of all audit procedures.

E. Fees and non-audit services

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services – Housing Benefit claim 2020-21		36,000
Audit Related Services – Housing Benefit claim 2021-22		28,150
Audit Related Services – Housing Benefit claim 2022-23	28,000	TBC
Total non-audit fees (excluding VAT)		£TBC

The draft financial statements included audit fees of £105,000. We have requested that management adjust the disclosure to reflect the proposed fee as reported in the Audit Plan.

None of the above services were provided on a contingent fee basis

This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

Grant Thornton

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South Somerset
District Council

Statement of Accounts 2022/2023

Contents

Narrative Report

1. Introduction

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

However, local authority financial statements are complex and can be difficult to understand: they must comply with the Chartered Institute of Public Finance & Accountancy's (CIPFA) "Code of Practice on Local Authority Accounting in the United Kingdom 2022/23", which is based on International Financial Reporting Standards (IFRS), and also the requirements of accounting and financing regulations of central government.

This narrative report will provide the reader with:

- An understanding of the Council and its strategic priorities.
- A summary of the Council's financial performance for 2022/23 along with information on how well we delivered its key priorities during the year.
- An overview of the future developments and outlook.
- A guide to the key features of the primary statements and notes that make up the financial statements.

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

2. South Somerset District Council

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

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

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

The restructuring of local government in Somerset took effect on 1 April 2023 with Somerset County Council and four district councils, including SSDC, being replaced with a new unitary authority – Somerset Council. Somerset Council will continue to deliver the services and functions previously provided in the two-tier structure.

South Somerset District Council is made up of 60 locally elected members - 40 Liberal Democrats, 12 Conservatives, 6 Independents, 1 Green and 1 vacant seat as at 31 March 2023.

The Council employed 392.29 full time equivalent (FTE) employees as at 31 March 2023. In terms of actual numbers of employees this equates to 426, of whom 319 are full time and 107 are part-time employees.

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

3. Strategic direction of the Council

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

The Council Plan set out the vision for the Council and how these are going to be delivered through key areas of focus and priority projects.

Our Vision

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

Our Values

Our Values

Customers first - Designing plans and services around our customers

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

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

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

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

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

Our five Areas of Focus for 2022/23 were:

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

Table 1: Our priority projects for 2022/23

Environment

Priority 1:

To accelerate action to adapt to and mitigate the effects of climate change which includes reducing the Carbon footprint of the authority and enhancing the natural environment.

Healthy, self-reliant communitites

Priority 2:

To enable healthy communities which are cohesive, sustainable and enjoy a high quality of life

Economy and Covid-19 Recovery

Priority 3:

To assist businesses to recover from the Covid-19 pandemic whilst supporting growth within the South Somerset economy in partnership with other organisations.

Places Where We Live

Priority 4:

To enable housing and communities to meet the existing and future needs of residents and employers

Together we are delivering your
New Somerset Council

Local Government Reorganisation

Priority 5:

To effect a safe and legal transition to the new Somerset Council on 1st April 2023

4. New Somerset Council

The Somerset (Structural Changes) Order 2022 was made on 17 March 2022, coming into force the following day. 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 took responsibility for all current County Council services for their first year, and will continue as Councillors of Somerset Council for a four-year term with next elections due in 2027.

SSDC Councillors continued to serve in their district roles until 1 April 2023. On that date all the Somerset district councils will be wound up and dissolved.

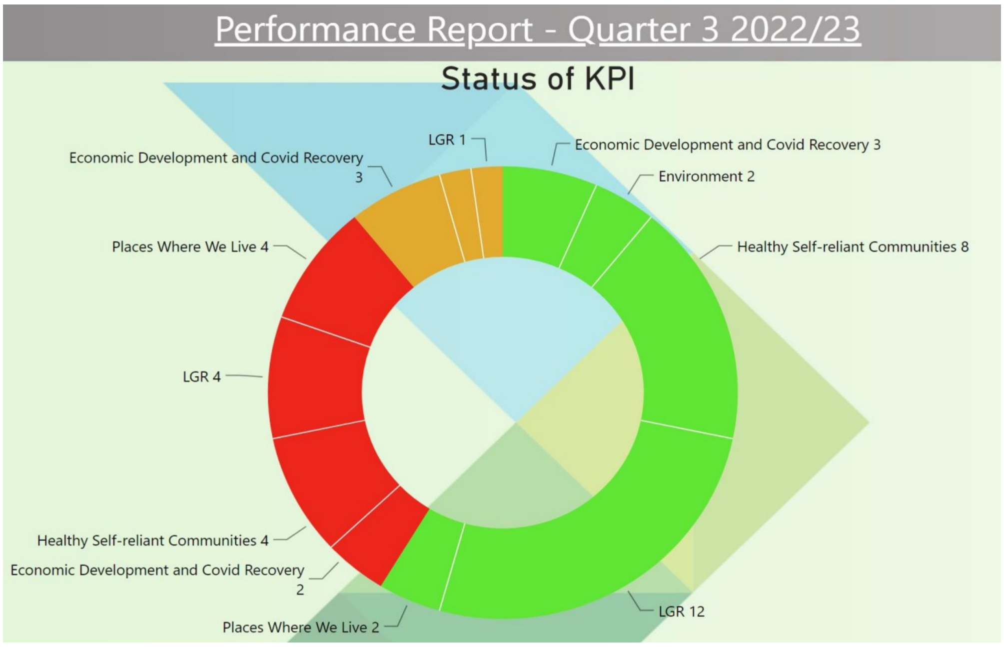
Extensive planning and preparation work was undertaken with the five councils working together collaboratively to ensure the transition to the new unitary was a success. The five Councils shared implementation costs with SSDC contributing £754,780 to the LGR budget held by Somerset County Council. SSDC also directly incurred other costs against its £1.1m budget for Local Government Reform (LGR) in 2022/23 providing capacity to support the transition and ensuring minimal disruption to 'business as usual' service.

The aim was been to keep costs to a minimum with most transitional work delivered within existing management and staff resources through prioritisation of activity.

5. 2022/23 Performance Report

During the year, performance was reported quarterly to Scrutiny and District Executive, with the Q3 position presented in March 2023. In view of the dissolution of SSDC on 1 April 2023, the full year performance for 2022/23 is not reported to District Executive.

The quarter three performance report which was presented to District Executive in March 2023 reported the progress of the 46 Key Performance Indicators which related to the five priority projects:



6. 2022/23 Financial Performance

Background Context

This part of the Narrative Report reviews the Council's performance against the approved 2022/23 revenue and capital budget (known as "year-end outturn") and the consequential impact on reserves, borrowing, and investments.

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

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

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

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

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

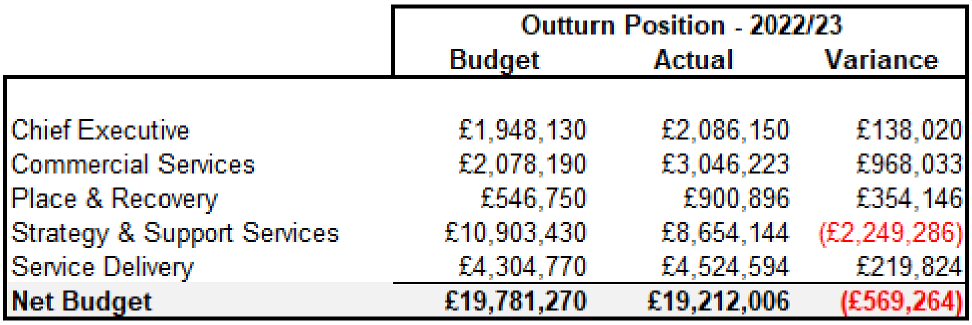
Revenue Budget

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

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

Net Revenue Outturn: total net expenditure for 2022/23 was **£19.212m** resulting in an underspend against the approved net budget.

Table 2: Revenue Budget Net Outturn for 2022/23



	Outturn Position - 2022/23		
	Budget	Actual	Variance
Chief Executive	£1,948,130	£2,086,150	£138,020
Commercial Services	£2,078,190	£3,046,223	£968,033
Place & Recovery	£546,750	£900,896	£354,146
Strategy & Support Services	£10,903,430	£8,654,144	(£2,249,286)
Service Delivery	£4,304,770	£4,524,594	£219,824
Net Budget	**£19,781,270**	**£19,212,006**	**(£569,264)**

Capital Budget

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

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

Capital Outturn: Total capital spending for 2022/23 was **£17.776m**; this was £3.482m (16%) less than the revised budget £21.258m of planned expenditure agreed by Council in December 2022.

Pie chart 3: Capital expenditure by Directorate

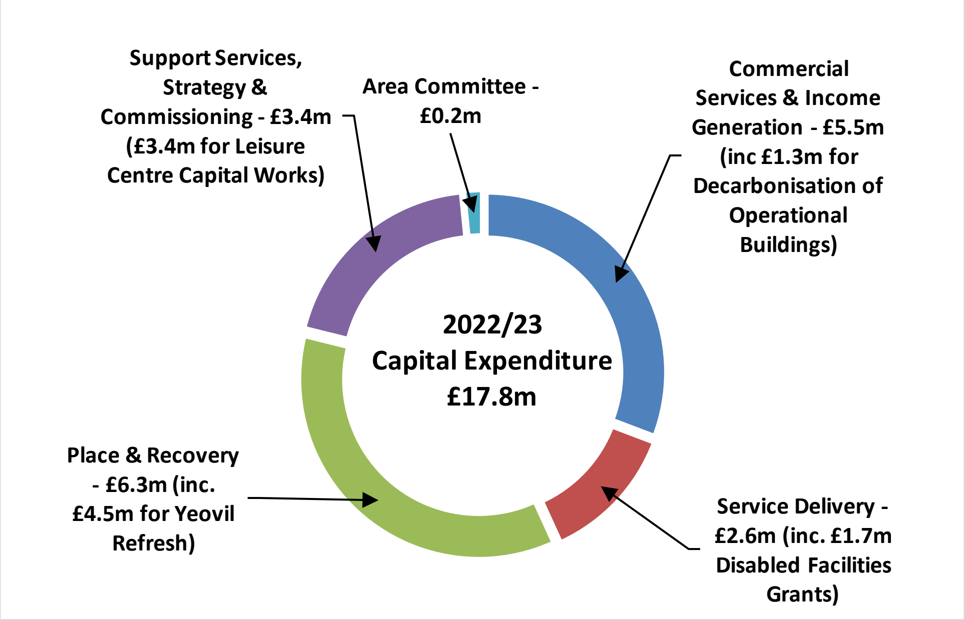
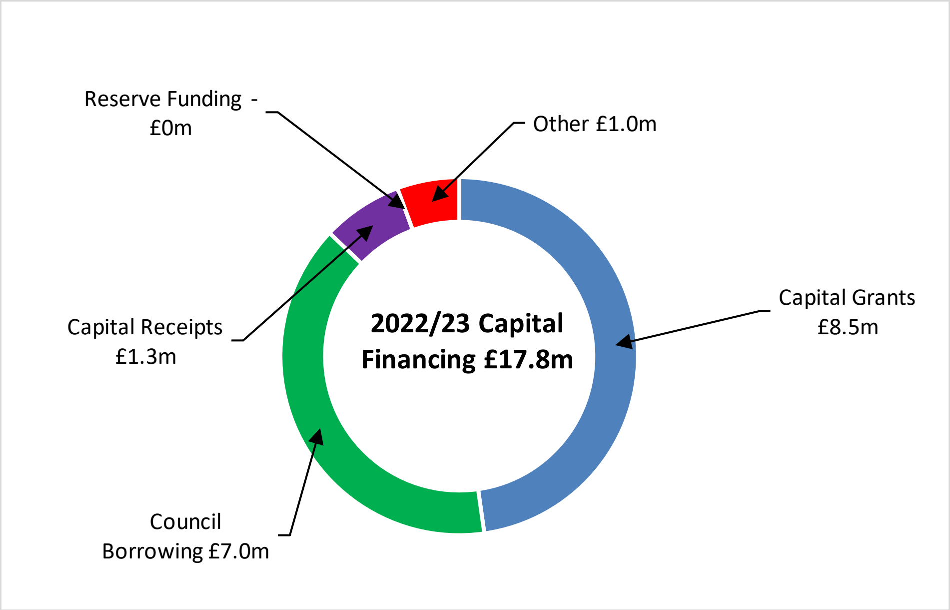


Table 3: showing details of capital expenditure (over £100k)

Service Area/Project	*Outturn 2022/23£000's*
Commercial Services & Income Generation	
Yeovil Crematorium Refurbishment	496
Decarbonisation of Operational Buildings (PSDS)	1,380
Place, Recovery & Arts and Entertainment	
Yeovil Refresh	4,540
Wincanton Regeneration	179
Somerset Cultural Flagship Venue (Octagon Redevelopment)	938
Chard Regeneration	399
Service Delivery	
Disabled Facilities Grants	1,691
Support Services, Strategy & Commissioning	
Leisure Centre Capital Works	3,377
Total	**13,000**

Capital financing: The financing of the 2022/23 capital programme is illustrated in pie chart 4.

Pie chart 4: Funding of 2022/23 capital expenditure



The borrowing amount of £7.0m is a combination of internal and short-term external borrowing.

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

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

Reserves Position

Revenue earmarked reserves total £25.689m as at 31 March 2023 (they were £31.606m as at the end of March 2022).

The most significant revenue earmarked reserves comprise:
- £7.6m Medium Term Financial Plan Support Fund
- £6.7m in the Commercial Investment Risk Reserve
- £3.9m Regeneration Fund
- £1.2m NNDR S31 Grant Coll. Fund Reserve

The General Fund Balance is £6.771m as at 31 March 2023 (previous year's position was £6.556m).

Capital reserves are £5.724m as at 31 March 2023 (corresponding position last year was £5.183m).

7. Future Developments and Outlook

Local Government in Somerset: The new Somerset Council came into effect on 1st April 2023 and set a balanced budget in February 2023. As South Somerset District Council ceased from 1st April 2023 there was no budget set by the Council.

Financial Planning Impact of high inflation & interest rates: The current economic climate in the UK is that of very high inflation and high interest rates (in comparison with the past 10 years). In the case of inflation this will bring about increased pressures on the new Somerset Council budgets as higher costs from supplies work through into the council spend. Higher interest rates will result in the borrowing costs of the new council increasing, as lenders put up their rates to reflect the Bank of England base rate changes. However, the council will benefit from the increase in rates through improved investment returns from the interest it receives.

Economic climate: The May 2023 Bank of England Inflation Report can be read here

The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target, and in a way that helps to sustain growth and employment. At its meeting ending on 10 May 2023, the MPC voted by a majority of 7–2 to increase Bank Rate by 0.25 percentage points, to 4.5%. Two members preferred to maintain Bank Rate at 4.25%.

The Committee's updated projections for activity and inflation are set out in the accompanying May Monetary Policy Report. They are conditioned on a market-implied path for Bank Rate that peaks at around 4¾% in 2023 Q4 before ending the forecast period at just over 3½%.

There has been upside news to the near-term outlook for global activity, with UK-weighted world GDP now expected to grow at a moderate pace throughout the forecast period. Risks remain but, absent a further shock, there is likely to be only a small impact on GDP from the tightening of credit conditions related to recent global banking sector developments. Headline inflation has been falling in the United States and euro area, although core inflation measures remain elevated.

UK GDP is expected to be flat over the first half of this year, although underlying output, excluding the estimated impact of strikes and an extra bank holiday, is projected to grow modestly. Economic activity has been less weak than expected in February, and the Committee now judges that the path of demand is likely to be materially stronger than expected in the February Report, albeit still subdued by historical standards. The improved outlook reflects stronger global growth, lower energy prices, the fiscal support in the Spring Budget, and the possibility that a tight labour market leads to lower precautionary saving by households.

Although there are indications that the labour market has started to loosen, it is expected to remain tighter than in the February Report in the near term. The unemployment rate is now projected to remain below 4% until the end of 2024, before rising over the second half of the forecast period to around 4½%.

CPI inflation was 10.2% in 2023 Q1, higher than expected at the time of the February and March MPC meetings, with the upside surprise concentrated in core goods and food prices. Although still elevated, nominal private sector wage growth and services CPI inflation have been close to expectations.

CPI inflation is expected to fall sharply from April, in part as large rises in the price level one year ago drop out of the annual comparison. In addition, the extension in the Spring Budget of the Energy Price Guarantee and declines in wholesale energy prices will both lower the contribution from household energy bills to CPI inflation. However, food price inflation is likely to fall back more slowly than previously expected. Alongside news in other goods prices, this explains why the Committee's modal expectation for CPI inflation now falls back more slowly than in the February Report.

In the MPC's latest modal projection conditioned on market interest rates, CPI inflation declines to a little above 1% at the two and three-year horizons, materially below the 2% target. This reflects the emergence of an increasing degree of economic slack and declining external pressures that are expected to reduce CPI inflation. However, there remain considerable uncertainties around the pace at which CPI inflation will return sustainably to the 2% target.

8. 2022/23 Statement of Accounts

The Statement of Accounts sets out the financial performance of the Council for the year ended 31 March 2023 and its financial position at that date. It comprises core and supplementary statements together with disclosure notes.

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

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

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

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

Expenditure and Funding Analysis

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

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

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

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

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

Comprehensive Income and Expenditure Statement (CIES)

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

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

Movement in Reserves Statement (MIRS)

The MIRS shows the movement from the start of the year to the end on the different reserves held by the council. It shows how the movements are broken down between gains and losses incurred in accordance with the Code and the statutory adjustments required to return to the amounts chargeable to the budget as required under local government legislation.

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

Reserves are analysed into two categories: usable and unusable.

Usable reserves

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

Unusable reserves

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

Balance Sheet

The Balance Sheet provides a "snapshot" of the Council's position at a specific point in time showing what it owns and owes as at 31 March 2023. It is very similar to other public sector or private sector balance sheets.

The Balance Sheet is always divided into two halves that should, as the name suggests, balance:

- Net Assets (the top half), and
- Reserves (the bottom half).

Cash Flow Statement

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

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

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

Collection Fund

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

Group Financial Statements

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

The Council is presenting Group Accounts by consolidating the financial performance and position of SSDC Opium Power Limited into the overall group.

South Somerset District Council wholly owns (100%) Elleston Services Ltd which was established in April 2019 to deliver Landscape Services. The company did not trade in 2021/22 or 2022/23 and the Council has given notice that the company is to be closed. Therefore this company is not part of the consolidated group accounts.

The Council has 50% ownership in SSDC Opium Power Limited. The company is a subsidiary as, despite the ownership ratio, the Council has the right to exercise control with a deciding vote on the Board. The company was established in 2018 to deliver green energy schemes (battery energy storage). The accounts for both companies can be reviewed at Companies House. The external auditors for both entities are Old Mill Accountants and Financial Planners.

Additional disclosures

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

Accounting Policies

These set out the accountancy rules the Council has followed in preparing the financial statements. They are largely specified by International Financial Reporting Standards and CIPFA's Code of Practice.

No changes have been made to the accounting policies for 2022/23.

Critical Judgements

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

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

Property, plant & equipment

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

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

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

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

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

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

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The council is required to: -

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

S151 Officer Responsibilities

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

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

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

The S151 officer has also:

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

Certification of the Accounts

This Statement of Accounts presents a true and fair view of the financial position of South Somerset District Council at the reporting date and of its income and expenditure for the year ended 31 March 2023.

Signed

J. C. Vaughan

Jason Vaughan FCCA, CPFA, IRRV (Hons)
Executive Director Resources and Corporate Services (S151 Officer)

25 August 2023

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the authority's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

The Statement of Accounts has been prepared on a 'going concern' basis. However, it should be noted that as part of the restructuring of local government in Somerset, South Somerset District Council ceased to exist with effect from 31st March 2023 and the assets and liabilities of the Council transferred to the newly created authority, Somerset Council.

2. Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract. With effect from 1st April 2018, IFRS15 Revenue from Contracts with Customers has been adopted, which resulted in no material impact to the council's recognition of revenues.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

- A de minimis level of £500 is used for accruals.

3. Cash and Cash Equivalents

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

Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of changes in value. The council will include deposits in Money Market Funds and Business Reserves in Cash Equivalents.

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

4. Changes in Accounting Policies and Estimates and Errors

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

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

5. Charges to Revenue for Non-Current Assets

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

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

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

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

6. Council Tax and Non Domestic Rates

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

Accounting for Council Tax and National Non-Domestic Rates

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

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

7. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post-Employment Benefits

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

The Local Government Pension Scheme (LGPS)

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

- The liabilities of the Somerset County Council Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to the retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). This is consistent with the approach used at the previous accounting date.

- The assets of the Somerset County Council Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities - current bid price.
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value

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

- Service cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year is allocated to the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - Past service costs – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years is debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

  - Net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements comprising:
  - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

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

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

Discretionary Benefits

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

8. Events after the Reporting Period

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

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

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

9. Financial Instruments

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

Financial Liabilities

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

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

Financial Assets

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

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

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

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

Expected Credit Loss Model

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

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

Fair Value Measurement

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2023.

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 2023, using the following methods and assumptions:

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

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

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

10. Government Grants and Contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income and Expenditure (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

11. Heritage Assets

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

The council's heritage assets are predominantly the museum stock that is held at the Community Heritage

Access Centre (CHAC).

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

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

12. Interests in Companies and Other Entities

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

13. Inventories and Long Term Contracts

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

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

14. Investment Properties

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

15. Joint Operations

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

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

- Its expenses, including its share of any expenses incurred jointly.

16. Leases

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

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

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

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

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Authority as Lessor

Finance Lease

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

Lease rentals are apportioned between:

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

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

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

Operating Leases

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

17. 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.

18. Property, Plant and Equipment

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

Recognition

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

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

Measurement

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

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

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

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

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

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

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

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

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

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

Impairment

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

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

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

Depreciation

Depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the assets in the balance sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

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

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

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

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

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

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

Disposals and Non-Current Assets Held for Sale

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

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

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

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

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

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

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

Component Accounting

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

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

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

- Land and individual buildings will be valued separately.

- Assets are deemed to be material and considered for componentisation when the cost or value in the Balance Sheet is at least £500,000 (approximately 1% of the authority's non-current assets).

- Each asset will be reviewed individually by the valuer to determine whether any part of a material asset has a differing useful life or method of depreciation. The assets will be reviewed by the following:
  - Sub Structure
  - Superstructure (frame, upper floors, roof, stairs, external walls, windows, external doors, internal walls, partitions, internal doors)
  - Internal finishes (walls, floors and ceilings)
  - Fixtures (sanitary, water, disposal equipment)
  - Engineering services (heating, air treatment, gas installations, lifts, protective, communications)
  - External works

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

20. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

21. Related Party Transactions

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

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

22. Reserves

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

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

23. Revenue Expenditure Funded from Capital Under Statute

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

24. VAT

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

Comprehensive Income and Expenditure Statement (Brackets represent income)

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

Restated Gross Expenditure year ended 31-Mar-22	Restated Gross Income year ended 31-Mar-22	Restated Net Cost of Services year ended 31-Mar-22	Service	Note Number	Gross Expenditure year ended 31-Mar-23	Gross Income year ended 31-Mar-23	Net Cost of Services year ended 31-Mar-23
£'000	**£'000**	**£'000**			**£'000**	**£'000**	**£'000**
1,563	(3)	1,560	Chief Executive		2,836	0	2,836
20,572	(10,465)	10,107	Director of Commercial Services and Income Generation		12,489	(12,196)	293
40,203	(27,142)	13,061	Director of Service Delivery		47,048	(40,670)	6,378
8,035	(3,505)	4,530	Director of Strategy & Support Services		13,300	(2,040)	11,260
11,047	(5,945)	5,102	Director of Place & Recovery		6,712	(262)	6,450
81,420	**(47,060)**	**34,360**	**Cost of Services**		**82,385**	**(55,168)**	**27,217**
[redacted]	[redacted]	5,170	Other Operating expenditure	10	[redacted]	[redacted]	5,949
[redacted]	[redacted]	290	Net Loss/(Gain) on Disposal of Property, Plant and Equipment	12	[redacted]	[redacted]	(750)
[redacted]	[redacted]	(4,331)	Financing and Investment Income and Expenditure	13	[redacted]	[redacted]	(8,978)
[redacted]	[redacted]	(34,175)	Taxation and Non-Specific Grant Income	14	[redacted]	[redacted]	(20,948)
0	**0**	**(33,046)**	**Corporate Amounts**		**0**	**0**	**(24,727)**
81,420	**(47,060)**	**1,314**	**(Surplus)/Deficit on Provision of Services**		**82,385**	**(55,168)**	**2,490**
		529	(Surplus)/Deficit on revaluation of Property, Plant and Equipment	33			(4,692)
		(1,113)	(Surplus)/Deficit on revaluation of Pooled Funds	33			2,275
		(18,808)	Re-measurement of the Net Defined Benefit Liability	47			(65,462)
		68	Share of Other Income and Expenditure of Joint Operations	21			0
		(19,324)	**Other Comprehensive Income and Expenditure**				**(67,879)**
		(18,010)	**Total Comprehensive Income and Expenditure**				**(65,389)**

Movement in Reserves Statement

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

	General Fund Balance	Earmarked Reserves	**Total General Fund Balance**	Capital Receipts Reserve	Capital Grants Unapplied	Joint Operations Reserves	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
	£'000	£'000	**£'000**	£'000	£'000	£'000	**£'000**	£'000	**£'000**
Balance at 31 March 2021	**(4,047)**	**(38,228)**	**(42,275)**	**(18,222)**	**(7,785)**	**(650)**	**(68,932)**	**76,903**	**7,971**
Movement in reserves during 2021/22:									
Total Comprehensive Income and Expenditure	1,314	0	**1,314**	0	0	68	**1,383**	(33,689)	**(32,306)**
Adjustments between accounting basis and funding basis under	(2,640)	0	**(2,640)**	11,548	(2,651)	0	**6,257**	(6,257)	**0**
Net Increase/Decrease before transfers to Earmarked Reserves	**(1,326)**	**0**	**(1,326)**	**11,548**	**(2,651)**	**0**	**7,640**	**(39,946)**	**(32,306)**
Transfers to/from Earmarked Reserves (note 32)	(6,623)	6,623	**0**	0	0	0	**0**	0	**0**
(Increase)/Decrease in 2021/22	**(7,949)**	**6,623**	**(1,326)**	**11,548**	**(2,651)**	**0**	**7,640**	**(39,946)**	**(32,306)**
Balance at 31 March 2022	**(11,996)**	**(31,606)**	**(43,601)**	**(6,674)**	**(10,436)**	**(582)**	**(61,292)**	**36,957**	**(24,335)**
Movement in reserves during 2022/23::									
Total Comprehensive Income and Expenditure	2,490	0	**2,490**	0	0	582	**3,072**	(67,879)	**(64,807)**
Adjustments between accounting basis and funding basis under	2,765	0	**2,765**	(3,333)	2,364	0	**1,795**	(1,795)	**0**
Net Increase/Decrease before transfers to Earmarked Reserves	**5,255**	**0**	**5,255**	**(3,333)**	**2,364**	**582**	**4,867**	**(69,674)**	**(64,807)**
Transfers to/from Earmarked Reserves (note 32)	(5,917)	5,917	**0**	0	0	0	**0**	0	**0**
(Increase)/Decrease in 2022/23	**(662)**	**5,917**	**5,255**	**(3,333)**	**2,364**	**582**	**4,867**	**(69,674)**	**(64,807)**
Balance at 31 March 2023	**(12,658)**	**(25,689)**	**(38,346)**	**(10,008)**	**(8,072)**	**0**	**(56,426)**	**(32,716)**	**(89,142)**

Balance Sheet (Brackets represent liabilities)

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

As at 31 March 2022		**Note No.**	**As at 31 March 2023**	
£'000			**£'000**	**£'000**
47,020	Property, Plant & Equipment	15	63,439	
89,967	Investment Properties	17	98,719	
408	Intangible Assets	20	292	
581	Investment in Joint Ventures	21	0	
490	Assets Held for Sale	18	490	
1,792	Heritage Assets	22	1,792	
0	Long Term Investments	35	0	
41,190	Long Term Debtors	23	36,567	
181,449	**TOTAL LONG-TERM ASSETS**			**201,300**
40,501	Short Term Investments	34	21,673	
3,088	Inventories	24	1,010	
30,660	Short Term Debtors	25	26,324	
9	Cash & Cash Equivalents	26	9	
309	Bank Accounts	26	676	
74,568	**CURRENT ASSETS**			**49,692**
(128,500)	Short term Borrowing	27	(131,500)	
0	Bank Overdraft	26	0	
(1,002)	Third Party Cash	26	(1,111)	
(23,130)	Short term Creditors	28	(11,717)	
(152,632)	**CURRENT LIABILITIES**			**(144,328)**
(771)	Provisions	30	(791)	
(5,733)	Developers Contributions Deferred	31	(6,070)	
(39)	Long Term Liabilities – Creditors	29/34	(32)	
0	Long Term Liabilities – Finance Lease	45/34	0	
(72,507)	Liability related to defined benefit pension scheme	47	(10,627)	
(79,050)	**LONG TERM LIABILITIES**			**(17,520)**
24,335	**NET ASSETS**			**89,143**
60,709	Usable Reserves	32	56,426	
581	Usable Reserve – Share in Joint Operations	32/21	0	
(36,955)	Unusable Reserves	33	32,716	
24,335	**TOTAL RESERVES**			**89,143**

Cash Flow Statement (Brackets on this page represent income)

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

Year Ended 31 March 2022 £'000		Year Ended 31 March 2023 £'000
(620)	Net surplus/(deficit) on the provision of services	**(2,490)**
3,373	Adjustments to net surplus or deficit on the provision of services for non-cash movements (note 35)	**(2,714)**
(4,815)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (note 35)	**(8,150)**
(2,062)	**Net cash flows from operating activities**	**(13,354)**
(29,129)	Investing Activities (note 36)	**10,611**
30,495	Financing Activities (note 37)	**3,000**
(696)	**Net increase or decrease in cash and cash equivalents**	**257**
12	Cash and Cash Equivalents (including bank overdraft) at 1 April (note 26)	**(684)**
(684)	**Cash and Cash Equivalents (including bank overdraft) at 31 March (note 26)**	**(427)**

The difference between the net figure for Cash and Cash Equivalents shown in the Cash Flow Statement to that in the Balance Sheet is due to £1,111k held on behalf of Third Parties. Specifically, this relates to funds held in respect the Dorcas House Trust (See note 48), Boden Mill and Chard Regeneration Scheme and the Yeovil Cemetery and Crematorium Burial Committee.

Notes to the Core Financial Statements

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

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

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. The Code requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code:

- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

It is anticipated the above amendments will not have a material impact on the information provided in the statement of accounts.

2. Critical Judgements in applying accounting policies

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

- SSDC Opium Power Limited is a joint venture or subsidiary

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

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls, conversely if useful lives were increased the carrying amount of assets would increase. If estimated useful lives were reduced by 5 years, the depreciation charge would increase by £1.392m, if however useful lives were to increase by 5 years, the depreciation charge would reduce by £0.533m.

Pension Valuation	The Local Government Pension Scheme, that the council is a member of, holds assets in the form of a Property portfolio. The assets provide returns on the investment to offset the liabilities in the form of pension contributions to members. The council has 8% of its pension assets invested in Real Estate which accounts for £10.049m of the total assets held.	As with the valuation of the council's directly owned assets, there is a similar level of uncertainty of the Pension Scheme property asset value as at the balance sheet date.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The council has engaged Barnett Waddingham as its consulting actuary to provide the authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. A sensitivity analysis is included in the Defined Benefit Pension Schemes (note 47).
Investment Properties	Investment properties are measured (valued) initially at cost and subsequently at fair value, being the price that would be received to sell an asset in the market. Properties are not depreciated but are revalued annually according to market conditions at year end. This takes the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date.	A variation in the annual estimated valuations could result in a movement being recorded inappropriately in the Comprehensive Income and Expenditure Statement. If the value of the council's investment properties were to reduce by 10%, this would result in a charge to the Comprehensive Income and Expenditure Statement of approximately £10.23m If the value of the council's investment properties were to increase by 10%, this would result in a gain to the Comprehensive Income and Expenditure Statement of approximately £10.23m.
Arrears	At 31 March 2023, the Authority had a balance for sundry debtors of £2.158m. A review of significant balances suggested that an impairment allowance of £0.573m was appropriate. However, in the current economic climate it is not certain that this will be sufficient.	An understanding of doubtful debts would lead to a future adjustment and impairment to be reflected. The impairment allowances held are based on policies adapted to the nature of the debt and service area, historic experience and success rates experienced in collection. If collection rates were to deteriorate by 5% or 10% then the council would need to review its policies on the calculation of its impairment allowance for doubtful debts. A10% increase in impairment allowance would equate to £57k.

4. Material items of income and expenditure

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

5. Events after the reporting period

There have been no other events after the balance sheet date of 31 March 2023 that require the financial statements or notes to be adjusted for 2022/23.

6. Expenditure & Funding Analysis

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

2021/22				2022/23		
Net Expenditure Chargeable to the General Fund	**Restated Adjustments between the Funding and Accounting Basis**	**Restated Net Expenditure in the Comprehensive Income & Expenditure Statement**	**Service**	**Net Expenditure Chargeable to the General Fund**	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income & Expenditure Statement**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
817	839	1,656	Chief Executive	2,200	635	2,836
3,630	6,130	9,759	Director of Commercial Services and Income Generation	(8,751)	9,044	293
8,418	4,480	12,898	Director of Service Delivery	3,727	2,651	6,378
9,364	(4,834)	4,530	Director of Strategy & Supprt Services	8,769	2,491	11,260
(4,903)	10,006	5,103	Director of Place & Recovery	826	5,625	6,451
17,326	**16,619**	**33,945**	**Net Cost of Services**	**6,771**	**20,447**	**27,217**
(18,651)	**(14,393)**	**(33,044)**	Other Income and Expenditure	[redacted]	[redacted]	**(24,728)**
(1,325)	**2,227**	**901**	**Surplus or Deficit**	**(5,359)**	**7,849**	**2,490**
42,273			Opening General Fund Balance	**43,602**		
1,325			Less deficit on General Fund	**-**		
-			Add Surplus on General Fund	**(5,256)**		
43,599			**Closing General Fund Balance at 31 March**	**38,346**		

Adjustments between Funding and Accounting Basis 2022/23				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	**Adjustments for Capital Purposes**	**Net change for the Pensions Adjustments**	**Other Differences**	**Total Adjustments**
	(Note 1)	**(Note 2)**	**(Note 3)**	
	£'000	**£'000**	**£'000**	**£'000**
Chief Executive	143	88	405	**635**
Director of Commercial Services and Income Generation	(5,107)	507	15,028	**10,428**
Director of Service Delivery	1,174	615	862	**2,651**
Director of Strategy & Support Services	(2,834)	485	4,840	**2,491**
Director of Place & Recovery	5,061	46	267	**5,374**
Net Cost of Services	**(1,563)**	**1,741**	**21,402**	**21,580**
Other income and expenditure from the Expenditure and Funding Analysis	**(1,671)**	**1,838**	**(29,596)**	**(29,429)**
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(3,234)**	**3,579**	**(8,194)**	**(7,849)**

Adjustments between Funding and Accounting Basis 2021/22				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	**Adjustments for Capital Purposes**	**Net change for the Pensions Adjustments**	**Other Differences**	**Total Adjustments**
	(Note 1)	**(Note 2)**	**(Note 3)**	
	£'000	**£'000**	**£'000**	**£'000**
Chief Executive	391	114	334	**839**
Director of Commercial Services and Income Generation	1,684	749	3,696	**6,130**
Director of Service Delivery	3,401	835	244	**4,480**
Director of Strategy & Support Services	(3,058)	747	(2,523)	**(4,834)**
Director of Place & Recovery	9,484	52	470	**10,006**
Net Cost of Services	**11,902**	**2,497**	**2,220**	**16,619**
Other income and expenditure from the Expenditure and Funding Analysis	**(8,533)**	**2,020**	**(7,880)**	**(14,393)**
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**3,369**	**4,517**	**(5,659)**	**2,227**

Notes to the expenditure and funding analysis

Note 1: Adjustments for Capital Purposes

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

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

Note 2: Net change for the Pensions Adjustments

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

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

Note 3: Other Differences

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

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

Segmental Income

2021/22			2022/23	
Revenues from external customers	**Grants & Contributions**		**Revenues from external customers**	**Grants & Contributions**
£'000	**£'000**		**£'000**	**£'000**
0	(3)	Chief Executive	0	0
(15,646)	(629)	Director of Commercial Services and Income Generation	(7,533)	(318)
(3,312)	(31,180)	Director of Service Delivery	(3,719)	(38,885)
(554)	(3,835)	Director of Strategy and Support Services	(1,455)	(640)
0	(5,945)	Director of Place & Recovery	0	(262)
(19,512)	**(41,592)**	**Total income analysed on a segmental basis**	**(12,707)**	**(40,105)**

7. Expenditure and Income analysed by nature

2021/22		2022/23
£'000	**Expenditure/Income**	**£'000**
	Expenditure	
22,078	Employee benefits expenses	22,807
60,405	Other services expenses	58,714
1,920	Depreciation, amortisation, impairment	2,682
151	Interest Payments	1,462
	Downward revaluation in Investment Properties	0
6,118	Precepts and levies	6,529
0	Payments to housing capital receipts pool	0
290	Loss on the disposal of assets	0
90,962	**Total Expenditure**	**92,193**
	Income	
(21,932)	Fees, charges and other service income	(23,580)
0	Gain on the disposal of assets	(1,442)
(1,950)	Interest and investment income	(2,947)
	Upward revaluation of Investment Properties	(3,371)
(17,432)	Income from council tax and NDR	(16,690)
(48,746)	Government grants and contributions	(41,672)
(90,060)	**Total Income**	**(89,703)**
902	**Surplus or Deficit on the Provision of Services**	**2,490**

8. Contracts with Service Recipients

Included with income from fees and charges of £23.58m (£21.9m 2021/22) are the following amounts derived from contracts with service recipients as defined by IFRS 15.

Previous year 2021/22 £'000	Service	Current year 2022/23 £'000
(395)	Building Control	(390)
(1,507)	Planning	(1,253)
(1,436)	Car Park Income	(1,666)
(6,678)	Commercial Rent & Licences	(7,617)
(501)	Other Rents & Wayleaves	(477)
(395)	Careline	(381)
(299)	Licences	(303)
(1,032)	Waste	(1,049)
(439)	Land Charges	(344)
(1,515)	Theatre Venues	(2,213)
(14,197)	**Total Income from Contracts with Service Recipients**	**(15,690)**

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

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

9. Adjustments between accounting basis and funding basis under regulations

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

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Table on following page

2022/23	Movement in Usable Reserves			
	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	Movement in Unusable Reserves
	£’000	£’000	£’000	£’000
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for depreciation, amortisation and impairment of non-current assets	(2,600)	0	0	**(2,600)**
Revaluation losses on Property, Plant and Equipment	(1,053)	0	0	**(1,053)**
Capital grants and contributions applied	1,752	0	3,031	**4,784**
Capital grants and contributions unapplied	677	0	(677)	**0**
Revenue expenditure funded from capital under statute	(8,187)	0	0	**(8,187)**
Movement in market value of Investment Property	3,371	0	0	**3,371**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	**0**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of capital investment	1,911	0	0	**1,911**
Capital expenditure charged against the capital fund	0	0	0	**0**
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure	4,631	(10,943)	0	**(6,312)**
Use of Capital Receipts Reserve to finance capital expenditure		4,815	0	**4,815**
Transfer from the Deferred Capital Receipts reserve to the Capital Receipts Reserve upon receipt of cash	0	0	9	**9**
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital	(1)	1	0	**0**
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 47)	(7,419)	0	0	**(7,419)**
Employer’s pensions contributions and direct payments to pensioners payable in the year	3,840	0	0	**3,840**
Adjustments involving the Collection Fund Adjustments Account:				
Amount by which council tax income and non-domestic rates credited to the Comprehensive Income and Expenditure Statement is different from council tax income and non-domestic rates calculated for the year in accordance with statutory requirements	8,212	0	0	**8,212**
Adjustment involving the Accumulating Compensated Absences Adjustment Accounts:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(18)	0	0	**(18)**
TOTAL ADJUSTMENTS	**5,116**	**(6,127)**	**2,364**	**1,353**

2021/22	**Movement in Usable Reserves**			
	General Fund Balance	**Capital Receipts Reserves**	**Capital Grants Unapplied**	**Movement in Unusable Reserves**
	£’000	**£’000**	**£’000**	**£’000**
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for depreciation, amortisation and impairment of non-current assets	(2,221)	0	0	**(2,221)**
Revaluation losses on Property, Plant and Equipment	301	0	0	**301**
Capital grants and contributions applied	2,798	0	2,578	**5,376**
Capital grants and contributions unapplied	5,228	0	(5,228)	**0**
Revenue expenditure funded from capital under statute	(13,290)	0	0	**(13,290)**
Movement in market value of Investment Property	510	0	0	**510**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(605)	0	0	**(605)**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of capital investment	1,007	0	0	**1,007**
Capital expenditure charged against the capital fund	1,641	0	0	**1,641**
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure	1,263	(1,263)	0	**0**
Use of Capital Receipts Reserve to finance capital expenditure		17,853	0	**17,853**
Transfer from the Deferred Capital Receipts reserve to the Capital Receipts Reserve upon receipt of cash	0	(3,552)	0	**(3,552)**
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(0)	0	0	**0**
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 47)	(8,181)	0	0	**(8,181)**
Employer’s pensions contributions and direct payments to pensioners payable in the year	3,664	0	0	**3,664**
Adjustments involving the Collection Fund Adjustments Account:				
Amount by which council tax income and non-domestic rates credited to the Comprehensive Income and Expenditure Statement is different from council tax income and non-domestic rates calculated for the year in accordance with statutory requirements	5,614	0	0	**5,614**
Adjustment involving the Accumulating Compensated Absences Adjustment Accounts:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	45	0	0	**45**
TOTAL ADJUSTMENTS	**(2,227)**	**13,038**	**(2,650)**	**8,161**

10. Other operating income and expenditure

Previous year 2021/22 £'000		Current year 2022/23 £'000
6,118	Parish council precepts and levies	6,529
0	Payments to the Government housing Capital Receipts Pool	0
6,118	**Total Other Operating Expenditure**	**6,118**
(948)	Easements and other Capital Receipts (note 11)	(580)
5,170	**Total Other Operating Income and Expenditure**	**5,949**

11. Easements and other capital receipts

The council received £580k in Right to Buy receipts (compared to £948K in 2021/22).

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

The net loss on disposal of plant, property and equipment amounts to £13k (compared to a net loss of £290K in 2021/22)

The gain in the disposal of the interest in Lufton 2000 was £750k in 2022/23.

13. Financing and investment income and expenditure

Previous year 2021/22 £'000		Current year 2022/23 £'000
151	Interest Payable and similar charges	1,462
2,020	Net interest on the net defined benefit liability	1,838
(122)	(Surplus)/Deficit on Trading Undertaking (note 38)	(80)
(6,678)	(Surplus)/Deficit on Investment Properties (note 17)	(9,251)
(4,629)	**Total Financing and Investment Expenditure**	**(6,031)**
(1,950)	Interest receivable and similar income	(2,947)
(6,579)	**Total Financing and Investment Income and Expenditure**	**(8,979)**

14. Taxation and non-specific grant income

Previous year 2021/22 £'000		Current year 2022/23 £'000
(17,194)	Council tax income	(18,027)
(6,581)	Non domestic rates	1,335
(10,400)	Non ring-fenced government grants	(4,257)
(34,175)	**Total Taxation and Non Specific Grant Income**	**(20,948)**

15. Property, plant and equipment

Movement in 2022/23:

	Total Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infra-structure Assets £'000	Com-munity Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total Property Plant & Equipment £'000
Cost or Valuation							
As at 1 April 2022	44,607	5,043	1,120	832	0	0	51,602
Additions	2,384	618	0	0	4,411	0	7,413
Disposals	0	(46)	0	0	0	0	(46)
Revaluation Increases/(decreases) recognised in	15,633	(11)	0	57	0	0	15,679
Revaluation Increases/(decreases) recognised in	(1,273)	0	0	0	0	0	(1,273)
Impairment (losses)/reversals recognised in the	(359)	0	0	0	0	0	(359)
Reclassification - Other	(2,578)	0	0	0	0	0	(2,578)
As at 31 March 2023	**58,414**	**5,603**	**1,120**	**889**	**4,411**	**0**	**70,437**
Accumulated Depreciation							
As at 1 April 2022	(2,026)	(2,372)	(185)	0	0	0	(4,583)
Depreciation charge	(1,421)	(459)	(16)	0	0	0	(1,896)
Depreciation written out to the surplus/deficit on	737	85	0	0	0	0	822
Derecognition – Disposals	0	33	0	0	0	0	33
Derecognition – Reclassification	0	0	0	0	0	0	0
Indexation Adjustment	(1,373)	0	0	0	0	0	(1,373)
As at 31 March 2023	**(4,084)**	**(2,713)**	**(201)**	**0**	**0**	**0**	**(6,998)**
Net Book Value							
At 31 March 2023	**54,330**	**2,890**	**919**	**889**	**4,411**	**0**	**63,439**
At 31 March 2022	**42,580**	**2,671**	**936**	**832**	**0**	**0**	**47,019**

Comparative movements in 2021/22:

	Total Land & Buildings £’000	Vehicles, Plant & Equipment £’000	Infra-structure Assets £’000	Community Assets £’000	Assets Under Construction £’000	Surplus Assets £’000	Total Property Plant & Equipment £’000
Cost or Valuation	45,507	4,562	1,097	812	0	0	51,978
As at 1 April 2021							
Additions	1,457	759	23	20	0	0	2,259
Disposals	(464)	(301)	0	(0)	0	0	(765)
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	16	(1)	0	0	0	0	15
Revaluation Increases/(decreases) recognised in the surplus/deficit on the provision of Services	(170)	282	0	0	0	0	112
Impairment (losses)/reversals recognised in the surplus/deficit on the provision of services	(1,194)	(258)	0	0	0	0	(1,452)
Reclassification - Other	0	0	0	0	0	0	0
As at 31 March 2022	**45,152**	**5,043**	**1,120**	**832**	**0**	**0**	**52,147**
Accumulated Depreciation							
As at 1 April 2021	(2,017)	(2,378)	(168)	0	0	0	(4,563)
Depreciation charge	(1,364)	(440)	(16)	0	0	0	(1,820)
Depreciation written out to the surplus/deficit on the Provision of Services	1,310	331	0	0	0	0	1,641
Derecognition – Disposals	45	115	0	0	0	0	160
Derecognition – Reclassification	0	0	0	0	0	0	0
As at 31 March 2022	**(2,026)**	**(2,372)**	**(185)**	**0**	**0**	**0**	**(4,583)**
Net Book Value							
At 31 March 2022	**43,125**	**2,671**	**936**	**832**	**0**	**0**	**47,564**
At 31 March 2021	**43,490**	**2,184**	**929**	**812**	**0**	**0**	**47,415**

16. Property, Plant and Equipment valuation

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 2023 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.

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

The following table shows the progress of the rolling programme:

	Land & Buildings £’000	Vehicles, Plant & Equipment £’000	Infrastructure Assets £’000	Community Assets £’000	AUC £’000	Surplus Assets £’000	Total £’000
Valued at historical cost	98	1,140	1,121	746	0	0	**3,105**
Valued at current value at:	0	0	0	0	0	0	**0**
31st December 2018	2,854	55	0	0	0	0	**2,909**
31st December 2019	4,775	860	0	0	0	0	**5,635**
31st December 2020	9,916	789	0	86	0	0	**10,790**
31st December 2021	3,480	2,770	0	0	0	0	**6,251**
31st December 2022	37,281	0	0	57	4,411	0	**41,749**
Total	**58,403**	**5,614**	**1,121**	**889**	**4,411**		**70,437**

17. Investment Property

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

Previous year 2021/22 £'000		Current year 2022/23 £'000
(6,972)	Rental Income from Investment Property	(7,814)
803	Operating Expenses and Financing costs arising from Investment	735
(510)	Net (gains) / Losses from fair value adjustments	(3,371)
(6,678)	**Total**	**(10,450)**

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

Current year 2021/22 £'000		Current year 2022/23 £'000
79,809	Balance at the start of the year	89,967
9,648	Additions	5,382
510	Net gains / (losses) from fair value adjustments	3,371
0	Disposals	0
	Transfers:	
0	(To)/from Property, Plant & Equipment	0
89,967	**Balance at the end of the year**	**98,719**

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

Current year 2021/22 £'000	Significant Unobservable Inputs (Level 2)	Current year 2022/23 £'000
7,745	Commercial Building	8,322
5,035	Small Business Unit	5,581
16,993	Retail	17,118
26,560	Offices	26,347
23,840	Industrial	27,383
2,700	Leisure	3,944
414	Other	350
330	Historic	295
6,350	Alternative	9,379
89,967	**Investment Property**	**98,719**

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

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

18. Assets Held for Sale

Previous year 2021/22 £'000		Current year 2022/23 £'000
0	Balance at the start of the year	490
490	Transfers to/from Property Plant and Equipment	0
490	**Balance at the end of the year**	**490**

19. Capital commitments

At the 31 March 2023, the council had capital commitments in relation to the following capital schemes, part of the Yeovil Refresh Programme, and values:

- Triangle and Wine Street £2,978,096.99
- Middle Street, High Street, Borough etc. £4,925,603.63
- Wyndham Street Area £ 874,491.00

20. Intangible Assets

The value of Intangible Assets held in the Council's balance sheet amounts to 292k (compared to £408k in 2021/22).

31-Mar-22 £'000		31-Mar-23 £'000
	Balance at start of year:	
2,412	• Gross carrying amounts	2,511
(1,702)	• Accumulated amortisation	(2,102)
710	**Net carrying amount at start of year**	**408**
99	Additions	57
0	Disposals	0
(400)	Amortisation for the period	(173)
0	Amortisation on disposal	0
408	**Net Carrying amount at end of year**	**(116)**
	Comprising:	
2,511	• Gross carrying amounts	2,568
(2,102)	• Accumulated amortisation	(2,276)
408	**Total Intangible Assets**	**292**

21. Heritage Assets

31 March 2022 £'000		31 March 2023 £'000
1,792	Balance at start of year	1,792
0	Additions	0
0	Revaluations/(Impairments)	0
1,792	**Total Heritage Assets**	**1,792**

22. Long term debtors

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

31 March 2022 £'000		31 March 2023 £'000
40,913	Loans	36,287
0	Mortgages	0
268	Rights to receipts – long term lease	268
9	Car/bike/learning loans	12
41,190	**Total Long-Term Debtors**	**36,567**

The loans figures relate mainly to the commercial loans made to SSDC Opium Power Limited. The loans are asset backed and a valuation report in respect of the sites has been provided. Further information relating to long-term debtors is contained within Note 33 on Financial Instruments.

23. Inventories

2021/22				2022/23		
SSDC Consumables	**Property Acquired or constructed for sale**	**Total**		**SSDC Consumables**	**Property Acquired or constructed for sale**	**Total**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
196	4,727	**4,923**	Balance 1 April	195	4,730	**3,088**
15	3	**18**	Purchases	25	0	**25**
(15)		**(15)**	Expenses in year	(2)	0	**(2)**
	(1,838)	**(1,838)**	Property Disposal Adjustments		(2,101)	**(2,101)**
195	**4,730**	**3,088**	**Balance 31 March**	**218**	**2,629**	**1,010**

24. Short term debtors

31 March 2022 **£'000**		**31 March 2023** **£'000**
9,771	Central Government Bodies	8,747
8,405	Other Local Authorities	2,324
2	NHS Bodies	9
12,483	Other Entities and Individuals	15,243
30,660	**Total Short-Term Debtors**	**26,324**

25. Cash and cash equivalents

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

31 March 2022 £'000		31 March 2023 £'000
10	Cash held by the Authority	9
0	Short-term deposits with Business Reserve accounts and Money Market Funds	0
10	**Total Cash and Cash Equivalents**	**9**
0	Bank overdrafts	0
309	Bank Accounts	676
(1,002)	Cash held on behalf of others	(1,111)
(683)	**Net Cash and Cash Equivalents as per cashflow statement**	**(426)**

The cash held on behalf of others relates to funds held in respect the Dorcas House Trust (See note 48), Boden Mill and Chard Regeneration Scheme and the Yeovil Cemetery and Crematorium Burial Committee.

26. Short-term Borrowings

31 March 2022 £'000		31 March 2023 £'000
(128,500)	Other Local Authorities	(131,500)
0	Other Entities and Individuals	0
(128,500)	**Total Short-Term Borrowing**	**(131,500)**

27. Short-term Creditors

31 March 2022 £'000		31 March 2023 £'000
(12,904)	Central Government Bodies	(7,447)
(3,061)	Other Local Authorities	(3,402)
(0)	NHS Bodies	0
(7,163)	Other Entities and Individuals	(867)
(23,129)	**Total Short-Term Creditors**	**(11,717)**

28. Long term liabilities – Creditors

31 March 2022 £'000		31 March 2023 £'000
(39)	Other Entities and Individuals	(32)
(39)	**Total Long-Term Liabilities - Creditors**	**(32)**

The long-term liabilities – creditors relate to licence fee income that is paid in advance.

29. Provisions

31 March 2022 £'000		31 March 2023 £'000
(683)	Business Rates Provisions for Appeals	(703)
(88)	MMI Provision	(88)
(771)	**Total Provisions**	**(791)**

The Business Rates Provision is reviewed each year to ensure it is adequate. It is used to offset any loss on business rates appeals and is replenished to ensure it mitigates our risk appropriately. During the year we have increased the provision by £20k.

30. Developers' contribution deferred

31 March 2022 .		31 March 2023 £'000
(4,829)	Balance at start of year	(5,733)
(1,747)	Additional Deposits	(752)
843	Applied Deposits	415
(5,733)	**Total Developers Contribution Deferred**	**(6,070)**

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

31. Usable Reserves

31 March 2022 £'000		31 March 2023 £'000
(11,993)	General Fund Balance	(12,658)
(31,606)	Earmarked Reserves	(25,689)
(6,675)	Capital Receipts Reserve	(10,008)
(10,436)	Capital Grants Unapplied	(8,072)
(581)	Authority's share of Joint Operation	0
(61,290)	**Total Usable Reserves**	**(56,427)**

Capital Receipts Reserve

31 March 2022 £'000		31 March 2023 £'000
(18,222)	Balance of Usable Receipts at 1 April	(6,675)
(6,307)	Receipts from Sale of Assets	(8,150)
17,853	Receipts applied to finance Capital Expenditure	4,815
0	Amount payable to the housing capital receipt pool	1
(6,675)	**Total Capital Receipts Reserve**	**(10,008)**

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

Capital Grants Unapplied

31 March 2022 £'000		31 March 2023 £'000
(7,785)	Balance at start of year	(10,436)
(5,228)	Additional Capital Grants recognised through the Comprehensive Income and Expenditure Statement	(668)
2,578	Applied Deposits	3,031
(10,436)	**Total Capital Grants Unapplied**	**(8,072)**

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

Transfers to/from earmarked reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2022/23. All earmarked reserves are revenue balances.

	Balance as at 31 March 2021	Trans-fers in 2021/22	Trans-fers out 2021/22	**Balance as at 31 March 2022**	Trans-fers in 2022/23	Trans-fers out 2022/23	**Balance as at 31 March 2023**
	£'000	£'000	£'000	**£'000**	£'000	£'000	**£'000**
Capital Fund	**(929)**	(140)	918	**(152)**	(76)	0	**(227)**
Cremator Replacement Reserve	**(549)**	0	0	**(549)**	0	0	**(549)**
Internal Borrowing Repayments	**(321)**	(100)	420	**(1)**	0	0	**(1)**
Elections Reserve	**(214)**	(40)	0	**(254)**	(40)	0	**(295)**
Sports Facilities Reserve	**(51)**	0	41	**(10)**	0	0	**(10)**
Yeovil Athletics Track Repairs	**(198)**	(25)	7	**(216)**	(19)	23	**(212)**
Planning Delivery Reserve	**(16)**	0	16	**(0)**	0	0	**(0)**
Bristol to Weymouth Rail Reserve	**(72)**	0	72	**0**	0	0	**0**
Yeovil Refresh Reserve	**(112)**	0	112	**0**	0	0	**0**
IT Replacement Reserve	**(10)**	0	0	**(10)**	0	0	**(10)**
Insurance Fund	**(50)**	0	50	**0**	0	0	**0**
Transformation Fund	**(91)**	0	91	**0**	0	0	**0**
Treasury Management Reserve	**(750)**	0	0	**(750)**	0	0	**(750)**
Revenue Grant Reserve	**(525)**	(16)	142	**(399)**	(2)	106	**(295)**
MTFP Support Fund	**(4,879)**	(4,580)	596	**(8,863)**	(7)	1,313	**(7,557)**
CTAX/Housing Benefits Reserve	**(1,291)**	(118)	168	**(1,241)**	(347)	451	**(1,137)**
Closed Churchyards Reserve	**(19)**	0	19	**0**	0	0	**0**
Health Inequalities	**(32)**	0	32	**0**	0	0	**0**
Deposit Guarantee Claims Reserve	**(12)**	0	13	**0**	0	0	**0**
Park Homes Replacement Reserve	**(286)**	(30)	317	**0**	0	0	**0**
Planning Obligations Admin Reserve	**(30)**	0	30	**(0)**	0	0	**(0)**
Artificial Grass Pitch Reserve	**(162)**	(16)	0	**(177)**	(16)	3	**(190)**
Business Support Scheme (flooding)	**(101)**	0	20	**(82)**	0	11	**(71)**
Regeneration Fund	**(2,997)**	(1,406)	1,160	**(3,243)**	(944)	218	**(3,969)**
NNDR Volatility Reserve	**(4,592)**	0	4,593	**0**	0	0	**0**
Ticket Levy Income	**(120)**	(132)	0	**(252)**	(162)	0	**(414)**
Waste Reserve	**(100)**	0	0	**(100)**	0	100	**0**
Community Housing Fund	**(170)**	0	153	**(18)**	0	0	**(18)**
Community Safety Reserve	**(43)**	0	19	**(25)**	0	0	**(25)**
Housing and Homelessness Reserve	**(441)**	(258)	163	**(537)**	(443)	386	**(594)**
Commercial Investment Reserve	**(6,606)**	(113)	0	**(6,719)**	0	0	**(6,719)**
Spatial Policy Reserve	**(258)**	(48)	166	**(141)**	(48)	55	**(134)**
YIC Maintenance Reserve	**(40)**	(20)	0	**(60)**	(12)	0	**(72)**
Climate Change Fund	**(167)**	(262)	163	**(266)**	0	204	**(62)**
Community Initiatives Reserve	**(163)**	(522)	303	**(382)**	0	382	**0**
Local Government Change	**0**	0	0	**0**	0	0	**0**
Community Resilience Reserve	**(126)**	(247)	282	**(91)**	0	42	**(49)**
NNDR S31 Grant Coll. Fund	**(11,704)**	(3,695)	8,886	**(6,513)**	(8,886)	14,209	**(1,190)**
Area East Reserve	**0**	(49)	0	**(49)**	0	2	**(47)**
Area North Reserve	**0**	(24)	0	**(24)**	0	0	**(24)**
Area West Reserve	**0**	(40)	0	**(40)**	0	0	**(40)**
Somerset LGR Reserve	**0**	0	0	**0**	(1,234)	514	**(720)**
COVID Recovery Reserve	**0**	0	0	**0**	0	134	**134**
MRP Reserve	**0**	(444)	0	**(444)**	0	0	**(444)**
Total Reserves	**(38,228)**	**(12,326)**	**18,950**	**(31,606)**	**(12,236)**	**18,153**	**(25,689)**

32. Unusable reserves

31 March 2022 £'000		31 March 2023 £'000
(21,089)	Revaluation Reserve	(24,841)
(451)	Pooled Fund Adjustment Account	1,824
(20,218)	Capital Adjustment Account	(16,490)
(272)	Deferred Capital Receipts	(281)
72,507	Pensions Reserve	10,624
4,284	Collection Fund Adjustment Account	(3,928)
358	Accumulating Compensated Absences Adjustment Account	376
35,119	**Total Unusable Reserves**	**(32,716)**

Revaluation Reserve

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

31 March 2022 £'000		31 March 2023 £'000
(22,119)	Balance at start of year	(21,089)
(1,667)	Revaluation gains on non-current assets	(6,623)
2,842	Downward revaluation on non-current assets	2,646
(646)	Additions to revaluation reserve	0
(840)	Disposals of non-current assets	13
1,340	Current value depreciation transferred to Capital Adjustment Account	211
(21,089)	**Total Revaluation Reserve**	**(24,841)**

Pooled Fund Adjustment Account

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

31 March 2022 £'000		31 March 2023 £'000
662	Balance at start of year	(451)
0	Reclassification of financial instruments	0
0	Loss on derecognition/maturity	0
(1,113)	Revaluation losses on pooled fund adjustment account	2,275
(451)	**Total Pooled Fund Adjustment Account**	**1,824**

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

Capital Adjustment Account

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

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

31 March 2022			31 March 2023	
£’000	£’000		£’000	£’000
	(12,696)	**Balance at start of year**		**(18,380)**
(17,853)		Capital Expenditure financed from Capital Receipts	(4,815)	
(149)		Current value depreciation transferred from Revaluation Reserve	(926)	
(1,007)		Minimum Revenue Provision	(1,911)	
(1,641)		Revenue Contribution to capital	0	
(5,376)		Capital Grants and Contributions Applied	(4,784)	
	(26,025)			**(12,436)**
		Less:		
13,290		Write down of Revenue Expenditure funded from Capital under Statute	8,187	
2,093		Carrying amount of assets disposed	2,088	
2,221		Depreciation	2,850	
(301)		Impairment	1,053	
(510)		Movement in market value of Investment Property	(3,371)	
3,548		Repayment of Capital Loans	3,519	
	20,341			**14,325**
	(18,380)	**Total Capital Adjustment Accounts**		**(16,490)**

Deferred Credits Account

31 Marc 2022 £’000		31 March 2023 £’000
(276)	Balance at start of year	(272)
(1)	Repayment of mortgages on sale of Council Houses	0
4	Right to Receipts – St Johns Ambulance	0
	Yeovil Rec Centre funding	(9)
(272)	**Total Deferred Credits**	**(281)**

Pensions Reserve

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

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

31 March 2022 £'000		**31 March 2023 £'000**
101,031	Balance at start of year	79,788
(25,973)	Re-measurement of the net defined benefit liability	(65,462)
8,280	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provisions of Services in the Comprehensive Income and Expenditure Statement	7,419
(3,550)	Employer's pensions contributions and direct payments to pensioners payable in year	(3,840)
79,788	**Total Pensions Reserve**	**17,905**

Collection Fund Adjustment Account

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

31 March 2022 £'000		**31 March 2023 £'000**
9,898	Balance at start of year	4,284
(350)	Collection Fund Adjustment in year for Council Tax	34
(5,264)	Collection Fund Adjustment in year for non-domestic rates	(8,246)
4,284	**Total Collection Fund Adjustment Account**	**(3,928)**

Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March 2023. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfer to or from the Account.

31 March 2022			31 March 2023	
£'000	£'000		£'000	£'000
	403	**Balance at start of year**		358
		Settlement or cancellation of accrual made at the end of preceding year	(358)	
		Amounts accrued at the end of the current year	376	
	(45)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		18
	358	**Total Accumulating Compensated Absences Adjustment Account**		**376**

33. Financial Instruments

The Authority's accounting policies relating to financial instruments are in accordance with the 2022/23 Code of Practice on Local Authority Accounting.

Financial Instruments Balances

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

31 March 2022		Financial Liabilities	31 March 2023	
Long Term £'000	Current £'000		Long Term £'000	Current £'000
		Loans at amortised cost:		
	128,500	Principal sum borrowed		131,500
	35	Accrued interest		662
0	**128,535**	**Total Borrowing**	**0**	**132,162**
		Liabilities at amortised cost:		
(39)	4,288	Trade payables	37	2,091
0	5	Finance Lease	0	0
(39)	**4,293**	**Included in Creditors**	**37**	**2,091**
(39)	**132,828**	**Total Financial Liabilities at amortised cost**	**37**	**134,253**

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

31 March 2022		Financial Assets	31 March 2023	
Long Term £'000	**Current £'000**		**Long Term £'000**	**Current £'000**
		At amortised cost		
	0	Principal		
	0	Accrued Interest		
		Loss Allowance		
		At fair value through profit & loss		
0	23,951	Fair value	0	21,673
0	**23,951**	**Total Investments**	**0**	**21,673**
		At amortised cost		
	16,550	Principal		0
		Accrued Interest		
	0	Loss Allowance		0
		At fair value through profit & loss		
		Fair value		
0	**16,550**	**Total Cash and Cash Equivalents**	**0**	**0**
		At amortised cost		
	2,852	Trade receivables		3,121
41,190	3,812	Loans and Receivables	41,190	13,709
41,190	**6,663**	**Included in Debtors**	**41,190**	**16,830**
41,190	**47,164**	**Total Financial Assets**	**41,190**	**38,503**

Financial Instruments Gains/Losses

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

31 March 2022					31 March 2023			
Financial Liabilities Amortised Cost £'000	**Financial Assets**				**Financial Liabilities Amortised Cost £'000**	**Financial Assets**		
	Amortised Cost £'000	**Fair Value through Profit & Loss £'000**	**Total £'000**	**Financial Assets**		**Amortised Cost £'000**	**Fair Value through Profit & Loss £'000**	**Total £'000**
151			151	Interest expense	151			151
				Losses on derecognition				
			0	Losses from change in fair value				0
151			**151**	**Interest payable and similar charges**	**151**			**151**
	(991)	(955)	(1,946)	Interest income		(1,778)	(1,170)	(2,947)
		0	0	Gains on derecognition			0	0
		0	0	Gains from change in fair value			0	0
	(991)	**(955)**	(1,946)	**Interest & Investment Income**		**(1,778)**	**(1,170)**	**(2,947)**
151	**(991)**	**(955)**	**(1,795)**	**Net impact on (surplus)/deficit on provision of services**	**151**	**(1,778)**	**(1,170)**	**(2,947)**
		1,113	1,113	(Gain)/Losses on revaluation			2,275	2,275
151	**(991)**	**157**	**(683)**	**Net (Gain)/Loss for the year**	**151**	**(1,778)**	**1,105**	**(521)**

Financial Instruments – Fair Values

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

The fair values of other instruments have been estimated calculating the net present value of the remaining contractual cash flows at 31st March 2023 using the following methods and assumptions:

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

Financial Liabilities

31 March 2022			Fair Value Level	31 March 2023	
Carrying Amount £'000	Fair Value £'000	Financial Liabilities		Carrying Amount £'000	Fair Value £'000
		Financial Liabilities held at Amortised Cost			
		Long Terms Loans from PWLB			
128,500	128,312	Other Long Term Loans		131,500	131,500
5	5	Finance Lease		0	0
	128,317	**Total**			**131,500**
4,328		Liabilities for which fair value is not disclosed		2,128	
132,833		**Total Financial Liabilities**		**133,628**	
		Recorded on Balance Sheet as:			
4,288		Short Term Creditors		2,091	
128,505		Short Term Borrowing		131,500	
39		Long Term Creditors		37	
0		Long Term Borrowing		0	
132,832				**133,628**	

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

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

Financial Assets

31 March 2022		Financial Assets	Fair Value Level	31 March 2023	
Carrying Amount £'000	Fair Value £'000			Carrying Amount £'000	Fair Value £'000
		Financial Assets held at Fair Value			
		Money Market Funds	1		
23,951	23,951	Bond, Equity and Property Funds	1	21,673	21,673
		Covered Bonds & Floating Rate Notes	1		
		Financial Assets held at Amortised Cost			
(683)	(683)	Bank Accounts		(301)	(301)
16,550	16,550	Term Deposits		0	0
44,530	44,530	Loans made for Service Purposes	2	0	0
84,348	**84,348**	**Total**		**21,372**	**21,372**
3,307		Assets for which fair value is not disclosed		3,410	
64,299		**Total Financial Assets**		**24,782**	
		Recorded on Balance Sheet as:			
0		Long Term Investments		0	
41,005		Long Term Debtors		41,190	
16,550		Short Term Investments		0	
6,663		Short Term Debtors		16,830	
23,268		Cash & Cash Equivalents		21,372	
87,486				**79,392**	

Financial assets classified as loans and receivables are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2023. The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Financial Instruments – Risk

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

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

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

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

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

Credit Risk: Investments

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

The council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all the council's deposits, but there was no evidence as the 31 March 2023 that this was likely to crystallise.

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

Credit Rating	**Long Term**		**Short Term**	
	31/03/2023	**31/03/2022**	**31/03/2023**	**31/03/2022**
	£'000	**£'000**	**£,000**	**£,000**
AAA				
AA+			0	12,550
AA				
AA-				
A+				
A				
A-				
Unrated Local Authorities			0	4,000
Unrated Pooled Funds			23,500	23,500
Total Investments (nominal amount)	**0**	**0**	**23,500**	**40,050**

Liquidity Risk

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

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

The council's current borrowing matures throughout 2022/23 there will be a need to replace this borrowing. There will be an additional borrowing requirement going forward, the council ensure that borrowing costs are kept to a minimum and seek advice from its Treasury Management advisors to ensure this is achieved.

Market risk – Interest rate risk

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

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

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

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

According to this assessment strategy, at 31 March 2023, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

31 March 2022 £’000		**31 March 2023 £’000**
162	Increase in interest payable on variable rate borrowings	0
(1,009)	Increase in interest receivable on variable rate investments	(1,060)
(847)	**Impact on Surplus or Deficit on the Provision of Services**	**(1,060)**
0	Decrease in fair value of fixed rate borrowings	0
0	Decrease in fair value of fixed rate investments	0

Market Risk – Price risk

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

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

Market risk – Foreign exchange risk

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

34. Cash Flow Statement – Operating activities

The cash flows for operating activities include the following items:

Previous Year 2021/22 £’000		**Current Year 2022/23 £’000**
393	Interest received	835
(1,599)	Interest paid	(4,294)
(1,205)	**Net Cash Flows from Operating Activities relating to interest**	**(3,459)**

Previous Year 2021/22 £'000		Current Year 2022/23 £'000
580	Depreciation and amortisation	2,297
1,340	Impairment and revaluations	895
(510)	Movement in market value of investment property	(3,371)
(2,577)	Increase/(decrease) in creditors	(11,421)
	REFCUS	(8,187)
2,652	(Increase)/decrease in debtors	4,336
1,142	(Increase)/decrease in inventories	2,880
904	Increase/(decrease) in developer contributions	337
33	Increase/(decrease) in provisions	20
60	Accrued interest	0
(857)	Movement in pension liability	7,419
605	Carrying amounts of non-current assets and non-current assets held for sale, sold or derecognized	2,080
3,373	**Total Adjustments for Non-Cash Movements**	**(2,714)**

Previous Year 2021/22 £'000		Current Year 2022/23 £'000
(4,815)	Proceeds from the sale of property, plant and equipment and intangible assets	(8,150)
(4,815)	**Total Adjustments for Investing and Financing Activities**	**(8,150)**

35. Cash Flow Statement – Investing activities

Previous Year 2021/22 £'000		Current Year 2022/23 £'000
(12,006)	Purchase of property, plant and equipment, investment property and intangible assets	(10,277)
(93,810)	Purchase of short-term and long-term investments	(3,012)
(7,388)	Other payments for investing activities	(135)
4,815	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	
79,260	Proceeds from sale of short-term and long-term investments	24,117
0	Other receipts from investing activities	(83)
(29,129)	**Net Cash Flows from Investing Activities**	**10,611**

36. Cash Flow Statement – Financing activities

Previous Year 2021/22 £'000		Current Year 2022/23 £'000
30,500	Cash receipts of short-term borrowing	3,000
(5)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	0
30,495	**Net Cash Flows from Financing Activities**	**3,000**

37. Trading operations

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

The MOT Station is operated by the Streetscene service.

Previous Year		Current Year		
2021/22 (Surplus)/Deficit £'000		2022/23 Expenditure £'000	2022/23 Income £'000	2022/23 (Surplus)/Deficit £'000
(181)	Careline	205	(381)	(176)
58	MOT Station	124	(28)	96
(122)	**Total Trading Accounts**	**329**	**(409)**	**(80)**

38. Members' Allowances

Previous Year 2021/22 £'000		Current Year 2022/23 £'000
422	Basic Allowance	445
126	Special Responsibility Allowance	134
2	Expenses	2
550	**Total Members Allowance**	**581**

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

39. Officers' Remuneration

During the 2022/23 financial year the number of officers who received remuneration, which includes salary, leased car and termination payments, in excess of £50k were as follows:

2021/22			Remuneration Band	2022/23		
Total	Left during year	Compensation for loss of office		Total	Left during year	Compensation for loss of office
26	1		£50,000 - £54,999	11		
11	1		£55,000 - £59,999	7		
9	1		£60,000 - £64,999	4		
12			£65,000 - £69,999	1		
			£70,000 - £74,999	0		
4			£75,000 - £79,999	0		
			£80,000 - £84,999	1		
1			£85,000 - £89,999	3		
1	1	1	£90,000 - £94,999	0		
1			£100,000 - £104,999	0		
2			£105,000 - £109,999	0		
3			£110,000 - £114,999	0		
			£125,000 - £129,999	1		
			£130,000 -	1		

The total column includes those Officer's that have left during the financial year, left during year column shows the number within that total who ceased their employment with the Council during 2022/23 with those receiving compensation upon leaving indicated in the column to the right.

Senior Officers

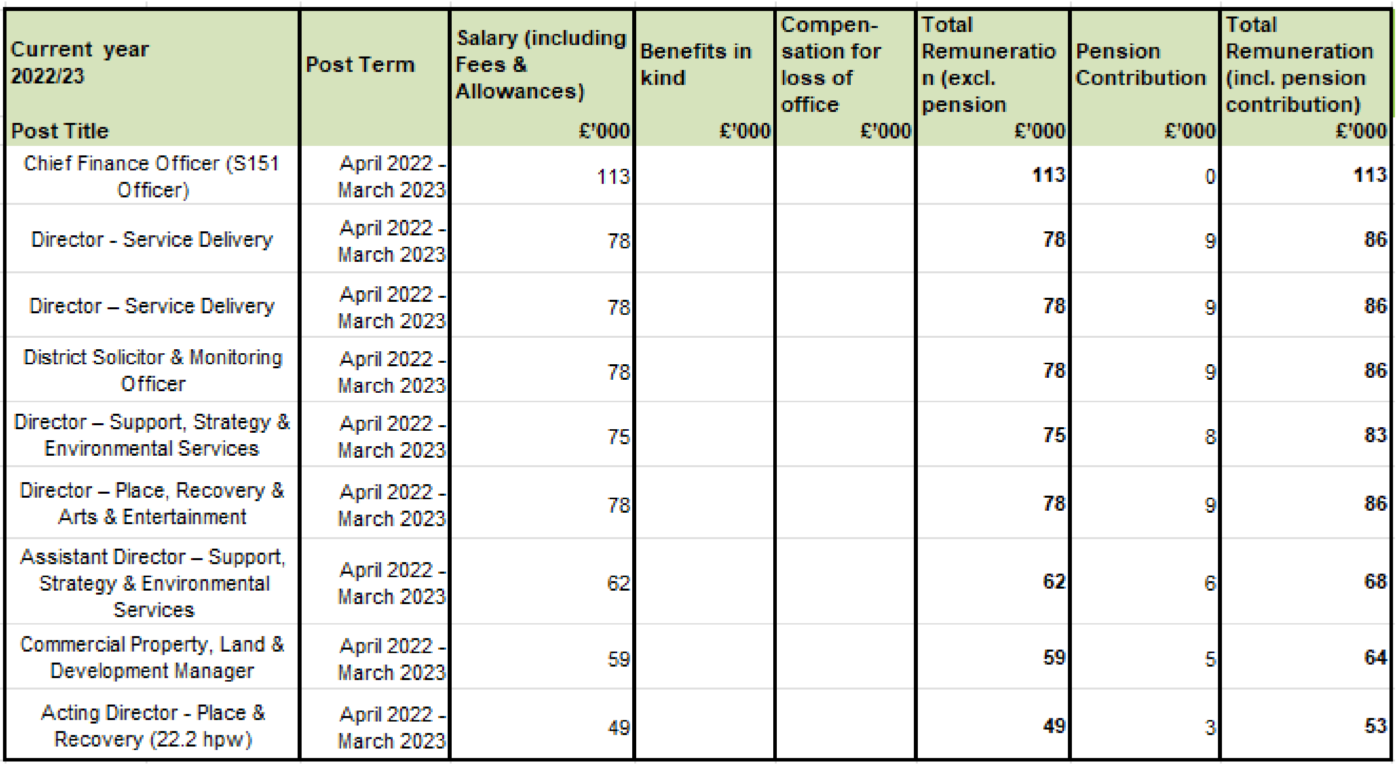
A senior officer is an employee whose salary is more than £150k per year, or one whose salary is at least £50k (to be calculated pro rata for a part-time employee) and who are either the designated Head of Paid Services, a statutory officer and any person having responsibility for the management of the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

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

Senior Officers' Emoluments

Current year 2022/23 Post Title	Name of officer	Post Term	Salary (including Fees & Allowances) £'000	Benefits in kind £'000	Compen-sation for loss of office £'000	Total Remuneration (excl. pension contribution) £'000	Pension Contribution £'000	Total Remuneration (incl. pension contribution) £'000
Chief Executive	[redacted]	April 2022 - March 2023	119	0	0	**119**	14	**133**

Previous year 2021/22 Post Title	Name of officer	Post Term	Salary (including Fees & Allowances) £'000	Benefits in kind £'000	Compen-sation for loss of office £'000	Total Remuneration (excl. pension contribution) £'000	Pension Contribution £'000	Total Remuneration (incl. pension contribution) £'000
Chief Executive	A Parmley	April '21 - July '21	34	0	0	**34**	6	**40**
Chief Executive	J Portman	April 2021 - March 2022	83	0	0	**83**	14	**97**



Current year 2022/23 Post Title	Post Term	Salary (including Fees & Allowances) £'000	Benefits in kind £'000	Compen-sation for loss of office £'000	Total Remuneration (excl. pension £'000	Pension Contribution £'000	Total Remuneration (incl. pension contribution) £'000
Chief Finance Officer (S151 Officer)	April 2022 - March 2023	113			**113**	0	**113**
Director - Service Delivery	April 2022 - March 2023	78			**78**	9	**86**
Director – Service Delivery	April 2022 - March 2023	78			**78**	9	**86**
District Solicitor & Monitoring Officer	April 2022 - March 2023	78			**78**	9	**86**
Director – Support, Strategy & Environmental Services	April 2022 - March 2023	75			**75**	8	**83**
Director – Place, Recovery & Arts & Entertainment	April 2022 - March 2023	78			**78**	9	**86**
Assistant Director – Support, Strategy & Environmental Services	April 2022 - March 2023	62			**62**	6	**68**
Commercial Property, Land & Development Manager	April 2022 - March 2023	59			**59**	5	**64**
Acting Director - Place & Recovery (22.2 hpw)	April 2022 - March 2023	49			**49**	3	**53**

Previous year 2021/22 Post Title	Post Term	Salary (including Fees & Allowances) £'000	Benefits in kind £'000	Compen-sation for loss of office £'000	Total Remuneration (excl. pension £'000	Pension Contribution £'000	Total Remuneration (incl. pension contribution) £'000
Chief Executive	April 2021 - July 2021	34	0		**34**	6	**40**
Chief Executive	August 2021 - March 2022	83			**83**	14	**97**
Director - Service Delivery	April 2021 - March 2022	86			**86**	15	**101**
Director - Commercial Services & Income Generation	April 2021 - October 2021	47			**47**	8	**55**
Director - Strategy & Support Services	April 2021 - March 2022	88			**88**	16	**104**
Director - Place and Recovery	April 2021 - March 2022	85			**85**	15	**100**
Lead Specialist Legal/Monitoring Officer	Jan 2022 - March 2022	77			**77**	14	**91**
S151 Officer	April 2021 - March 2022	46			**46**	0	**46**
Assistant Director - Service Delivery	December 2021 - March 2022	60			**60**	11	**71**
Assistant Director - Strategy & Support Services	December 2021 - March 2022	60			**60**	11	**70**
Acting Director - Place and Recovery	November 2021 - March 2022	58			**58**	10	**69**

Exit Packages

There were no exit packages in 2022/23 (£33K for 2021/22) has been charged to the authority's Comprehensive Income and Expenditure Statement in the current year.

Exit Package Costs Band (including special payments)	Number of Compulsory Redundancies		Number of Voluntary/Efficiency of service		Total Number of Exit Packages		Total Cost of Exit Packages	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22 £'000	2022/23 £'000
£0 - £20,000	1	0	2	0	3	0	32	0
£20,001 - £40,000	0	0	0	0	0	0	0	0
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	1	0	1	0	109	0
TOTAL	**1**	**0**	**3**	**0**	**4**	**0**	**141**	**0**

40. Audit Costs

In 2022/23 the council incurred the following fees relating to external audit and inspection:

Previous Year 2021/22 £'000		Current Year 2022/23 £'000
183	Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor	117
28	Fees payable to Grant Thornton UK LLP for the certification of grant claims and returns	28
211	**Total Audit Costs**	**145**

41. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive income and Expenditure Statement in 2022/2023:

Previous Year 2021/22 £'000		Current Year 2022/2023 £'000
8,026	Capital Grants	1,803
1,171	New Homes Bonus	1,511
1,203	Other non-specific Government Grant	943
10,400	**Total Grants credited to taxation and Non-Specific Grant income and Expenditure**	**4,257**
6,343	Business Rates Tax loss reimbursement	524
227	Cost of Collection – Business Rates	229
26,983	Housing Benefits	24,893
2,457	COVID related grants	9,085
1,011	Homelessness Grants	754
1,325	Miscellaneous Grants	1,931
38,346	**Total Grants credited to services**	**37,415**
48,746	**Total Grants**	**41,672**

42. Related Party Transactions

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

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

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

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

Organisation	SSDC Contribution in 2022/23		SSDC Councillor
Chard & District Museum	7,000	HS HAZ Project & Culturally Chard Project	Cllr Jenny Kenton
Parrett Draingage Board	75,176	Special Levy	Cllr Mike Lewis, Cllr Gerard Tucker
South West Councils	8,824	Annual Subscription/training	Cllr Val Keitch
Chard Carnival Committee	7,582	Grants	Cllr Jason Baker
Somerset Wildlife Preservation Trust	15,000	Grants	Cllr Val Keitch, Cllr Tiffany Osborne
UNISON	14,059	Employees subscriptions	Cllr Dave Bulmer
Dorset Healthcare	25,443	Preparatory work & investigations & training	Cllr Andy Soughton
Eagle Plant	6,701	Hire of equipment	Cllr Tricia O'Brien
Preston Grove Medical Centre	19,454	Medical References	Cllr Oliver Patrick
Royal Mail	57,001	Postage	Cllr Karl Gill

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

The council has made loans to SSDC Opium Power Limited, which is a partly owned subsidiary. The value of the loans to SSDC Opium Power Limited as at 31 March 2023 is £37.843m

Capital expenditure and financing

	Previous Year 2021/22			Current Year 2022/23
£'000	£'000		£'000	£'000
	134,148	**Opening Capital financing Requirement**		143,889
		Capital Expenditure		
77		Intangible Non-Current Assets	1	
11,927		Non-Current Assets	1,013	
3		Assets under Construction	9,171	
10,319		Long Term Debtors	0	
13,290		Revenue Expenditure funded from Capital under Statute	8,187	
	35,616			18,371
		Sources of Finance		
(17,853)		Use of Capital Receipts	(4,815)	
(5,376)		Government Grants & Other Contributions	(4,784)	
(1,641)		Capital expenditure charged against the capital fund	0	
(1,007)		Minimum Revenue Provisions	(1,911)	
	(25,876)			(11,510)
	143,889	**Closing Capital Financing Requirement**		150,751

43. Leases

Authority as Lessee

Finance Leases

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

31 March 2022 £'000		31 March 2023 £'000
5	Vehicles, Plant, Furniture and Equipment	0
5	**Total Carrying Amount of Leases**	**0**

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

31 March 2022 £'000		31 March 2023 £'000
5	Finance lease liabilities (net present value of minimum lease payments)	(0)
0	Finance Cost Payable in future years	0
5		**0**

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

	Minimum Lease Payments		**Finance Lease Liabilities**	
	31 March 2022	**31 March 2023**	**31 March 2022**	**31 March 2023**
	£'000	**£'000**	**£'000**	**£'000**
Not later than one year	5	0	5	0
Later than one year and not later than five years	0	0	0	0
Total Finance Lease Payments	**5**	**0**	**5**	**0**

Operating Leases

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

31-Mar-22		**£'000**		**31 March 2023**		**£'000**
Vehicles, Plant & Equipment	Property	**Total**		Vehicles, Plant & Equipment	Property	**Total**
22	23	**44**	Not later than one year	18	23	**40**
5	91	**96**	Later than one year and not later than five years	-	91	**91**
-	802	**802**	Later than five years	-	780	**780**
27	**915**	**942**	**Total Operating Lease Payments**	**18**	**893**	**911**

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

Previous Year 2021/22 £'000		**Current Year 2022/23 £'000**
	Minimum lease payments	
35	• Vehicles, Plant and Equipment	36
23	• Property	23
58	**Total Operating Lease Payments Charge to the Comprehensive Income and Expenditure Statement**	**59**

Authority as Lessor

Operating Leases

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

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

31 March 2022 £'000		31 March 2023 £'000
5,799	No later than one year	5,502
13,414	Later than one year and not later than five years	13,095
20,735	Later than five years	13,923
39,948	**Total future lease payments receivable**	**32,520**

44. Impairment Losses

During 2022/23, the Authority recognised an impairment loss of £7.025m (£3.050m in 2021/22).

The impairment losses of £5.127m have been charged to various service lines on the Comprehensive Income and Expenditure Statement and downward revaluations of £1.898m have been charged to the Revaluation Reserve.

45. Defined benefit pension schemes

Participation in Pension Schemes

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

South Somerset District Council participates in the Local Government Pension Scheme (LGPS) for employees, administered by Somerset County Council – this is a funded defined benefit scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The benefits accrued up to 31 March 2023 are based on final salary and length of service on retirement. Changes to the LGPS came into effect from 1 April 2014 and any benefit accrued from this date will be based on career average revalued salary.

Transactions Relating to Post-Employment Benefits

The council recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge the council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund Balance via the Movement in Reserves Statement.

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

Previous Year 2021/22			**Current Year 2022/23**	
£’000	**£’000**		**£’000**	**£’000**
		Comprehensive Income and Expenditure Statement		
		Cost of Services:		
6,194		• Current service costs	5,447	
0		• Service costs	0	
14		• Past service and curtailment costs	0	
63		• Administration Expenses	71	
	6,271			5,518
		Financing and Investment Income and Expenditure		
4,317		• Interest Cost	5,188	
(2,308)		• Return on Assets	(3,353)	
	2,009			1,835
	8,280	**Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement**		**7,353**
£’000	**£’000**		**£’000**	**£’000**
		Other Post Employment benefit charged to the Comprehensive Income and Expenditure Statement		
		Remeasurement of the net defined benefit liability comprising:		
(7,581)		Return on plan fund assets in excess of interest	5,819	
(9,265)		Change in financial assumptions	(80,293)	
(16,022)		Change in demographic assumptions	0	
(386)		Experience (gain)/losses on defined benefit obligation	16,359	
147		Other actuarial (gains)/losses on assets	0	
	(33,107)	**Total remeasurement of net defined benefit liability**		**(58,115)**
	(24,827)	**Total post employment benefit charged to the Comprehensive Income and Expenditure Statement**		**(50,762)**
		Movement in Reserves Statement		
		Reversal of net charges made to the surplus or deficit for the provision of services for post-employment benefits in accordance with the code		
		Actual amount charged against the General Fund Balance for pensions in the year:		
(3,503)		• Employer’s contributions payable to scheme	(3,650)	
(194)		• Retirement benefits payable to pensioners	(190)	
	(3,697)			**(3,840)**

The change in financial assumptions reflects a decrease in the discount rate from 2.60% to 2.00%. The discount rate is based on corporate bond yields that match the duration of the employer’s liabilities. Although the yields have been volatile they have decreased overall which indicates an increase in liabilities.

Assets and Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2023 are as follows:

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

Previous Year 2021/22 £'000		**Current Year 2022/23 £'000**
200,602	Present Value of Funded Obligation	134,153
(130,126)	Fair Value of Assets in Scheme	(125,246)
70,476	**Net Liability**	**8,907**
2,031	Present Value of Unfunded Obligation	1,720
72,507	**Closing Balance at 31 March**	**10,627**

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £79.641m has a substantial impact on the net worth of the authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Reconciliation of Present Value of the scheme liabilities

Previous Year 2021/22 £'000		**Current Year 2022/23 £'000**
222,442	Opening Balance at 1 April	202,633
6,194	Current service cost	5,447
4,317	Interest cost	5,188
0	Remeasurement (gains) and losses:	0
(9,265)	Actuarial gains/losses from change in financial assumptions	(80,293)
0	Actuarial gains/losses from change in demographic assumptions	0
(386)	Experience loss/(gain) on defined benefit obligation	16,359
0	Liabilities assumed/(extinguished) on settlements	0
(5,820)	Estimated benefits paid net of transfers in	(6,825)
14	Past service costs, including curtailments	0
749	Contributions by scheme participants	832
(194)	Unfunded Pension Payments	(190)
218,051	**Closing balance at 31 March**	**143,151**

Reconciliation of Fair Value of Scheme Assets

Previous Year 2021/22 £'000		Current Year 2022/23 £'000
121,411	Opening Balance at 1 April	130,126
2,308	Interest on Assets	3,353
7,581	Return on Assets less interests	(5,819)
0	Other actuarial gains/(losses)	0
(63)	Administration expenses	(71)
3,697	Contribution by the employers	3,840
749	Contributions by scheme participants	832
(6,014)	Benefits paid	(7,015)
0	Settlement prices received/(paid)	0
129,669	**Closing balance at 31 March**	**125,246**

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

Sensitivity Analysis

	£'000	£'000	£'000	£'000	£'000
Adjustment to discount rate	+0.5%	+0.1%	0.0%	-0.1%	-0.5%
Present value of total obligation	132,871	140,993	143,151	145,364	154,795
Projected service cost	1,937	2,228	2,306	2,388	2,743
Adjustment to long term salary increase	+0.5%	+0.1%	0.0%	-0.1%	-0.5%
Present value of total obligation	144,022	143,323	143,151	142,982	142,317
Projected service costs	2,314	2,308	2,306	2,305	2,299
Adjustment to pension increases and deferred revaluation	+0.5%	+0.1%	0.0%	-0.1%	-0.5%
Present value of total obligation	154,086	145,231	143,151	141,122	133,483
Projected service costs	2,754	2,389	2,306	2,226	1,926
Adjustment to mortality age rating assumption		+1 Year	None	-1 Year	
Present value of total obligation		149,306	143,151	137,277	
Projected service costs		2,392	2,306	2,223	

Projected Pension Expense for the year to 31 March 2024

	Year to 31 March 2024 **£'000**
Service Cost	2,306
Net Interest on the defined liability	795
Administration expenses	69
Total Loss/(Profit)	**3,170**
Employer Contributions	**2,557**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years' dependent on assumption about mortality rates, salary levels etc. The Peninsula Pension Fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries. Estimates for the Peninsula Pension Fund being based on the latest full valuation of the scheme as at 31 March 2023.

The principal assumptions used by the actuary have been:

31 March 2022		31 March 2023
3.20%	Rate of inflation (CPI)	2.95%
2.00%	Rate of general long-term increase in salaries	3.75%
3.20%	Rate of increase to pensions in payment	2.95%
3.20%	Rate of increase to deferred pensions	3.20%
2.60%	Discount Rate	4.80%

Assumed life expectations from aged 65 (years) are:

	Males	Females
Current Pensioners	21.4	23.2
Future Pensioners (20 years from now)	22.7	24.7

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

% of total Scheme as at 31 March 2022	Value of total Scheme as at 31 March 2022 £'000		% of total Scheme as at 31 March 2023	Value of total Scheme as at 31 March 2023 £'000
71	87,309	Equity Investments	75%	93,418
6	6,975	Government Bonds	4%	4,478
10	11,762	Corporate Bonds	10%	13,014
7	8,389	Property	8%	10,049
6	6,976	Cash	3%	4,287
100%	**121,411**		**100%**	**125,246**

46. Contingent liabilities

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

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

During the year, a legal case was in progress, however there are no losses expected to be incurred. The value of the liability is anticipated to be well below the materiality level for the 2022/23 accounts.

47. Dorcas House

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

A summary of the financial activities for Dorcas House Trust is shown in the table below:
(Brackets represent income)

Previous Year 2021/22 £'000		Current Year 2022/23 £'000
1	Total Income for the Year	(11)
0	Total Expenditure of the Year	0
1	**Deficit/(Surplus) for the Year**	**(11)**

Previous Year 2021/22 £'000		Current Year 2022/23 £'000
452	Capital & Unrestricted Funds	464
452	**Total Reserves**	**464**

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

Collection Fund Account

Income and Expenditure Account for the year ended 31 March 2023

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

Previous Year 2021/22		Year Ended 31 March 2023		
Collection Fund £'000		Business Rates £'000	Council Tax £'000	Collection Fund £'000
	Income			
(121,790)	Council Tax Receivable		(127,734)	(127,734)
(37,276)	Business Rates Receivable	(38,314)		(38,314)
	Apportionment of Previous Year Deficit			
(11,124)	Central Government	(4,138)	0	(4,138)
(2,524)	Somerset County Council	(745)	0	(745)
(95)	Police and Crime Commissioner for Avon & Somerset	0	0	0
(259)	Devon & Somerset Fire & Rescue	(83)	0	(83)
(8,998)	South Somerset District Council (including Parishes)	(3,310)	0	(3,310)
(182,066)	**Total Income**	**(46,590)**	**(127,734)**	**(174,323)**
	Expenditure			
	Precepts and Demands			
22,563	Central Government	16,661	0	16,661
86,834	Somerset County Council	3,749	84,537	88,286
14,750	Police and Crime Commissioner for Avon & Somerset	0	15,234	15,234
5,955	Devon & Somerset Fire & Rescue	417	5,566	5,983
35,468	South Somerset District Council (including Parishes)	20,827	17,580	38,406
	Apportionment of Previous Year Surplus			
0	Central Government	0	0	0
0	Somerset County Council	0	1,342	1,342
0	Police and Crime Commissioner for Avon & Somerset	0	240	240
0	Devon & Somerset Fire & Rescue	0	89	89
0	South Somerset District Council (including Parishes)	0	274	274
	Charges to Collection Fund			
511	Write offs of uncollectable amounts	251	675	926
484	Increase/(Decrease) in bad debt	(198)	(4)	(202)
82	Increase/(Decrease) in Provision for Appeals	51	0	51
227	Cost of Collection	222	0	222
111	Transitional Protection Payments	109	0	109
166,985	**Total Expenditure**	**42,088**	**125,532**	**167,620**
(7,338)	**(Surplus)/Deficit for Year**	(4,501)	(2,202)	(6,703)
24,984	**(Surplus)/Deficit Balances at Start of Year**	11,127	(1,224)	9,903
17,646	**(Surplus)/Deficit Balances at End of Year**	**6,625**	**(3,426)**	**3,199**

Previous Year 2021/22	Attributable to:	Year Ended 31 March 2023		
Collection Fund £'000		Business Rates £'000	Council Tax £'000	Collection Fund £'000
5,563	Central Government	3,554	0	3,554
154	Somerset County Council	640	(1,624)	(985)
(151)	Police and Crime Commissioner for Avon & Somerset	0	(305)	(305)
56	Devon & Somerset Fire & Rescue	71	(109)	(38)
4,280	South Somerset District Council (including Parishes for Council Tax)	2,843	(343)	2,500
0				0
9,903		**7,107**	**(2,381)**	**4,726**

(Brackets represent income or liabilities)

Notes to the Collection Fund

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

1. Income from Council Tax

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

The estimate is made by calculating a tax base and dividing the precepts by the tax base to establish the tax payable for a Band D property (properties in other bands pay a proportion of the Band D charge). The first step in calculating the tax base is to adjust the total number of properties in each band to the effective number of properties by reducing the number to allow for the number of discounts and exemptions. The effective number of dwellings is then converted to the number of Band D equivalents by applying the weighting for each band. The following table illustrates how the tax base has increased from 2022/23.

Tax Base						
Previous Year 2021/22					Current Year 2022/23	
Effective No of dwellings	Band D Equivalent	Weighting	Tax Band	Property Value (at April 1991)	Effective No of dwellings	Band D Equivalent
11	6	5/9ths	A-	Disabled band	13	7
8,783	5,856	6/9ths	A	Up to £40,000	8,826	5,884
20,190	15,703	7/9ths	B	Between £40,001 & £52,000	20,264	15,761
15,121	13,441	8/9ths	C	Between £52,001 & £68,000	15,381	13,672
11,204	11,204	1	D	Between £68,001 & £88,000	11,165	11,165
9,060	11,073	11/9ths	E	Between £88,001 & £120,000	9,195	11,238
4,647	6,712	13/9ths	F	Between £120,001 & £160,000	4,825	6,969
1,785	2,974	15/9ths	G	Between £160,001 & £320,000	1,815	3,025
147	293	18/9ths	H	Over £320,000	153	306
70,946	**67,262**				**71,635**	**68,026**
	(618)			Less adjustment for non-collection and banding		(1,876)
	(5,491)			Less adjustment for Council Tax Reduction Scheme		(5,507)
	61,153			**Council Tax Base**		**60,644**

Details of the precepts are shown below:

Previous Year 2021/22 £	**Precepting Authorities**	**Current Year 2022/22 £**
82,772,352	Somerset County Council	84,537,206
14,750,092	Police and Crime Commissioner for Avon & Somerset	15,233,677
5,503,765	Devon & Somerset Fire & Rescue Authority	5,566,478
10,830,786	District Council’s own requirement	11,043,810
6,118,031	Total of Parish Precepts & Levies	6,528,987

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

Previous Year 2021/22 £	**Council Tax Levy at Band D**	**Current Year 2022/23 £**
1,353.53	Somerset County Council	1,394.00
241.20	Police and Crime Commissioner for Avon & Somerset	251.20
90.00	Devon & Somerset Fire & Rescue Authority	91.79
177.11	South Somerset District Council	182.11
1,861.84		1,919.10
100.16	Add Town & Parish Councils (average)	107.77
1,962.00	**Average Council Tax Levy at Band D**	**2,026.87**

2. Council Tax Surplus/Deficit on collection fund

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

3. Income collectable from business rate payers

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

Previous Year 2021/22		**Current Year 2022/23**
	National Non-Domestic Rates (NNDR)	
£120,548,122	Rateable value at 31st March	£120,623,415
	NNDR rate poundage	
51.2p	- National Multiplier	51.2p
49.9p	- Small Business Multiplier	49.9p

4. Debtors for Local Taxation

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

Previous Year 2021/22 £'000	**Period**	**Business Rates £'000**	**Council Tax £'000**	**Total 2022/23 £'000**
1,579	Less than 2 months	847	732	1,579
569	2 to 4 months	311	259	569
537	4 to 6 months	186	351	537
838	6 to 12 months	487	351	838
2,196	More than 12 months	1,065	1,131	2,196
5,720	**Total**	**2,896**	**2,824**	**5,720**

Group Accounts

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

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

The council has three subsidiaries: SSDC Business Solutions Ltd, Elleston Services Ltd and SSDC Opium Power Ltd.

SSDC Business Solutions Ltd is a wholly owned subsidiary and the parent company of Elleston Services Ltd. SSDC Business Solutions Ltd has not been consolidated in the group accounts and the council are in the process of finalising the closure of this parent company.

Elleston Services Ltd

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

The board consists of directors appointed by South Somerset District Council. Elleston Services Ltd has not been consolidated into the Group accounts for 2022/23 as the company did not trade and the council are in the process of finalising the closure of the company.

SSDC Opium Power Limited

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

The Board consists of five directors, J H Dobson; D Owen; P W Ashton; J Divall and R Orrett

SSDC Opium Power Ltd wholly owns two further companies which are Fareham Energy Reserve Limited and Fareham Energy Reserve 2 Limited.

Group Accounting Policies

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

Subsidiaries

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

Basis of the Preparation of the Group Financial Statements

The Group accounts have been prepared using the Group accounts requirements of the 2022/23 Code. Companies or other reporting entities that are under the ultimate control of the council have been included in the council's Group accounts, to the extent that they are material to the users of the financial statements in relation to their ability to see the complete economic activities of the council and its exposure to risk through interests in other entities and participation in their activities. The subsidiaries have been consolidated by:

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

Group Comprehensive Income and Expenditure Statement

(Brackets represent income)

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

Restated Gross Expenditure year ended 31 March 2022	**Restated Gross Income year ended 31 March 2022**	**Restated Net Cost of Services year ended 31 March 2022**	**Service**	**Note Number**	**Gross Expenditure year ended 31 March 2023**	**Gross Income year ended 31 March 2023**	**Net Cost of Services year ended 31 March 2023**
£'000	**£'000**	**£'000**			**£'000**	**£'000**	**£'000**
2,092	(281)	1,810	Chief Executive		2,836	0	2,836
17,137	(7,519)	9,618	Director of Commercial Services and Income Generation		12,489	(12,196)	293
51,303	(34,908)	16,395	Director of Service Delivery		47,048	(40,670)	6,378
4,778	(557)	4,221	Director of Strategy and Support		13,300	(2,040)	11,260
14,020	(10,002)	4,018	Director of Place & Recovery		6,712	(262)	6,450
1,481	(1,518)	(37)	Subsidiary Companies		3,967	(9,604)	(5,637)
90,811	**(54,785)**	**36,025**	**Cost of Services**		**86,352**	**(64,772)**	**21,580**
5,881	(700)	5,181	Other Operating expenditure	2	[redacted]	[redacted]	5,949
14	0	14	Net Loss/(Gain) on Disposal of Property, Plant and Equipment		[redacted]	[redacted]	(750)
2,382	(1,032)	1,350	Financing and Investment Income and Expenditure		[redacted]	[redacted]	(7,274)
0	(31,617)	(31,617)	Taxation and Non-Specific Grant Income		[redacted]	[redacted]	(20,948)
99,088	**(88,134)**	**10,953**	**(Surplus)/Deficit on Provision of Services**		**79,882**	**(87,543)**	**(1,443)**
		(11,701)	(Surplus)/Deficit on revaluation of Property, Plant and Equipment				(2,706)
		(2,117)	(Surplus)/Deficit on revaluation of Pooled Funds				2,275
		17,034	Remeasurement of the Net Defined Benefit Liability				(65,462)
		(12)	Share of Other Income and Expenditure of Joint Operations				0
		3,204	**Other Comprehensive Income and Expenditure**				**(65,893)**
		14,157	**Total Comprehensive Income and Expenditure**				**(67,336)**

Group Movement in Reserves Statement

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

	Total General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Joint Operations Reserves	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**	Authorities share of subsidiary (Usable)	Authorities share of subsidiary (Unusable)	**Total Authorities share of subsidiary**	Minority Interest	**Total Group Reserves**
	£'000	£'000	£'000	£'000	**£'000**	£'000	**£'000**	£'000	£'000	£'000	£'000	**£'000**
Balance at 31 March 2021	**(42,275)**	**(18,222)**	**(7,785)**	**(650)**	**(68,932)**	**76,903**	**7,971**	**1,003**	**(2,625)**	**(1,622)**	**(1,622)**	**4,728**
Movement in reserves during 2021/22:												
Total Comprehensive Income and Expenditure	**1,314**	**0**	**0**	**68**	**1,382**	**(33,689)**	**(32,307)**	**(887)**	**(10,149)**	**(11,036)**	**(11,036)**	**(54,380)**
Adjustments between accounting basis and funding basis under regulations (note 9)	**(2,640)**	**11,548**	**(2,651)**	**0**	**6,257**	**(6,257)**	**0**	**0**	**0**	**0**	**0**	**0**
Net Increase/Decrease before transfers to Earmarked Reserves	**(1,326)**	**11,548**	**(2,651)**	**68**	**7,639**	**(39,946)**	**(32,307)**	**(887)**	**(10,149)**	**(11,036)**	**(11,036)**	**(54,380)**
Transfers to/from Earmarked Reserves (note 32)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**		**0**
(Increase)/Decrease in 2020/21	**(1,326)**	**11,548**	**(2,651)**	**68**	**7,639**	**(39,946)**	**(32,307)**	**(887)**	**(10,149)**	**(11,036)**	**(11,036)**	**(54,380)**
Balance at 31 March 2022	**(43,601)**	**(6,674)**	**(10,436)**	**(582)**	**(61,294)**	**36,957**	**(24,337)**	**116**	**(12,774)**	**(12,658)**	**(12,658)**	**(49,653)**
Movement in reserves during 2022/23:	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total Comprehensive Income and Expenditure	**2,490**			**582**	**3,072**	**(67,879)**	**(64,807)**	**(2,066)**	**1,987**	**(80)**	**(80)**	**(64,967)**
Adjustments between accounting basis and funding basis under regulations (note 9)	**2,765**	**(3,333)**	**2,364**		**1,795**	**(1,795)**	**0**			**0**		**0**
Net Increase/Decrease before transfers to Earmarked Reserves	**5,255**	**(3,333)**	**2,364**	**582**	**4,867**	**(69,674)**	**(64,807)**	**(2,066)**	**1,987**	**(80)**	**(80)**	**(64,967)**
Transfers to/from Earmarked Reserves (note 32)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**				**0**
(Increase)/Decrease in 2022/23	**5,255**	**(3,333)**	**2,364**	**582**	**4,867**	**(69,674)**	**(64,807)**	**(2,066)**	**1,987**	**(80)**	**(80)**	**(64,967)**
Balance at 31 March 2023	**(38,346)**	**(10,008)**	**(8,073)**	**0**	**(56,427)**	**(32,717)**	**(89,144)**	**(1,950)**	**(10,787)**	**(12,738)**	**(12,738)**	**(114,619)**

Group Balance Sheet (Brackets represent liabilities)

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

As at 31 March 2022		**Note No.**	**As at 31 March 2023**	
£’000			**£’000**	**£’000**
110,631	Property, Plant & Equipment	2	123,679	
89,967	Investment Properties		98,719	
408	Intangible Assets		292	
581	Investment in Joint Operations		0	
490	Assets Held for Sale		490	
1,792	Heritage Assets		1,792	
1,497	Fixed Asset Invesments		1,497	
0	Long Term Investments		36,567	
4,053	Long Term Debtors	3	(37,001)	
209,419	**TOTAL LONG TERM ASSETS**			**226,036**
40,501	Short Term Investments		21,674	
3,434	Inventories		1,010	
7	Trade Debtors		0	
27,012	Short Term Debtors		28,197	
1,527	Cash & Cash Equivalents	4	2,813	
309	Bank Accounts		676	
72,791	**CURRENT ASSETS**			**54,370**
(128,500)	Short term Borrowing		(131,500)	
(1,002)	Bank Overdraft		0	
(23,129)	Third Party Cash		(1,111)	
(282)	Trade Creditors		(2,806)	
(1)	Short term Creditors	5	(11,717)	
(152,913)	**CURRENT LIABILITIES**			**(147,134)**
(5,970)	Provisions	6	(1,925)	
(39)	Developers Contributions Deferred		(6,070)	
0	Long Term Liabilities – Creditors		(32)	
(72,506)	Long Term Liabilities – Finance Lease		0	
0	Liability related to defined benefit pension scheme		(10,627)	
(78,515)	**LONG TERM LIABILITIES**			**(18,654)**
50,781	**NET ASSETS**			**114,618**
5,987	Usable Reserves		82,915	
(35,119)	Usable Reserve – Share in Joint Operations		0	
7,524	Unusable Reserves		31,723	
12,400	Unusable Reserves – Minority Interest		(20)	
(9,208)	**TOTAL RESERVES**			**114,618**

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

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

Year Ended 31 March 2022 £'000		Year Ended 31 March 2023 £'000
302	Net surplus/(deficit) on the provision of services	**1,443**
14,232	Adjustments to net surplus or deficit on the provision of services for non-cash movements (note 7)	**(3,149)**
(4,815)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	**(8,150)**
9,719	**Net cash flows from operating activities**	**(9,855)**
(40,910)	Investing Activities (note 8)	**9,214**
30,495	Financing Activities	**3,000**
(696)	**Net increase or decrease in cash and cash equivalents**	**2,359**
1,531	Cash and Cash Equivalents (including bank overdraft) at 1 April	**835**
835	**Cash and Cash Equivalents (including bank overdraft) at 31 March**	**3,193**

Notes to the Group Financial Statements

1. Financing and investment income and expenditure

Previous year 2021/22 £'000		Current year 2022/23 £'000
850	Interest Payable and similar charges	3,166
2,020	Net interest on the net defined benefit liability	1,838
(122)	(Surplus)/Deficit on Trading Undertaking (note 39)	(80)
(6,678)	(Surplus)/Deficit on Investment Properties (note 18)	(15,469)
(3,930)	**Total Financing and Investment Expenditure**	**(10,545)**
(3,527)	Interest receivable and similar income	(2,947)
(7,457)	**Total Financing and Investment Income and Expenditure**	**(13,492)**

2. Property, Plant and Equipment

Movement in 2022/23:

	Total Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Assets Under Construction £0'00	Infrastructure Assets £'000	Community Assets £'000	Total Property Plant & Equipment £'000
Cost or Valuation						
As at 1 April 2021	45,242	69,712	1,120	832	0	116,906
Additions	2,384	1,115	0	0	4,411	7,910
Disposals	0	(46)	0	0	0	(46)
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	15,633	(11)	0	57	0	15,679
Revaluation Increases/(decreases) recognised in the surplus/deficit on the provision of Services	(1,273)	(1,987)	0	0	0	(3,259)
Impairment (losses)/reversals recognised in the surplus/deficit on the provision of services	(359)	0	0	0	0	(359)
Reclassification - Other	(0)	0	0	0	0	0
As at 31 March 2022	**61,627**	**68,783**	**1,120**	**889**	**4,411**	**136,830**
Accumulated Depreciation						
As at 1 April 2021	(2,026)	(3,521)	(185)	0	0	(5,732)
Depreciation charge	(1,421)	(2,340)	(16)	0	0	(3,777)
Depreciation written out to the surplus/deficit on the Provision of Services	737	85	0	0	0	822
Derecognition – Disposals	0	33	0	0	0	33
Derecognition – Reclassification	0	0	0	0	0	0
Indexation Adjustment	(1,373)	0	0	0	0	(1,373)
As at 31 March 2023	**(4,084)**	**(5,743)**	**(201)**	**0**	**0**	**(10,028)**
Net Book Value						
At 31 March 2022	**57,543**	**63,040**	**919**	**889**	**4,411**	**126,802**
At 31 March 2021	**43,215**	**13,030**	**0**	**929**	**812**	**57,986**

Comparative movement in 2021/22:

	Total Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Assets Under Construction £0'00	Infrastructure Assets £'000	Community Assets £'000	Total Property Plant & Equipment £'000
Cost or Valuation						
As at 1 April 2021	60,058	16,024	0	1,097	812	77,991
Additions	3,469	9,878	0	23	20	13,390
Disposals	(464)	(301)	0	0	(0)	(765)
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	(517)	(12)	0	0	0	(529)
Revaluation Increases/(decreases) recognised in the surplus/deficit on the provision of Services	(353)	28,081	0	0	0	27,728
Impairment (losses)/reversals recognised in the surplus/deficit on the provision of services	(1,194)	(258)	0	0	0	(1,452)
Reclassification - Other	(16,290)	16,290	0	0	0	0
As at 31 March 2022	**44,709**	**69,701**	**0**	**1,120**	**832**	**116,362**
Accumulated Depreciation						
As at 1 April 2021	(2,017)	(2,948)	0	(168)	0	(5,134)
Depreciation charge	(1,364)	(1,019)	0	(16)	0	(2,399)
Depreciation written out to the surplus/deficit on the Provision of Services	1,310	331	0	0	0	1,641
Derecognition – Disposals	45	115	0	0	0	160
Derecognition – Reclassification	0	0	0	0	0	0
As at 31 March 2022	**(2,026)**	**(3,521)**	**0**	**(185)**	**0**	**(5,732)**
Net Book Value						
At 31 March 2022	**42,682**	**66,180**	**0**	**936**	**832**	**110,630**
At 31 March 2021	**58,041**	**13,030**	**0**	**929**	**812**	**72,812**

3. Long term debtors

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

31 March 2022 £'000		**31 March 2023 £'000**
1,610	Loans	(714)
0	Mortgages	0
268	Rights to receipts – long term lease	268
9	Car/bike/learning loans	12
1,887	**Total Long Term Debtors**	**(434)**

4. Short term debtors

31 March 2022 £'000		31 March 2023 £'000
9,771	Central Government Bodies	8,747
8,405	Other Local Authorities	2,324
2	NHS Bodies	9
10,134	Other Entities and Individuals	17,116
28,312	**Total Short Term Debtors**	**28,197**

5. Trade Creditors

Trade Creditors are found on the Balance Sheet of the three companies.

6. Provisions

31 March 2022 £'000		31 March 2023 £'000
(683)	Business Rates Provisions for Appeals	(703)
(88)	MMI Provision	(88)
9	Provision for Group Liabilities	(1,134)
(761)	**Total Provisions**	**(1,925)**

7. Cash Flow Statement – Operating activities

The cash flows for operating activities include the following items:

Previous year 2020/21 £'000		Current Year 2021/22 £'000
1,599	Interest received	835
(1,092)	Interest paid	(5,998)
506	**Net Cash Flows from Operating Activities relating to interest**	**(5,163)**

Previous year 2021/22 £'000		Current Year 2022/23 £'000
1,159	Depreciation and amortisation	4,177
1,340	Impairment and downward valuations	895
(510)	Movement in market value of investment property	(3,371)
(3,449)	Increase/(decrease) in creditors	(23,897)
4,687	(Increase)/decrease in debtors	5,806
1,489	(Increase)/decrease in inventories	2,880
904	Increase/(decrease) in developer contributions	337
33	Increase/(decrease) in provisions	524
4,517	Movement in pension liability	7,419
605	Carrying amounts of non-current assets and non-current assets held for sale, sold or derecognized	2,080
10,774	**Total Adjustments for Non-Cash Movements**	**(3,149)**

Previous year 2020/21 £'000		Current Year 2021/22 £'000
(4,815)	Proceeds from the sale of property, plant and equipment and intangible assets	(8,150)
(4,815)	**Total Adjustments for Investing and Financing Activities**	**(8,150)**

8. Cash Flow Statement – Investing activities

Previous year 2020/21 £'000		Current Year 2021/22 £'000
(14,396)	Purchase of property, plant and equipment, investment property and intangible assets	(10,774)
(93,810)	Purchase of short-term and long-term investments	(3,012)
(7,388)	Other payments for investing activities	(135)
4,815	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0
79,260	Proceeds from sale of short-term and long-term investments	24,117
0	Other receipts from investing activities	(983)
(31,519)	**Net Cash Flows from Investing Activities**	**9,214**

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

Glossary of Terms

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

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

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

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

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

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

Annual Governance Statement (AGS)
sets out the arrangements the authority has put in place to manage and mitigate the risks it faces when meeting its responsibilities.

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

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

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

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

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

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

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

Balances
is the accumulated surplus of revenue income over expenditure.

Balance Sheet
is a financial statement summarizing the council’s assets, liabilities and other balances at the end of each

accounting period.

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

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

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

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

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

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

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

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

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

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

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

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

Central Government Grants
comprise three types:

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

CIPFA
is the Chartered Institute of Public Finance and Accountancy.

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

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

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

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

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

Comprehensive Income and Expenditure Statement (CIES)
consolidates all the gains and losses experienced by an authority during the financial year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Housing Benefits

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Money Market Funds

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

Movement in Reserves Statement (MIRS)
shows the movement in the year on the different reserves held by the council, analysed into 'usable reserves' and 'unusable reserves'.

National Non-Domestic Rate (NNDR) Income (also known as Business Rates)
Business Rates are collected locally, some of which is retained, and some is paid to Somerset County Council, Devon & Somerset Fire and Rescue, Central Government and Mendip District Council as lead authority of the Somerset Pool

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

Net Current Replacement Cost
is the cost of replacing an asset in its existing condition and use.

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

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

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

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

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

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

Operating Leases
are all leases which are not finance leases.

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

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

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

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

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

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

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

Related Parties
are when at any time during the financial period: -

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

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

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

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

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

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

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

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

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

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

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

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