

# Public Agenda Pack



Notice of Meeting of

## **AUDIT COMMITTEE**

**Thursday, 26 October 2023 at 10.00 am**

**Luttrell Room - County Hall, Taunton TA1 4DY**

To: The members of the Audit Committee

Chair: Councillor Mike Hewitson

Vice-chair: Councillor Andy Sully

Councillor Steve Ashton

Councillor Simon Carswell

Councillor Norman Cavill

Councillor Simon Coles

Councillor Habib Farbahi

Jennifer Whitten

Councillor Lee Baker

Councillor Mike Caswell

Councillor Mandy Chilcott

Councillor Shane Collins

Councillor Tim Kerley

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All members of the public are welcome to attend our meetings and ask questions or make a statement **by giving advance notice** in writing or by e-mail to the Monitoring Officer at email: [democraticserviceteam@somerset.gov.uk](mailto:democraticserviceteam@somerset.gov.uk) by **5pm on Friday, 20 October 2023**.

This meeting will be open to the public and press, subject to the passing of any resolution under the Local Government Act 1972, Schedule 12A: Access to Information.

The meeting will be webcast and an audio recording made.

Issued by (the Proper Officer) on Wednesday, 18 October 2023

# **AGENDA**

**Audit Committee - 10.00 am Thursday, 26 October 2023**

**Public Guidance Notes contained in Agenda Annexe (Pages 7 - 8)**

**Click here to join the online meeting (Pages 9 - 10)**

## **1 Apologies for Absence**

To receive any apologies for absence.

## **2 Declarations of Interest**

To receive and note any declarations of interests in respect of any matters included on the agenda for consideration at this meeting.

(The other registrable interests of Councillors of Somerset Council, arising from membership of City, Town or Parish Councils and other Local Authorities will automatically be recorded in the minutes: [City, Town & Parish Twin Hatters - Somerset Councillors 2023](#) )

## **3 Minutes from the Previous Meeting (Pages 11 - 18)**

To approve the minutes from the previous meeting.

## **4 Public Question Time**

The Chair to advise the Committee of any items on which members of the public have requested to speak and advise those members of the public present of the details of the Council's public participation scheme.

For those members of the public who have submitted any questions or statements, please note, a three minute time limit applies to each speaker and you will be asked to speak before Councillors debate the issue.

We are now live webcasting most of our committee meetings and you are welcome to view and listen to the discussion. The link to each webcast will be available on the meeting webpage, please see details under 'click here to join online meeting'.

**5 To confirm the appointment of a new Independent Member of the Audit Committee**

To receive a verbal update from the Executive Director – Resources & Corporate Services.

**6 External Audit Report on Value for Money letter to Somerset Council on 2023/24 Financial Stability (Pages 19 - 30)**

A letter to Somerset Council over the financial challenges and risks that Somerset Council are facing to financial sustainability in the short and medium term.

**7 Internal Audit Progress Report for Somerset council 2023/24 (Pages 31 - 46)**

Progress report from SWAP on the status of the current Internal Audit Plan, noting any high risks identified since the last report.

**8 External Audit Findings Report for South Somerset District Council 2021/22 (Pages 47 - 194)**

To consider the external auditor's report on the planned scope and timing of the statutory audit for South Somerset District Council 2021/22 Statement of Accounts for those charged with governance.

**9 External Audit Findings Report for Somerset West & Taunton 2022/23 (Pages 195 - 344)**

To consider the external auditor's report on the planned scope and timing of the statutory audit for Somerset West & Taunton Council 2022/23 Statement of Accounts for those charged with governance.

9(b) Audit Findings Report from Grant Thornton - to follow.

**10 External Audit Update for Sedgemoor District Council 2021/22**

To receive a verbal update on the external audit timetable and audit work undertaken, and any outstanding matters on completion of the Statements of Accounts.

**11 Strategic Risk Management Update Report (Pages 345 - 368)**

To consider this report.

**12 Audit Committee Work Plan to May 2024 (Pages 369 - 374)**

To consider and comment on the Committee's forward work programme.

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## Guidance notes for the meeting

### Council Public Meetings

The legislation that governs Council meetings requires that committee meetings are held face-to-face. The requirement is for members of the committee and key supporting officers (report authors and statutory officers) to attend in person, along with some provision for any public speakers. Provision will be made wherever possible for those who do not need to attend in person including the public and press who wish to view the meeting to be able to do so virtually.

#### Inspection of Papers

Any person wishing to inspect minutes, reports, or the background papers for any item on the agenda should contact Democratic Services at [democraticserviceteam@somerset.gov.uk](mailto:democraticserviceteam@somerset.gov.uk) or telephone 01823 357628.

They can also be accessed via the council's website on [Committee structure - Modern Council \(somerset.gov.uk\)](#)

### Members' Code of Conduct requirements

When considering the declaration of interests and their actions as a councillor, Members are reminded of the requirements of the Members' Code of Conduct and the underpinning Principles of Public Life: Honesty; Integrity; Selflessness; Objectivity; Accountability; Openness; Leadership. The Code of Conduct can be viewed at: [Code of Conduct](#)

### Minutes of the Meeting

Details of the issues discussed, and recommendations made at the meeting will be set out in the minutes, which the Committee will be asked to approve as a correct record at its next meeting.

### Public Question Time

If you wish to speak or ask a question about any matter on the Committee's agenda please contact Democratic Services by 5pm providing 3 clear working days before the meeting. (for example, for a meeting being held on a Wednesday, the deadline will be 5pm on the Thursday prior to the meeting) Email [democraticserviceteam@somerset.gov.uk](mailto:democraticserviceteam@somerset.gov.uk) or telephone 01823 357628.

Members of public wishing to speak or ask a question will need to attend in person or if unable can submit their question or statement in writing for an officer to read out, or alternatively can attend the meeting online.

A 20-minute time slot for Public Question Time is set aside near the beginning of the meeting, after the minutes of the previous meeting have been agreed. Each speaker will have 3 minutes to address the committee.

You must direct your questions and comments through the Chair. You may not take a direct part in the debate. The Chair will decide when public participation is to finish. If an item on the agenda is contentious, with many people wishing to attend the meeting, a representative should be nominated to present the views of a group.

### **Meeting Etiquette for participants**

Only speak when invited to do so by the Chair.

Mute your microphone when you are not talking.

Switch off video if you are not speaking.

Speak clearly (if you are not using video then please state your name)

If you're referring to a specific page, mention the page number.

There is a facility in Microsoft Teams under the ellipsis button called turn on live captions which provides subtitles on the screen.

### **Exclusion of Press & Public**

If when considering an item on the agenda, the Committee may consider it appropriate to pass a resolution under Section 100A (4) Schedule 12A of the Local Government Act 1972 that the press and public be excluded from the meeting on the basis that if they were present during the business to be transacted there would be a likelihood of disclosure of exempt information, as defined under the terms of the Act.

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Minutes of a Meeting of the Audit Committee held in the Luttrell Room - County Hall, Taunton TA1 4DY, on Thursday, 28 September 2023 at 10.00 am

**Present:**

Cllr Mike Hewitson (Chair)  
Cllr Andy Sully (Vice-Chair)

Cllr Steve Ashton  
Cllr Mike Caswell  
Cllr Mandy Chilcott  
Cllr Habib Farbahi

Cllr Simon Carswell  
Cllr Norman Cavill  
Cllr Simon Coles  
Cllr Tim Kerley

**25 Declarations of Interest** - Agenda Item 1

There were none.

**26 Apologies for Absence** - Agenda Item 2

Apologies were received from Councillor Lee Baker.

**27 Minutes from the Previous Meeting** - Agenda Item 3

Councillor Simon Coles proposed the approval of the minutes held on 29 June 2023 which was seconded by Councillor Andy Sully.

Having been duly proposed and seconded the Audit Committee **RESOLVED** to confirmed as a correct record.

**28 Public Question Time** - Agenda Item 4

There were no members of the public registered to speak.

**29 External Audit Update for South Somerset District Council 2021-22** - Agenda Item 5

Barrie Morris, Director and PSA Head of Audit Quality - Regulation, Audit at Grant Thornton introduced the report highlighting that the list of outstanding work to be completed had greatly progressed and as at the date of the meeting the areas where work was still outstanding had been greatly reduced. He maintained that the aim was to sign the audit opinion at the next audit meeting in October.

Beth Bowers, Public Sector Audit Senior Manager, Audit, then presented the report

and highlighted the material adjustment which needed to be made to the net pension liability and that the new IS19 report was currently being processed in the financial statements.

Councillor Simon Coles queried whether the Council would be put into a bad light as the accounts would not be submitted in time and was assured that this was a national issue and not just down to the auditors.

The Chair queried if this posed a major risk in terms of governance and was assured that, despite this being a risk as the accounts were still open and if there were some new national changes to things, the focus on the team was to get the accounts across the line as soon as possible and regular updates would be provided. He confirmed that the support from the audit team had been really helpful to get these done.

Councillor Farbahi queried the income and expenditure figures and was assured by the finance team that the Council did have assurance around the figures which they were taking forward into the new Council.

Councillor Liz Leyshon commended the hard work and determination of both the internal and external audit teams on completing the work of the predecessor councils and was confident that it seemed as if Somerset Council would start in a much better position than other Councils in the same position.

After some deliberations surrounding the voluminous agenda it was agreed that in the meetings ahead verbal updates on work which was outstanding would rather be given than presenting the whole of the report.

Councillor Chilcott further queried the MRP (Minimum Revenue Provision) contributions matched by loan repayments and it was verified that the loans were being made by a 3<sup>rd</sup> party and repayments were made by a different accounting mechanism rather than MRP.

Councillor Chilcott queried the audit fees and it was pointed out that these were amounts which were agreed with PSAA (Public Sector Audit Announcements) as the formal fee variations and they had been rounded off to the nearest £50 for presentation purposes.

Councillor Andy Sully queried the debtors which the Council had carried forward relating to elections and asked whether the debt had been paid and how this was substantiated. It was agreed that a written response would be provided.

The Audit Committee noted the update report and the expected sign off date of 26<sup>th</sup> October 2023 as well as the additional fees.

**30 External Update and Audit Conclusion for Sedgemoor District Council 2021-22**  
- Agenda Item 6

David Johnson, Audit Manager at Grant Thornton introduced the report and pointed out that the delay in the 2021-22 audit was as a result of issues with the 2020-21 audit. These were reflected in the small amounts of adjustments in this report.

After some discussions it was identified that some additional/refresher training would be welcomed on HRA (Housing Revenue Account), especially in terms of capital valuation.

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Councillor Mandy Chilcott referred to the housing underspend and asked what happened to that as it could have been used to help communities.

The S151 Officer undertook to research the history of this to find out what happened.

-  
The Audit Committee noted the Sedgemoor Statement of Accounts 2021-22.

The Audit Committee noted the Audit Findings Report and additional fees.

The Audit Committee noted the Sedgemoor District council Letter of Representation 2021-22 subject to the change of date which was an error on the letter.

**31 External Audit Plan for Sedgemoor District Council 2022-23** - Agenda Item 7

David Johnson, Audit Manager at Grant Thornton, introduced his report and highlighted pertinent risks.

Councillor Mandy Chilcott asked for some clarification on RAAC as it was an unknown at the time of the audit but was mentioned in the Audit Plan.

Mr Johnson agreed that, albeit RAAC was unknown at the time of the audit, it fell into the same premise as the triannual review because the accounts were still open. He conceded that, despite not knowing the risks previously, and there was no consideration done on that, he would undertake to find out if it would affect the value of the assets and provide a written response on email.

Following deliberations surrounding value for money, the transition to a unitary council and statutory compliance it was confirmed that the accounts would be

closed down as soon as possible.

The Audit Committee noted the external Audit Plan for Sedgemoor District Council for 2022/23.

**32 External Update for Somerset Pension Fund 2022-23 - Agenda Item 8**

Liam Royle, Public Sector Audit Manager at Grant Thornton introduced his report and reported that the most pressing item was of the previously outstanding testing which had now been largely completed.

There was one significant point which was still outstanding of the IT work. The council was changing its IT system to use SAP, which was still ongoing, and they were waiting for that to be completed. Grant Thornton were still waiting for the IT Audit findings report for the Somerset Council which would include the finance system element for the Pension Fund.

There was also other IT work which was not completed and contributed to the completion of the Pension Fund findings report which Grant Thornton were still waiting for.

The Audit Committee noted the Pension Fund Report.

The Audit Committee noted the audited accounts of the Pension Fund for 2022-23.

The Audit Committee noted the letter of representation which would be formally signed along with the Somerset County Council letter of representation on the completion of the Somerset County Council audit.

**33 External Audit Update Report and Mendip District Council Statement of Accounts 2021-22 - Agenda Item 9**

The Deputy Corporate Financial Advisor, Duncan Moss, introduced the report which gave an overview of the legacy Mendip District financial position and income and expenditure for the year.

Keven Suter from the external Auditors, Ernst & Young, were happy with the changes presented and there was nothing further to discuss as the Statement of Accounts were unqualified and there were no notable findings.

Councillor Sully noted that the MRP was not taken into account for investment properties in the past and queried whether they would do this in the future.

It was explained that the previous S151 Officer of Mendip District Council, Richard

Bates, agreed a MRP for investment properties and there was an MRP charge going through the investment properties but it was not the whole charge. Going forward this would align to Somerset Council MRPs policy.

Councillor Mandy Chilcott welcomed the reserves and mentioned that it was helpful and positive and the Chair congratulated the auditors and the legacy district for good financial standing.

- Councillor Simon Coles proposed the approval of the Statement of Accounts for 2021/22 which was seconded by Councillor Tim Kerley.

Having been duly proposed and seconded the Audit Committee **RESOLVED** to approve the Statement of Accounts for 2021/22.

- Councillor Simon Coles proposed to agree the changes to the Annual Governance Statement for 2021/22 which was seconded by Councillor Tim Kerley.

Having been duly proposed and seconded the Audit Committee **RESOLVED** to agree the changes to the Annual Governance Statement for 2021 -22.

- Councillor Simon Coles proposed the consideration of the reports from the external Auditors Ernst &Young which was seconded by Councillor Andy Sully.

Having been duly proposed and seconded the Audit Committee **RESOLVED** to agree of the reports from the external Auditors Ernst &Young.

### **34 Internal Audit Plan Progress Report for Somerset Council 2023-24 - Agenda Item 10**

Alastair Woodland, Assistant Director SWAP Audit, introduced his report and highlighted the enhancements made to the internal audit process by the introduction of a new dashboard which allowed officers and management to have access to live data on the implementation of agreed actions.

He further went through the planned audit work for Somerset Council's key strategic risks and that they were being managed and mitigated down.

In response to questions regarding schools, Mr Woodland confirmed that there is work being done around schools and schools balances. He confirmed that there were working groups in place working with the schools to try and get them to a more sustainable budget position. He gave his assurance that there would be further reports surrounding this at different Committees.

The Audit Committee noted the position of the 2023-24 Internal Audit Plan and the governance risk and control matters raised in the report since the previous update in June 2023.

### **35 Strategic Risk Management Update - Agenda Item 11**

Pam Pursley, Somerset Council Risk Manager, introduced her report and highlighted the risks which had been added since the last update in June 2023.

A new risk which was added was about general housing.

The other new risk was about LCNs (Local Community Network meetings) and the commitments of the business case to roll out the LCNs.

She further confirmed that the adult social care transition was a medium risk.

Councillor Andy Sully requested for the risk report to rate the highest rated risk first. Councillor Liz Leyshon undertook to find out how much progress had been made on the business plan and when it could be expected to come forward and she would get back to the committee.

- Councillor Mandy Chilcott proposed that all reports should have an enhanced section for the identification of risk and that:
  - the risk assessment matrix be included in the guidance for report authors;
  - the risk section in reports should include a table to record the risk and show the risk assessment score (in colour) and to get an update on progress at each audit meeting until resolved.

This was seconded by Councillor Norman Cavill.

Having been duly proposed and seconded the Audit Committee **RESOLVED** to approve the risk assessment matrix be included in the guidance for report authors and the risk section in reports should include a table to record the risk and show the risk assessment score (in colour) and to get an update on progress at each audit meeting until resolved.

- The Chair proposed that a referral be made to the Constitution and Governance Committee for them to consider the merit of introducing on the report template an assessment of the economic impact to business cases when deciding the success or failure of projects which was seconded by Mandy Chilcott.

Having been duly proposed and seconded the Audit Committee **RESOLVED** that a referral be made to the Constitution and Governance Committee for them to



consider the merit of introducing on the report template an assessment of the economic impact to business cases when deciding the success or failure of projects.

- The Audit Committee noted the current strategic risk management report and the ongoing work to continue to develop the risk management function of the Council.

**36 Audit Committee Work Plan to May 2024 - Agenda Item 12**

The Audit Committee noted the Workplan and **RESOLVED:-**

- To ascertain whether additional meetings were going to be needed to avoid another voluminous agenda.
- To ensure that the workplan and agendas have the same headings on them.
- To not include papers which do not need decisions on the agenda rather verbal updates be given.

**37 Any other business - Agenda Item 13**

There was none.

**The meeting ended at 12:47**

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**CHAIR**

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Audit Committee  
Meeting Date – 26<sup>th</sup> October 2023



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## **Somerset Council - Financial Sustainability**

Lead Member(s): Liz Leyshon  
Local Member(s) and Division: Resources & Corporate Services  
Lead Officer: Jason Vaughan  
Author: Jason Vaughan  
Contact Details: jason.vaughan@somerset.gov.uk

### **Summary**

1. On the 26<sup>th</sup> of September 2023, I wrote to Nico Heslop at the Department for Levelling Up, Housing and Communities regarding the financial challenges that the council faces. A copy of the letter is set out in **Appendix 1**. It shows the very unique challenges that the new Somerset Council faces.
2. I copied the letter to Rob Whiteman, Chief Executive of CIPFA and forwarded copies of the letter to David Hill, Chief Executive of SWAP Internal Audit Services and Barrie Morris, Grant Thornton, our external auditors.
3. On the 27<sup>th</sup> of September, I met with Grant Thornton concerning the value for money audit approach and discussed the letter to DLUHC. This was followed up with a further meeting on the 4<sup>th</sup> of October involving Grant Thornton, Duncan Sharkey, Chief Executive, and myself. As a result of these meetings and the issue that we raised and discussed, Grant Thornton have formally written to Duncan Sharkey concerning the councils Financial Sustainability and the letter is set out in **Appendix 2**.

### **Issue for Consideration / Recommendations**

4. The Audit Committee:
  - 4.1. Considers the issues raised by the Section 151 Officer in his letter to

DLUHC concerning the financial challenges faced by Somerset Council

4.2. Considers the findings from Grant Thornton following the letter to DLUHC concerning Somerset Councils – Financial Sustainability

### **Financial and Risk Implications**

5. Strategic Risk ORG0057 – Sustainable MTFP and Strategic Risk ORG0070 Budget overspend are both on the corporate risk register and both have the highest risk of 25

|         |                  | <b>Likelihood</b> | <b>Impact</b> | <b>Risk Score</b> |
|---------|------------------|-------------------|---------------|-------------------|
| ORG0057 | Sustainable MTFP | 5                 | 5             | 25                |
| ORG0070 | Budget Overspend | 5                 | 5             | 25                |

### **Implications**

6. The Appendices clearly set a wide-ranging financial implication concerning the councils financial standability. The key issues are around: -
- The potential overspend in the current financial year
  - The forecast budget gap for 2024/25 and future years
  - The impact of these upon the Councils reserves

### **Legal Implications**

7. There are no direct legal implications of the recommendations. However, there are wide ranging legal implications of a section 114 notice if the council found itself in the position where one had to be issued.

### **Background Papers**

8. Letter to DLUHC on 26 September 2023

### **Appendices**

- Appendix 1 - Letter from S151 Officer to DLUHC concerning Somerset Council - Financial Challenges
- Appendix 2 - Letter from Grant Thornton concerning the Financial Sustainability of Somerset Council

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Nico Heslop

**Please ask for: Jason Vaughan**

Director Local Government Finance

**Email: Jason.vaughan@somerset.gov.uk**

Department for Levelling Up, Housing  
and Communities

**Direct Dial:**

**Date: 26<sup>th</sup> September 2023**

Dear Nico,

### **Somerset Council – Financial Challenges**

I am aware of the recent articles regarding Somerset Council and its financial position and the headlines speculating about the authority issuing a section 114 notice within the next two years. I thought that it might be helpful if I set out some background and context to this.

#### **New Council**

Somerset Council is 6 months old and was created in April 2023 from combining Mendip, Sedgemoor, Somerset West & Taunton, South Somerset District Councils and Somerset County Council. The senior management staffing structure is in place and we are starting the process to make appointments below the service director level. As is common with newly created unitaries there is significant amalgamation of systems and processes from the 5 predecessor councils which mean staff resources and capacity is very stretched.

#### **Finance System**

With the licence agreement for the county council's SAP finance system ending and the need for a modern system to enable future transformation, a new Microsoft Dynamics finance system has been implemented from April 2023. As with any move to a new finance system it has a significant staffing and resource requirement, but this is even more complex in our situation with moving from the previous 5 finance systems from the predecessor organisations.

#### **Audit of Statement of Accounts**

We inherited several outstanding audits from prior years and have been working with Grant Thornton and EY to complete these. Without having audits completed it is hard to accurately understand the new Council's starting point.

The two outstanding audits from 2020/21, relating to Mendip and Sedgemoor, have now been completed and signed off by the external auditors. There were three outstanding audits from 2021/22 and two of these (Mendip & Sedgemoor) are now completed with the findings being reported to our Audit Committee on 28 September 2023. The one remaining statement of accounts audit for 2021/22 relates to South Somerset and we anticipate this being reported to the October Audit Committee.

All of the 2022/23 Statement of Accounts were published but missed the new end of May deadline which is not a surprise given the number of outstanding audits from prior years, the new Council being created in April and staffing capacity. The 2022/23 Somerset Pension Fund audit has been completed and will be reported to this week's Audit Committee. The audit of Somerset West & Taunton is nearly completed, and we expect this to be reported to the October Audit Committee

The 2022/23 audits for Somerset CC, Sedgemoor and Mendip have just started but the one for South Somerset is obviously delayed until the prior year audit is finalised.

| External Audits                 | 2020/21        | 2021/22                                    | 2022/23                                    |
|---------------------------------|----------------|--|--|
| Somerset County Council         |                |  | Audit started                              |
| Somerset Pension Fund           |                |  | Now signed off                             |
| Mendip District Council         | Now signed off | Now signed off                             | Audit started                              |
| Sedgemoor District Council      | Now signed off | Now signed off                             | Audit started                              |
| Somerset West & Taunton Council |                |  | Except to be reported to October Committee |
| South Somerset District Council |                | Except to be reported to October Committee | Audit to start once 2021/22 completed      |

### 2022/23 Outturn & Reserves Position

The overall outturn for the 5 councils in 2022/23 was a combined overspend of £18.7m made up as follows:

|                                  | 2022/23 Budget £'m | Outturn £'m  | Under/ (Overspend) £'m |
|----------------------------------|--------------------|--------------|------------------------|
| Somerset County Council          | 383.7              | 407.1        | (23.4)                 |
| Mendip District Council          | 19.1               | 18.3         | 0.8                    |
| Sedgemoor District Council       | 9.0                | 6.6          | 2.4                    |
| Somerset West & Taunton Council  | 17.0               | 16.2         | 0.8                    |
| South Somerset District Council  | 19.8               | 19.1         | 0.7                    |
| <b>Somerset Outturn Position</b> | <b>448.6</b>       | <b>467.3</b> | <b>(18.7)</b>          |



The key factors in the position for Somerset CC is overspends in both Adults & Health and Childrens & Families of £15.4m and £21.2m respectively, this position is partly offset by £13.2m underspending across the rest of the council.

The total reserves at the start of 2023/24 for Somerset Council were £314.8m. However, £131.2m of this relates to reserves held on behalf of others such as Somerset Rivers Authority, Heart of the South West LEP, Health and Schools. The 2023/24 budget included £19.9m use of reserves being made up of £9.9m for once off funding to support projects and £10m to balance the budget. After taking account of these and other commitments the current position is General Reserves of £49.8m. this is at the high end of our risk-based assessment of General Reserves of between £30m and £50m but is reflective of the significant risks the council currently faces. Total Earmarked Reserves are £104.9m and we are currently undertaking a review of all of them to identify if any can be released and repurposed.

### **2023/24 Budget Monitoring**

We formally report the budget monitoring position to both Scrutiny and the Executive on a monthly basis. Our latest revenue budget monitoring report (Month 5 – End of August) is forecasting an overspend of £30.3m for the year which is a deterioration of £4.2m on the previous month. There are significant forecast overspends in Adults & Health of £14.9m and Childrens & Families services of 11.8m. These overspends reflect the continuing spiralling costs in these sectors which show no sign of abating.

We have put in a range of measures across the council to try and address the potential overspends but given that Adults & Childrens make up nearly two-thirds of the total budget, I am not confident we will see a significant reduction.

### **Housing Revenue Account (HRA)**

The new unitary has inherited two landlord operating models which now sit under one Housing Revenue Account. The two landlord operating models are an in-house service from Somerset West and Taunton (SWT), and an Arm's Length Management Organisation (ALMO) from Sedgemoor District Council (SDC). The combined total dwelling stock as at 1 April 2023 is 9,665 (5,653 from SWT and 4,012 from SDC). In addition to this we have 599 leasehold properties (489 from SWT and 110 from SDC).

The 2023/24 budget monitoring position for the HRA is currently on track with no major variances. However, the 30-year Business Plan currently projects a deficit by 2029/30.

### **Capital Programme**

Somerset Council inherited a significant capital programme of over £330m plus carry forward of schemes from 2022/23 of £100m bringing the total programme to £430m. A review is underway to try and reduce down the borrowing costs to the council and identify which schemes could be stopped or de-scoped, including two Town Deals (Bridgwater & Glastonbury) and one Levelling Up project (Bridgwater).

## **Commercial Investments**

The new Council inherited a significant commercial portfolio with an initial purchase price of £289m with 85% of this financed by short term borrowing. The valuation of the portfolio at the start of 2023/24 has dropped to just under £220m. A review of the portfolio has been undertaken and a rationalisation process to reduce down the Council's risks has started.

## **Financial Resilience & Sustainability**

I have looked at the OfLOG Local Authority Data Explorer tool to assess the resilience and financial sustainability of the council. Unfortunately, it does not contain any data on Somerset Council, or its predecessors, and this is something that should be considered for newly formed councils. A separate piece of work is therefore being undertaken to help provide some comparative data on the financial resilience and sustainability of the council.

## **Transformation**

With the significant cost pressures in Adult & Health Services a diagnostic review by Newton Europe has been undertaken and in June the Council approved a transformation programme "My Life My Future" to deliver £10m of on-going cost savings.

The focus has been on successfully delivering Local Government Reorganisation and as a result there currently is no council wide transformation programme. This is currently being addressed but does mean that there is not a pipeline of future savings that can be built into the Medium-Term Financial Plan (MTFP).

## **High Needs Block**

At the start of the year the deficit on the High Needs Block was £29.8m and the work that has been undertaken as part of the Delivering Better Value in SEND programme forecast this to significantly increase to around £104.1m by the end of 2025/26. With our relatively low level of reserves this is a significant risk given that the statutory override is due to end at this time.

## **2024/25 Budget Gap & the MTFP**

We have started to review and update our Medium-Term Financial Plan. Our initial forecast for 2024/25 is a budget gap of over £80m and a further £50m for the following year. These figures will be reviewed, challenged, and refined over the next two months but they indicate the significant financial pressures that the council is under.

To help co-ordinate the budget process an MTFP Board has been set up and comprises of all 10 members on the Executive and the officers that form the Executive Leadership Team. The MTFP Board has been meeting on a monthly basis since June.

## **Member Briefings**

A key part of the approach to financial management within the council is to be open and transparent. To help fulfil this and ensure that all 110 Members are fully aware of the financial challenges facing us, a series of Member briefings have been put in place. The first of these was in August where Rob Whiteman from CIPFA kindly came and spoke to

the Members about s114, addressing financial failure and some of the key actions that councils need to consider. A series of Monthly Member Briefings on the Council's finances have been arranged from September through to February, with 2 options each month to allow for both in person and virtual attendance. The September ones took place last week and very clearly set out that without significant and decisive actions the council would be faced with issuing a section 114 notice within the next 18 months.

### **Summary**

I am very keen to work with the Department and keep you informed of the financial difficulties that we are experiencing in Somerset, and I have also copied in Rob Whiteman so that CIPFA are also aware.

We are not in immediate danger of having to issue a section 114 notice but based upon our latest forecast of a significant overspend in the current year and a very sizeable budget gap for next year, I will we need to consider this as part of the 2024/25 budget setting process, unless significant progress is made.

I hope this is helpful in outlining some of the current issues we are dealing with and is the start of an active dialogue with the department about our financial challenges. I believe it would make sense to maintain a dialogue between the Authority and the Department on this issue over the coming months. We would also welcome any input and support the Department can provide. I would very much appreciate discussion about this in the near future if that is possible.

Yours sincerely



**Jason Vaughan**

Executive Director – Resources & Corporate Services (Section 151 Officer)

**Somerset Council**



**A Fairer, Ambitious Somerset**

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Duncan Sharkey  
Chief Executive  
Somerset Council  
County Hall  
Taunton  
Somerset  
TA1 4DY

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17 October 2023

Dear Duncan

### **Somerset Council – Financial Sustainability**

Following recent conversations between Grant Thornton and the Council, I am writing to express our concern over the significant financial challenges that the Council is facing and the risks that they represent to financial sustainability in the short and medium term. I would emphasise that we recognise the open and transparent engagement that both yourself and Jason Vaughan (S151 Officer) have had with us on this matter to date and also that this reflects the emerging position for the new Council five months after its formation on 1 April 2023.

#### **Background**

The Council recognises the significant financial challenges that it faces due to the impact of inflation and increases in demand and cost, particularly in relation to Adults and Childrens Services. The revenue budget forecast for 2023/24 reported to Members in September 2023 was an overspend of £26m. In addition, the medium-term financial strategy report approved in July 2023 forecast funding gaps of £42m in 2024/25 rising to £99m by 2026/27.

Recent medium term financial strategy and budget monitoring reports to Executive raise the risk that a Section 114 Notice will be required in the future. The Section 151 Officer wrote to the Department for Levelling Up, Housing and Communities on 26 September 2023 to highlight the financial challenges that the Council faces and the prospect of issuing a Section 114 Notice unless decisive actions are taken. At this time, the forecast overspend for 2023/24 had increased to £30m and the budget gap for 2024/25 increased to £80m.

Discussions with the Section 151 Officer confirm the risk that a Section 114 Notice could be required as soon as February 2024 if the current forecasts come to fruition and no corrective action is taken. We note that a range of mitigations that are currently being put in place may delay the need for such a notice until after this date.

The Council currently has a General Fund Balance of £50m and £105m of earmarked reserves. Unless the forecast overspend for 2023/24 is mitigated and actions are taken to significantly reduce the budget gap for 2024/25, there is a risk that unsustainable calls will have to be made on reserves, reducing them to levels that are insufficient to manage financial risk and fund service improvements in the future.

#### **Initial findings**

Our recent work and discussions have identified concerns over the Council's financial sustainability. The Council is in the early stages of developing plans to mitigate the financial risks it faces.

- The budget forecast reported to Members for Month 4 2023/24 was a £26m overspend caused by inflation, interest rates and the rising demand and cost of care. Adults Services are forecast to overspend by £12m and Childrens Services by £9m. The forecast overspend had increased to £30m at the time of writing to DLUHC.
- We understand that the pressures in Adults and Childrens are likely to carry forward into 2024/25. The estimated budget gap for 2024/25 is currently £80m, with a further £50m forecast for 2025/26.

- The Council currently has a General Fund Balance of £50m and Earmarked Reserves of £105m. Unless the 2023/24 overspend and 2024/25 budget gap are significantly mitigated these reserves are at risk of reducing to levels that are insufficient to manage financial risk. The prudent range for the General Fund Balance has been determined at between £30m and £50m.
- The Council has implemented recruitment and spending controls to mitigate the 2023/24 overspend.
- The Council has a strategy to reduce the budget gap in future years including a focus on 17 key budget areas, reviewing financial assumptions, and identifying service budget options.
- The Council has set up an MTFP Board, consisting of Executive Members and officers from the Executive Leadership Team to co-ordinate the budget process for 2024/25.
- Currently there is no Council-wide transformation programme or pipeline of savings to address future year budget gaps. The Council intends to bring forward the planned transformation programme to start delivering savings during 2024/25, although due to timing these savings will not be included in the 2024/25 budget.
- The Council is currently revisiting the assumptions driving the budget gap, reviewing whether earmarked reserves can be released to support financial resilience, and developing savings plans. It is anticipated that this work will be completed over the next two months in order for budget options to be presented to the December 2023 meeting of the Executive.

### Our responsibilities

Under the Local Audit and accountability Act 2014 we are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. When considering the Council's arrangements one of the three criteria we must report on is financial sustainability.

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money, that recommendations are made setting out the actions that should be taken by the Council. The Code expects where auditors identify significant weaknesses in arrangements as part of their work, they raise them promptly with those charged with governance.

Whilst there is a risk of significant weakness in arrangements to secure financial sustainability, we recognise that the Council is fully aware of this situation and is in the early stages of implementing solutions to address the financial risks that it faces. We are also mindful that Somerset Council was formed on 1 April 2023 through local government reorganisation, and as a relatively new Council should be allowed sufficient time to develop financial plans and strategies.

Therefore, we are not raising a significant weakness or making key or statutory recommendations at this stage. We will continue to review the developing situation and the progress that the Council makes in mitigating the forecast overspend for 2023/24 and the budget gap for 2024/25. We will give continued consideration of the requirement to issue formal recommendations.

### Next steps

The Council should continue its work to mitigate to 2023/24 budget overspend and bridge the budget gap for 2024/25, ensuring that reserves are maintained at prudent levels proportionate to the significant financial risks that the Council faces. Priority should be given to implementing recurring savings at pace that will benefit current and future years, and in bringing forward the transformation programme to deliver further ongoing efficiencies.

We will continue to closely monitor the Council's financial position as part of our Value for Money work for 2022/23 and consider what actions if any, we take as auditors under the Local Audit and Accountability Act 2014.

Yours sincerely

*Barrie Morris*

Barrie Morris, Engagement Lead  
For Grant Thornton UK LLP

## **Audit Committee**

Meeting Date – 26th October 2023



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## **Progress Report of the 2023-24 Internal Audit Plan**

Executive Member(s): Liz Leyshon – Lead Member for Resources and Performance

Lead Officer: Nicola Hix – Service Director Finance and Procurement

Author: Alastair Woodland – Assistant Director of SWAP Internal Audit Services

Contact Details: Alastair.woodland@SWAPaudit.co.uk

### **Summary / Link to Council Plan**

1. The Internal Audit function plays a central role in corporate governance by providing assurance to the Audit Committee, looking over governance, risk, and internal controls and checking on the probity of the organisation.
2. The 2023-24 Annual Internal Audit Plan is to provide independent and objective assurance on SC's Internal Control Environment. This work will support the Annual Governance Statement.
3. Delivery of the corporate objectives requires strong governance and risk management and effective internal controls. The Internal Audit Plan seeks to provide independent and objective assurance on matters relating to governance, risk and control processes that ultimately ensures delivery of statutory services and corporate aims and objectives.

### **Issue for Consideration / Recommendations**

4. Members of the Audit Committee are asked to note the position of the 2023-24 Internal Audit Plan (See Attached Appendix – SWAP Report).

## **Financial and Risk Implications**

5. Any large organisation needs to have well-established and systematic risk management framework in place to identify and mitigate the risks it may face. SC has a risk management framework, and within that, individual internal audit reports deal with the specific risk issues that arise from the findings. These are translated into mitigating actions and timetable for management to implement. Areas of specific weakness and risk are flagged within the attached SWAP Internal Audit Progress Report 2023-24.
  
6. There are no specific financial issues relating to this report.

## **Legal Implications**

7. There are no specific legal issues relating to this report.

## **Background Papers**

8. SWAP Internal Audit Plan 2023-24 as reported SC Audit Committee April 2023

## **Appendices**

Appendix A – SWAP Internal Audit Progress Report 2023-24



# Somerset Council

## Report of Internal Audit Activity 2023/24

### Progress Report – October 2023

Page 33

# Internal Audit Update – October 2023 – ‘At a Glance’

This is a brief update for the Audit Committee following the September update.

## The Headlines

|  |  |
|--|--|
|  | <p><b>No Assurance or Limited Assurance Opinion based reviews in the period to report</b></p> <p>Nothing to report since the September update</p>  |
|  | <p><b>Progress against the 2023/24 plan (incl. Grants)</b></p> <ul style="list-style-type: none"> <li>• 26 planned reviews and support activities completed (including 16 grants certified)</li> <li>• 10 reviews at draft stage</li> <li>• 20 reviews in progress/on-going</li> </ul>   |
|  | <p><b>Follow-ups in the period</b></p> <p>Nothing to report since the September update.</p>  |
|  | <p><b>Additions to the Plan</b></p> <p>7 additional reviews added to the rolling plan as part of the mid-year review on priority areas for assurance.</p>  |
|  | <p><b>Monitoring of agreed management actions</b></p> <p>No further updates sought since the September update.</p>   |
|  | <p><b>Range of innovations and enhancements made to our internal audit process throughout the year</b></p> <p>We continue the roll out of dashboard reporting for recommendation tracking allowing officers and management to have access to live data on the implementation of agreed actions. As reported in September, roll out to Members will follow.</p> |

Page 34

## Internal Audit Assurance Opinions 2023/24

|                     | YTD       |
|---------------------|-----------|
| Substantial         | -         |
| Reasonable          | 1         |
| Limited             | 3         |
| No Assurance        | -         |
| Advisory and Grants | 20        |
| Follow Up           | 2         |
| <b>Total</b>        | <b>26</b> |

## Internal Audit Agreed Actions 2023/24

|              | YTD       |
|--------------|-----------|
| Priority 1   | 1         |
| Priority 2   | 15        |
| Priority 3   | 2         |
| <b>Total</b> | <b>18</b> |

## Summary

As part of our rolling plan reports, we will detail progress against the approved plan and any updates in scope and coverage.

We will also provide details of any significant risks that we have identified in our work, along with the progress of mitigating significant risks previously identified through audit activity.

The contacts at SWAP in connection with this report are:

**Alastair Woodland**

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**David Hill**

Chief Executive

[david.hill@swapaudit.co.uk](mailto:david.hill@swapaudit.co.uk)

### Summary

This is the October 2023 progress update for 2023/24. It reports against the Internal Audit Plan agreed by the Somerset Council (SC) Audit Committee in April 2023. The schedule provided at **Appendix B** details progress made to date and any new work agreed.

The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as detailed at **Appendix A** of this document. The Audit Committee can take assurance that improvement actions have been agreed with management to address each finding reported.

To assist the Audit Committee in its important monitoring and overview role, a summary of the key audit findings that have resulted in a Limited assurance or No assurance opinions are shared with the Audit Committee. There are no reviews to bring to your attention since the September update.

We perform follow-up reviews for all Limited assurance or No assurance opinion audits. Through the recommendation tracking framework, once we’ve had confirmation that the recommendations have been implemented we will undertake a follow up review provide assurance that recommendations to mitigate identified risks have been implemented. There are no follow up audits to bring to your attention since the September update.

# Internal Audit Plan Update






Our audit plan coverage assessment is designed to provide an indication of whether we have provided sufficient, independent assurance to monitor the organisation’s risk profile effectively.

For those areas where no audit coverage is planned, assurance should be sought from other sources to provide a holistic picture of assurance against key risks.

## SWAP audit plan coverage against strategic risks

The table below maps in progress and completed audit work to Somerset Council’s key strategic risks to provide assurance of coverage as of October 2023.

| Strategic Risk   | Coverage (Completed Audits) |
|--|-----------------------------|
| SC ORG0009 - Safeguarding Children   | Some                        |
| SC ORG0053 - Organisational Resilience   | In Progress                 |
| SC ORG0056 - Supply Chain  | None                        |
| SC ORG0057- Financial stability / Sustainable MTFP   | Some                        |
| SC ORG0060 - Failure of ASC to meet statutory obligations  | Some                        |
| SC ORG0061 - Climate Change  | Some                        |
| SC ORG0062 - Health and safety management, strategic planning and direction is not embedded across the Council | In Progress                 |
| SC ORG0063 - Commercial Investments  | In Progress                 |
| SC ORG0064 - General Housing: Failure to maintain delivery of affordable housing                               | Some                        |
| SC ORG0065 - Inability recruiting and retaining staff  | None                        |
| SC ORG0066 - Financial instability within the VCFSE sector   | None                        |
| SC ORG0068 - Increase in fraudulent activity   | Some                        |
| SC ORG0070 - Budget overspend in the current year  | Some                        |
| SC ORG0071 - Adults Social Care Transformation programme does not achieve its financial targets                | None                        |
| SC ORG0075 - LCN - Failure to deliver the key commitment of the business case                                  | None                        |

|   |  |
|---|--|
|  | Good coverage in plan (>10 audits over 2-year period)      |
|  | Reasonable coverage in plan (>5 audits over 2-year period) |
|  | Some (<5 audits over 2-year period)                        |
|  | In progress (coverage in progress)                         |
|  | No audit coverage  |

| Assurance Definitions |  |
|-----------------------|--|
| <b>No Assurance</b>   | Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited. |
| <b>Limited</b>        | Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited                        |
| <b>Reasonable</b>     | There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.                     |
| <b>Substantial</b>    | A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.  |

Page 37

| Definition of Corporate Risks |  |
|-------------------------------|--|
| Risks                         | Reporting Implications   |
| High                          | Issues that we consider need to be brought to the attention of both senior management and the Audit Committee. |
| Medium                        | Issues which should be addressed by management in their areas of responsibility.                               |
| Low                           | Issues of a minor nature or best practice where some improvement can be made.                                  |

| Categorisation of Recommendations  |   |
|--|---|
| In addition to the corporate risk assessment, it is important that management know how important the recommendation is to their service. Each recommendation has been given a priority rating at service level with the following definitions: |   |
| Priority 1   | Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management. |
| Priority 2   | Important findings that need to be resolved by management.  |
| Priority 3   | Finding that requires attention.  |

**Table 1: Internal Audit Plan work covering Apr – Oct 2023**

Audits highlighted in yellow have moved status since the September update.

| Audit Type          | Audit Name  | Directorate         | Opinion   | No of Rec | 1 =            | ↔ | 3 =    |
|---------------------|---|---------------------|-----------|-----------|----------------|---|--------|
|                     |   |                     |           |           | Major          |   | Medium |
|                     |   |                     |           |           | Recommendation |   |        |
| <b>Complete</b>     |   |                     |           |           |                |   |        |
| Assurance           | Schools Financial Value Standard (SFVS) Theme Report (22-23)    | Children's Services | Limited   | 7         | 1              | 5 | 1      |
| Assurance           | Public Health – Reaching Areas of Deprivation – Smoking (22-23) | Public Health       | Advisory  | -         | -              | - | -      |
| Advisory            | Cifas Support – Blue Badges 2022/23                             | Adult Services      | Advisory  | -         | -              | - | -      |
| Assurance           | Adults – Eclipse Benefits Realisation (22-23)                   | Adult Services      | Limited   | 2         | -              | 2 | -      |
| Grant Certification | Supporting Families Claim 1 22-23                               | Children's Services | Advisory  | -         | -              | - | -      |
| Follow up           | Mental Health Follow UP   | Adult Services      | Advisory  | -         | -              | - | -      |
| Grant Certification | LEP Growth Deal - Yeovil Western Corridor – 22/23               | Climate and Place   | Certified | -         | -              | - | -      |
| Grant Certification | LEP Growth Deal – Toneway – 22/23                               | Climate and Place   | Certified | -         | -              | - | -      |
| Grant Certification | LEP Get Building Fund – Dunball – Junction 23 22/23             | Climate and Place   | Certified | -         | -              | - | -      |
| Assurance           | <b>NEW:</b> Homes England Audit Scheme – Checklist Compliance   | Communities         | Limited   | 3         | -              | 2 | 1      |
| Grant Certification | LEP – Somerset Rivers Authority 22/23                           | Climate and Place   | Certified | -         | -              | - | -      |
| Grant Certification | LEP Growth Deal - Mobile Boost 22/23                            | Climate and Place   | Certified | -         | -              | - | -      |
| Grant Certification | LEP Get Building Fund – Junction 25 – 22/23                     | Climate and Place   | Certified | -         | -              | - | -      |

Page 38

| Audit Type            | Audit Name  | Directorate                          | Opinion    | No of Rec | 1 =            | ↔ | 3 =    |
|-----------------------|---|--------------------------------------|------------|-----------|----------------|---|--------|
|                       |   |                                      |            |           | Major          |   | Medium |
|                       |   |                                      |            |           | Recommendation |   |        |
| Grant Certification   | LEP Get Building Fund – digital innovation centre 22/23           | Climate and Place                    | Certified  | -         | -              | - | -      |
| Grant Certification   | LEP Get Building Fund – iaero fit out 22/23                       | Climate and Place                    | Certified  | -         | -              | - | -      |
| Grant Certification   | LEP Get Building Fund – Trenchard Way – 22/23                     | Climate and Place                    | Certified  | -         | -              | - | -      |
| Grant Certification   | <b>NEW:</b> SDC Home Upgrade Grant (HUG) 2                        | Climate and Place                    | Certified  | -         | -              | - | -      |
| Assurance             | Benefits Realisation Framework                                    | Strategy, Performance and Localities | Advisory   | 1         | -              | 1 | -      |
| Follow up             | Education Safeguarding Complaints & Concerns Follow Up            | Children's Services                  | Advisory   | 1         | -              | 1 | -      |
| Grant Certification   | <b>NEW:</b> Wells Enterprise Centre                               | Climate and Place                    | Certified  | -         | -              | - | -      |
| Grant Certification   | <b>NEW:</b> Wiveliscombe Enterprise Centre                        | Climate and Place                    | Certified  | -         | -              | - | -      |
| Assurance             | <b>NEW:</b> DfE Post 16 Education Sub-Contracting                 | Children's Services                  | Reasonable | 4         | -              | 4 | -      |
| Grant Certification   | <b>SDC Home Upgrade Grant (HUG) 1</b>                             | Climate and Place                    | Certified  | -         | -              | - | -      |
| Assurance             | <b>Taunton Town Council - Transfer of Assets (Lessons Learnt)</b> | Communities                          | Advisory   | -         | -              | - | -      |
| Grant Certification   | <b>Supporting Families Quarter 2 Claim (Sep)</b>                  | Children's Services                  | Advisory   | -         | -              | - | -      |
| Grant Certification   | <b>NEW:</b> Bruton Enterprise Centre                              | Climate and Place                    | Certified  | -         | -              | - | -      |
| <b>Draft/Drafting</b> |   |                                      |            |           |                |   |        |
| Assurance             | <b>NEW:</b> Norton Sub-Hampdon Primary School                     | Children's Services                  |            |           |                |   |        |
| Assurance             | CLA Placements Contract and Procurement                           | Children's Services                  |            |           |                |   |        |
| Assurance             | Health and Safety Governance (Culture)                            | Strategy, Performance and Localities |            |           |                |   |        |

Page 39

| Audit Type          | Audit Name   | Directorate                          | Opinion | No of Rec | 1 =            | ↔ | 3 =    |
|---------------------|--|--------------------------------------|---------|-----------|----------------|---|--------|
|                     |  |                                      |         |           | Major          |   | Medium |
|                     |  |                                      |         |           | Recommendation |   |        |
| 1                   | 2  | 3                                    |         |           |                |   |        |
| Assurance           | Payroll – Staff Transfers (22-23)                            | Strategy, Performance and Localities |         |           |                |   |        |
| Investigation       | NEW: Complaints Process Adults                               | Adults Services                      |         |           |                |   |        |
| Investigation       | NEW: Procurement Card Investigation                          | Resources and Corporate Services     |         |           |                |   |        |
| Grant Certification | NEW: Homes England Capital Funding Grant                     | Communities                          |         |           |                |   |        |
| Assurance           | NEW: Theatres Governance & Financial Controls                | Communities                          |         |           |                |   |        |
| Assurance           | Direct Payments - (Adults)                                   | Adult Services                       |         |           |                |   |        |
| Assurance           | Registrars   | Communities                          |         |           |                |   |        |
| <b>In Progress</b>  |  |                                      |         |           |                |   |        |
| Advisory            | Recommendation Tracking                                      | All                                  |         |           |                |   |        |
| Assurance           | NEW: Children’s Invoicing CLA and SEND                       | Children’s Services                  |         |           |                |   |        |
| Grant Certification | LEP - Growth Deal - BDUK                                     | Climate and Place                    |         |           |                |   |        |
| Grant Certification | Covid Outbreak Management Fund x5 (SCC, SWT, SDC, MDC, SSDC) | Public Health                        |         |           |                |   |        |
| Grant Certification | Local Transport Capital Block Funding                        | Climate and Place                    |         |           |                |   |        |
| Advisory            | Octagon Theatre Project Support                              | Communities                          |         |           |                |   |        |
| Investigation       | Housing Tenancy Fraud X2                                     | Communities                          |         |           |                |   |        |
| Investigation       | NEW: Housing 1   | Communities                          |         |           |                |   |        |
| Investigation       | NEW: Housing 2   | Communities                          |         |           |                |   |        |


Page 40




| Audit Type | Audit Name  | Directorate                      | Opinion | No of Rec | 1 =            | ↔ | 3 =    |
|------------|---|----------------------------------|---------|-----------|----------------|---|--------|
|            |   |                                  |         |           | Major          |   | Medium |
|            |   |                                  |         |           | Recommendation |   |        |
| 1          | 2   | 3                                |         |           |                |   |        |
| Advisory   | Fraud Referrals, including Revenues & Benefits              | Resources and Corporate Services |         |           |                |   |        |
| Advisory   | Commercial Investments                                      | Resources and Corporate Services |         |           |                |   |        |
| Advisory   | <b>NEW:</b> Schools Balances                                | Children's Services              |         |           |                |   |        |
| Assurance  | DFG/Better Care Fund  | Adult Services                   |         |           |                |   |        |
| Assurance  | IT Programme Management                                     | Resources and Corporate Services |         |           |                |   |        |
| Advisory   | <b>NEW:</b> Mortuary Capacity                               | Communities                      |         |           |                |   |        |
| Assurance  | Housing Landlord Health & Safety compliance– Fire Safety    | Communities                      |         |           |                |   |        |
| Assurance  | Fraud Risk Assessment                                       | Resources and Corporate Services |         |           |                |   |        |
| Assurance  | <b>NEW:</b> Financial Controls Assessment post 1 April 2023 | Resources and Corporate Services |         |           |                |   |        |
| Advisory   | Brewhouse Theatre Support                                   | Communities                      |         |           |                |   |        |
| Assurance  | CIFAS – Blue Badges 23-24                                   | Adult Services                   |         |           |                |   |        |

Page 41


The following table outlines the indicative priority areas for the rolling internal audit plan. A periodic review of these priorities is undertaken and there are on-going discussions with Executive Directors and Service Directors on priority areas.

| Audit Type   | Audit Name   | Directorate         | Opinion | No of Rec | 1 =            |  | 3 =    |
|--|--|---------------------|---------|-----------|----------------|---|--------|
|  |  |                     |         |           | Major          |   | Medium |
|  |  |                     |         |           | Recommendation |   |        |
|  |  |                     |         |           | 1              | 2   | 3      |
| <b>Waiting to go Live - Indicative Rolling Work Plan</b> |  |                     |         |           |                |   |        |
| Assurance  | Market Shaping   | Adult Services      |         |           |                |   |        |
| Assurance  | Liberty Protection Safeguards                                  | Adult Services      |         |           |                |   |        |
| Follow up  | Quality Assurance Follow Up                                    | Adult Services      |         |           |                |   |        |
| Follow up  | Athena Follow Up   | Adult Services      |         |           |                |   |        |
| Assurance  | PRU and Behaviour Partnerships                                 | Children's Services |         |           |                |   |        |
| Assurance  | Value for Money: Pupil Premium Grant for Children Looked After | Children's Services |         |           |                |   |        |
| Assurance  | Section 157/175 Safeguarding                                   | Children's Services |         |           |                |   |        |
| Follow up  | CSC Training & Safeguarding Follow Up                          | Children's Services |         |           |                |   |        |
| Follow up  | School Balances Follow Up                                      | Children's Services |         |           |                |   |        |
| Follow up  | Community Learning Partnerships Follow Up                      | Children's Services |         |           |                |   |        |
| Follow up  | SEND Costed Packages Follow Up                                 | Children's Services |         |           |                |   |        |
| Follow up  | School Exclusion Data Follow Up                                | Children's Services |         |           |                |   |        |
| Follow up  | School Condition Surveys Follow Up                             | Children's Services |         |           |                |   |        |
| Follow up  | Children Missing Education Follow Up                           | Children's Services |         |           |                |   |        |

Page 42

| Audit Type    | Audit Name   | Directorate                      | Opinion | No of Rec | 1 =            |  | 3 =    |
|---------------|--|----------------------------------|---------|-----------|----------------|---|--------|
|               |  |                                  |         |           | Major          |   | Medium |
|               |  |                                  |         |           | Recommendation |   |        |
|               |  |                                  |         |           | 1              | 2   | 3      |
| Follow up     | SFVS School Follow Ups   | Children's Services              |         |           |                |   |        |
| Assurance     | <b>NEW:</b> Multiplier Fund  | Climate and Place                |         |           |                |   |        |
| Assurance     | Business Continuity  | Climate and Place                |         |           |                |   |        |
| Assurance     | Emergency Planning   | Climate and Place                |         |           |                |   |        |
| Follow up     | Climate Change Strategy Follow Up                                  | Climate and Place                |         |           |                |   |        |
| Certification | Emergency Active Travel Fund                                       | Climate and Place                |         |           |                |   |        |
| Assurance     | Flood & Water Management   | Climate and Place                |         |           |                |   |        |
| Follow up     | Transport Budget Governance Follow Up                              | Climate and Place                |         |           |                |   |        |
| Advisory      | Environmental Health Project Support                               | Communities                      |         |           |                |   |        |
| Assurance     | Housing Landlord health and safety compliance – Electrical Safety  | Communities                      |         |           |                |   |        |
| Assurance     | Street Cleansing   | Communities                      |         |           |                |   |        |
| Assurance     | Housing Compliance - Damp and Mould                                | Communities                      |         |           |                |   |        |
| Assurance     | Housing Compliance – Social Housing Charter                        | Communities                      |         |           |                |   |        |
| Assurance     | <b>NEW:</b> Review of Whistleblowing Policy and awareness/outcomes | Resources and Corporate Services |         |           |                |   |        |
| Assurance     | Bank Reconciliations   | Resources and Corporate Services |         |           |                |   |        |
| Assurance     | Main Accounting  | Resources and Corporate Services |         |           |                |   |        |

Page 43

| Audit Type | Audit Name   | Directorate                      | Opinion | No of Rec | 1 =            |  | 3 =    |
|------------|--|----------------------------------|---------|-----------|----------------|---|--------|
|            |  |                                  |         |           | Major          |   | Medium |
|            |  |                                  |         |           | Recommendation |   |        |
|            |  |                                  |         |           | 1              | 2   | 3      |
| Assurance  | Council Tax  | Resources and Corporate Services |         |           |                |   |        |
| Assurance  | Business Rates   | Resources and Corporate Services |         |           |                |   |        |
| Assurance  | Housing Benefits   | Resources and Corporate Services |         |           |                |   |        |
| Assurance  | Contract Management (Incl. follow Up)  | Resources and Corporate Services |         |           |                |   |        |
| Assurance  | Supplier Resilience  | Resources and Corporate Services |         |           |                |   |        |
| Assurance  | <b>New:</b> Cyber Assessment Framework (CAF) - Managing security risk                            | Resources and Corporate Services |         |           |                |   |        |
| Assurance  | <b>New:</b> Cyber Assessment Framework (CAF) - Protecting against cyber attack                   | Resources and Corporate Services |         |           |                |   |        |
| Assurance  | <b>New:</b> Cyber Assessment Framework (CAF) - Detecting cyber security events                   | Resources and Corporate Services |         |           |                |   |        |
| Assurance  | <b>New:</b> Cyber Assessment Framework (CAF) - Minimising the impact of cyber security incidents | Resources and Corporate Services |         |           |                |   |        |
| Assurance  | Debt Management  | Resources and Corporate Services |         |           |                |   |        |
| Assurance  | Financial Control and Reporting (budget monitoring)  | Resources and Corporate Services |         |           |                |   |        |
| Assurance  | Microsoft Dynamics Post Implementation Review/Project Support                                    | Resources and Corporate Services |         |           |                |   |        |
| Assurance  | Procurement Cards  | Resources and Corporate Services |         |           |                |   |        |
| Assurance  | Creditors  | Resources and Corporate Services |         |           |                |   |        |
| Advisory   | Baseline Assessment for Fraud Maturity   | Resources and Corporate Services |         |           |                |   |        |

Page 44

| Audit Type | Audit Name  | Directorate                          | Opinion | No of Rec | 1 =            |  | 3 =    |
|------------|---|--------------------------------------|---------|-----------|----------------|---|--------|
|            |   |                                      |         |           | Major          |   | Medium |
|            |   |                                      |         |           | Recommendation |   |        |
|            |   |                                      |         |           | 1              | 2   | 3      |
| Advisory   | <b>NEW:</b> Legacy SDC Revenues and Benefits System project support | Resources and Corporate Services     |         |           |                |   |        |
| Assurance  | Asset Management  | Resources and Corporate Services     |         |           |                |   |        |
| Assurance  | Health and Safety Compliance  | Strategy, Performance and Localities |         |           |                |   |        |
| Assurance  | Performance Management  | Strategy, Performance and Localities |         |           |                |   |        |
| Assurance  | Local Community Networks  | Strategy, Performance and Localities |         |           |                |   |        |
| Follow up  | Strategic Commissioning Follow Up                                   | Strategy, Performance and Localities |         |           |                |   |        |
| Assurance  | Culture and Behaviours  | Strategy, Performance and Localities |         |           |                |   |        |
| Assurance  | Ethical Governance  | Strategy, Performance and Localities |         |           |                |   |        |

Page 45

**Deferred to future proposed**

| Audit Type | Audit Area                                  | Directorate                      | Change Reason   |
|------------|---|----------------------------------|---|
| Assurance  | Disaster Recovery                           | Resources and Corporate Services | Replaced by Cyber Assessment Framework (CAF) - Minimising the impact of cyber security incidents on Rolling Plan.                   |
| Assurance  | ALMO KPI Alignment                          | Communities                      | Replaced by wider Performance Management Review on rolling plan.  |
| Assurance  | Housing Compliance – Social Housing Charter | Communities                      | Internal audit work will focus on the individual component parts that make up the Social Housing Charter. Work to be programmed in. |

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## **Audit Committee**

Meeting Date – 26th October 2023



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## **External Audit Update Report and South Somerset District Council Statement of Accounts 2021/22**

Lead Member(s): Cllr Liz Leyshon Deputy Leader and Lead Member for Resources and Performance

Lead Officer: Jason Vaughan – Executive Director Resources and Corporate Services

Author: Donna Parham – Head of Corporate Finance

Contact Details: donna.parham@somerset.gov.uk

### **Summary / Link to Council Plan**

1. The external audit 2022/23 for South Somerset District Council has yet to be completed. The attached Statement of Accounts and Audit Findings will conclude the audit for 2021/22 if approved.
2. The Somerset Council Audit Committee will need to provide the governance overview and consideration of all legacy Councils outstanding Statement of Accounts. This will include all 2022/23 accounts for the former district councils and Somerset County Council.

### **Recommendations**

3. The Audit Committee
  - 3.1. Approves the Statement of Accounts as attached for South Somerset District Council for 2021/22, or delegates approval for the accounts to the Executive Director Resources and Corporate Services in conjunction with the Chair or Vice-Chair, once any outstanding matters have been resolved.
  - 3.2. Notes the Audit Findings report from Grant Thornton.
  - 3.3. Notes the additional fees as set out in the attached Appendix.

3.4. Approves the signing of the attached Letter of Representation.

**Reasons for recommendations**

4. The Audit Committee terms of reference include:

4.1. Monitoring of the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.

4.2. Reviewing the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.

4.3. To consider the external auditor’s report to those charged with governance on issues arising from the audit of the accounts.

**Links to Council Plan and Medium-Term Financial Plan**

5. It is important for Somerset Council to ensure that all audits are completed and an opinion provided for all legacy Councils. This ensures that the opening balances for the new Council are correct. This is particularly important for reserves and capital receipts to ensure that the Council can plan effectively.

There are no specific risks to the council of this report.

| <b>Likelihood</b> |  | <b>Impact</b> |  | <b>Risk Score</b> |  |
|-------------------|--|---------------|--|-------------------|--|
|                   |  |               |  |                   |  |

**Implications**

6. There are no financial implications of noting this report, however the cost of the audit, because of delays has increased by £20k with further fees due to finalise the audit. Further officer resource has been allocated to the Statement of Accounts to reach a conclusion as soon as possible.

**Legal Implications**

7. There are no legal implications of approving the recommendations.

**Other Implications:**



## **HR Implications**

8. There are no HR implications of approving this report.

## **Equalities Implications**

9. There are no equalities implications from approving this report.

## **Community Safety Implications**

10. There are no community safety implications from approving this report.

## **Climate Change and Sustainability Implications**

11. Somerset Council have declared both a Climate and Ecological Emergency. Through that, the Council has committed to working towards making the whole county, including our own estate and operations, 'Carbon Neutral' by 2030 and to take positive action to reverse the damage on our natural habitats by man-made activity. We have also pledged to ensure that Somerset is resilient to, and prepared for, the effects of Climate Change. There are no implications from approving this report.

## **Health and Safety Implications**

12. There are no health and safety implications from approving this report.

## **Social Value**

13. There are no social value implications from approving this report.

## **Background Papers**

14. On the 1<sup>st</sup> April 2023 Somerset Council replaced the five legacy Councils of Somerset County Council, Mendip District Council, Sedgemoor District Council, Somerset West and Taunton Council and South Somerset District Council. At that date the following Councils had yet to receive audit opinions as follows:

- Mendip District Council – 2021/22
- Sedgemoor District Council - 2020/21 and 2021/22 (2020/21 has since received the final audit opinion)
- South Somerset District Council - 2021/22

15. Somerset Council must provide 2022/23 Statement of Accounts for each of the legacy Councils and the Pension Fund. This has been resource intensive. All accounts are now published and are at different stages of the audit process.

## **Report**

16. This report seeks approval for the audited 2021/22 South Somerset Statement of Accounts. Attached is Grant Thornton's Audit Findings Report which sets out issues, amendments and corrections required and recommendations for future year end procedures. These are of course the accounts of the legacy authority and relate to two financial years ago, a number of the matters raised by the auditors have been raised already during the time of the legacy authority and many of the recommendations have already been actioned as part of the year end process for producing the draft 2022/23 accounts for SSDC.

17. The report of the auditors contain details of changes to the accounts that were required. It is important to note that none of these affected the final outturn of the council or the usable reserves of the council. The single biggest change required relates to the IAS19 pensions valuation, which, due to the 2021/22 accounts still being open after the pension fund triennial valuation, required a fresh IAS19 valuation based on revised assumptions and estimates, resulting in changes to the draft account figures. This is a technical accounting adjustment and does not impact the usable reserve of the council or the pension fund.

18. The auditors report provides information on estimated fees, which have increased due to the issues that arose during the audit, as previously reported to this committee. The final audit fee is estimated to be £145,000.

19. Barrie Morris and Beth AC Bowers from Grant Thornton will be attending the committee remotely to go through the report and update members with current position.

## **Appendices**

- As attached.

# The Audit Findings for South Somerset District Council

Year ended 31 March 2022

South Somerset District Council

October 2023

Page 51



# Contents



**Your key Grant Thornton team members are:**

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**Stuart Grimster**

Key Audit Partner Firm : Old Mill

## Section

1. Headlines
2. Financial statements
3. Value for money arrangements
4. Independence and ethics

## Appendices

- A. Action plan
- B. Follow up of prior year recommendations
- C. Audit adjustments
- D. Fees

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 and the Audit Committee.

Barrie Morris  
Grant Thornton UK LLP

## Page

- 3
- 5
- 17
- 19

- 22
- 23
- 25
- 29

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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# 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 2022 for those charged with governance.

Page 53

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## Financial Statements

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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 was completed through a combination of on site and remote working. We initially started our work in January 2023 after having completed the 2020/21 audit in December 2022. At the time of writing this report, the audit remains in progress due to a number of issues and delays in receiving comprehensive information from various teams that contribute to the preparation of the financial statements. There are a number of factors that have impacted upon the timely provision of information, including the impact of the various Local Government Reorganisation projects and preparations for transition to the new authority from 1 April 2023. Further details are referenced throughout this report.

Our findings are summarised on pages 7 to 16. We have identified two adjustments to the financial statements that have resulted in a £1.6m net adjustment to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

While we have completed our work in a number of areas, this report focuses on those areas of highest risk, which are still in progress. As our work is still in progress, further details on our anticipated audit opinion will be reported in our final Audit Findings Report.

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# 1. Headlines

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## Value for Money (VFM) arrangements

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

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

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

We have completed our VFM work, which is summarised on page 17, and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

In particular, we would note that the Council has taken appropriate action to addressing the statutory recommendation made in last years report.

In terms of the key recommendations, the Council is experiencing challenges in having sufficient capacity to produce accurate and timely financial statements and relevant supporting working papers, although some improvements have been made. We have also considered how the Council is managing the risks associated with commercial property. The Council has now completed the commercial property portfolio and has made progress implementing the actions from the key recommendation made in last years report. We have therefore concluded that there is no further significant weakness in arrangements to report for 2021/22.

Please refer to the more detailed commentary and evaluation in the Auditor's Annual Report and reported to the March 2023 meeting of the Audit Committee.

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## Statutory duties

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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.

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## 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;
  - delays in receiving Group PPE reports and supporting models;
  - delays in receipt of council valuation working papers; 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.
-

# 2. Financial Statements

## Overview of the scope of our audit

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

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

## Audit approach

Our audit approach was based on a thorough understanding of the 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

## Conclusion

As highlighted in the audit of the prior period, the impact of the pandemic and local government reorganisation has meant that your finance team faced significant audit challenges this year. As a result of the pandemic, we have also had to complete most of the audit work remotely, which has impacted the following elements of our work; remote accessing financial systems, video calling, physical verification of assets, verifying the completeness and accuracy of information provided remotely produced by the entity and access to key data from Council staff. This, coupled with lower capacity across the organisation and the loss of key corporate knowledge has led to some delays in audit work.

We have had to undertake additional audit procedures and involve technical specialists as auditors' experts in order to gain sufficient audit 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.

### 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 2023.

We detail in the table to the right our determination of materiality for South Somerset District Council and group.

|  | Group Amount (£) | Council Amount (£) | Qualitative factors considered   |
|--|------------------|--------------------|--|
| Materiality for the financial statements     | 1,600,000        | 1,500,000          | 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. This benchmark was used in the prior year. We deemed that 1.5% was an appropriate rate to apply to the expenditure benchmark.<br><br>We have used total assets as benchmark for the Group financial statements, as this is the benchmark with additional group items. We deemed that 1.6% was an appropriate rate to apply to the total asset benchmark. |
| Performance materiality                      | 1,040,000        | 975,000            | We considered factors such as control environment, prior year experience, other sensitivities and the nature of significant estimates included in the financial statements. We determined 65% of materiality as an appropriate threshold for the council and group, reflecting on the number of issues identified in the prior year audit.   |
| Trivial matters                              | 80,000           | 75,000             | 5% of materiality was determined as an appropriate level for triviality  |
| Senior Officer remuneration disclosure table | N/A              | 10,000             | A lower level of materiality was determined for the Senior Officer Remuneration disclosures in the single entity accounts due to the sensitivity and potential public interest in these disclosures.   |



# 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  |
|--|---|
| <p><b>Management override of controls (Council &amp; Group)</b></p> <p>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.</p> <p>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.</p>  | <p>We have:</p> <ul style="list-style-type: none"><li>• evaluated the design effectiveness of management controls over journals;</li><li>• analysed the journals listing and determine the criteria for selecting high risk unusual journals;</li><li>• performed testing of unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</li><li>• gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and</li><li>• evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li></ul> <p>Our work is well progressed in this area. To date we have not identified any instances of management override of controls.</p> |
| <p><b>Improper revenue recognition</b></p> <p>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.</p> <p>For the group (excluding the Council), as revenue is immaterial, we have concluded we can rebut this risk, as group income is not material.</p> <p>For the Council we have concluded that the risk of material misstatement is low as income is primarily derived from grants or formula-based income from central government and taxpayers and opportunities to manipulate revenue recognition are very limited.</p> | <p>As reported in our Audit Plan, we have rebutted this presumed risk, because:</p> <ul style="list-style-type: none"><li>• there is little incentive to manipulate revenue recognition;</li><li>• opportunities to manipulate revenue recognition are very limited;</li><li>• the culture and ethical frameworks of local authorities, including South Somerset District Council, mean that all forms of fraud are seen as unacceptable; and</li><li>• Group income streams are not material to the group accounts</li></ul> <p>Our planning assessment has not changed and we have determined that it is still appropriate to rebut this risk.</p>  |

# 2. Financial Statements - Significant risks

## Risks identified in our Audit Plan

## Commentary

### Valuation of land and buildings (Council & Group)

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 (£43.1m council and £81.8m group) 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 is progressing well 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. Despite requesting information to begin our work in January, key documents were not received until March 2023 causing delays to our ability to start work on this significant risk area in a timely manner. There remains to scope for the Council to improve its responsiveness to audit queries and allocating sufficient time to explain their approach to the valuation of individual assets.

We have again experienced delays in the receipt of both valuation reports and valuation models relating to group PPE assets. At the time of drafting this report, we have recently received this information for only two of the three sites.

These delays continue to put the timely conclusion of the audit at significant risk.

### Valuation of Investment Property (Council)

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 (£89.967m) 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.

There are a number of areas of challenge from our auditor's expert in relation to the valuation approach taken by the Council's valuer which we need to resolve. We have also identified one asset that was not included within the valuation report where a subsequent valuation was required. Again, delays in receiving responses to our initial queries resulted in this work commencing later than planned.

# 2. Financial Statements - Significant risks

## Risks identified in our Audit Plan

## Commentary

### Valuation of pension fund net liability (council)

The Authority'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 (£75.6m in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.

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.

Prior to our work beginning in January 2023, we challenged the council on the rate of salary increase that has been included in their IAS19 report on the basis of the significant cost of living pressures and higher salary and wages demands from employees. As a result, the council requested an updated IAS 19 report from the Actuary, which identified a material change to the net pension liability of £7.1m.

Due to audit delays, the council has also obtained an updated IAS 19 report to reflect updated data which was confirmed as part of the triennial review. This led to a further adjustment to the net liability position.

Our work in this area is now complete with no further issues arising.

# 2. Financial Statements – new issues and 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 and a summary of any significant deficiencies identified during the year.

| Issue   | Commentary  | Auditor view  |
|---|---|---|
| <p><b>Recognition and Presentation of Grant Income</b></p> <p>The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal or agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income</p> | <p>The Council undertook a review of each of the grants received in year in order to determine the appropriate accounting treatment. Significant sums of money were paid out locally in the form of Business Grant and the Council was required to assess whether these monies should be reflected in the Comprehensive Income and Expenditure Statement (where acting as principal) or whether the year end position should be reflected within the Balance Sheet (where acting as agent).</p> | <p>We performed testing of the Council’s grants and contributions. Our testing identified that, in our view, the Council had incorrectly treated a number of grants as though they were acting as principal rather than agent.</p> <p>We are currently in discussions with the council over adjusting for these grants.</p> |

# 2. Financial Statements – key judgements and estimates

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

| Significant judgement or estimate           | Summary of management's approach   | Audit Comments  | Assessment |
|---|--|---|------------|
| Land and Building valuations – £43.125m     | Other land and buildings comprises specialised assets such as 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 are not specialised in nature and are required to be valued at existing use in value (EUV) at year end.  | Our audit work is progressed, with some queries still outstanding.  | TBC        |
| Investment Properties valuations – £89.967m | The Council has engaged an internal valuer to complete the valuation of properties as at 31 December 2021 on a five yearly cyclical basis. 50% of Land and Building assets were revalued during 2021/22.   | To date we have identified a few differences in the calculation of assets, amounting to £200,000 difference. No other issues have been identified at this time. |            |
| Group - £35.994m                            | All investment property assets were revalued as at 31 March 2022 using a fair value methodology.<br>The total year end valuation of Other land and buildings was £43.125m, a net decrease of £0.365m from 2020/21 (£43.490m).<br>The total year end valuation of Investment properties was £89.967m, a net increase of £10.158m from 2020/21 (£79.809m).<br>Group assets are revalued by an external management expert. Assets are valued as at 31 March 2022 on a fair value basis using a discounted cashflow basis. |   |            |

Page 61

## Assessment

- [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 |               |           |            |               |      |              |   |                       |      |               |   |                          |    |              |   |                         |    |              |   |   |             |                           |   |   |             |                           |   |   |
|---|---|---|------------|---------------|-----------|------------|---------------|------|--------------|---|-----------------------|------|---------------|---|--------------------------|----|--------------|---|-------------------------|----|--------------|---|---|-------------|---------------------------|---|---|-------------|---------------------------|---|---|
| <p><b>Net pension liability – £79,641 (original), £86,740 (Updated)</b></p> | <p>The Council's net pension liability at 31 March 2022 is £86.740m (PY £101.0m) comprising the Somerset Pension Fund Local Government pension scheme obligations. 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.</p> <p>The latest full actuarial valuation was completed as at 31 March 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £14.26m net actuarial gain during 2021/22.</p> | <p>We have:</p> <ul style="list-style-type: none"> <li>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;</li> <li>We have reviewed the work of Barnett Waddingham, through the use of an auditor's expert, PwC;</li> <li>We have undertaken an assessment of the actuary's roll forward approach, including completing detail work to confirm reasonableness of their valuation approach.</li> </ul> <table border="1" data-bbox="672 651 1702 1077"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.6%</td> <td>2.55% - 2.6%</td> <td>✓</td> </tr> <tr> <td>Pension increase rate</td> <td>3.2%</td> <td>3.05% - 3.45%</td> <td>✓</td> </tr> <tr> <td>Salary growth (original)</td> <td>2%</td> <td>3.25% - 5.7%</td> <td>✗</td> </tr> <tr> <td>Salary growth (Updated)</td> <td>4%</td> <td>3.25% - 5.7%</td> <td>✓</td> </tr> <tr> <td>Life expectancy: Males currently aged 45 / 65</td> <td>24.4 / 23.1</td> <td>21.9 - 24.4 / 20.5 - 23.1</td> <td>✓</td> </tr> <tr> <td>Life expectancy: Females currently aged 45 / 65</td> <td>26.1 / 24.7</td> <td>24.8 - 26.4 / 23.3 - 25.0</td> <td>✓</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>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.</li> </ul> <p>Prior to starting audit work we challenged management on their choice of salary assumption. Management reviewed and re-engaged the actuary to update the salary assumption. This resulted in a change of the overall liability as reported in appendix C. Management also obtained an updated IAS 19 report to reflect changes as a result of the 2022 triennial valuation. Our work in this area is now complete.</p> | Assumption | Actuary Value | PwC range | Assessment | Discount rate | 2.6% | 2.55% - 2.6% | ✓ | Pension increase rate | 3.2% | 3.05% - 3.45% | ✓ | Salary growth (original) | 2% | 3.25% - 5.7% | ✗ | Salary growth (Updated) | 4% | 3.25% - 5.7% | ✓ | Life expectancy: Males currently aged 45 / 65 | 24.4 / 23.1 | 21.9 - 24.4 / 20.5 - 23.1 | ✓ | Life expectancy: Females currently aged 45 / 65 | 26.1 / 24.7 | 24.8 - 26.4 / 23.3 - 25.0 | ✓ | <p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p> |
| Assumption  | Actuary Value   | PwC range   | Assessment |               |           |            |               |      |              |   |                       |      |               |   |                          |    |              |   |                         |    |              |   |   |             |                           |   |   |             |                           |   |   |
| Discount rate   | 2.6%  | 2.55% - 2.6%  | ✓          |               |           |            |               |      |              |   |                       |      |               |   |                          |    |              |   |                         |    |              |   |   |             |                           |   |   |             |                           |   |   |
| Pension increase rate   | 3.2%  | 3.05% - 3.45%   | ✓          |               |           |            |               |      |              |   |                       |      |               |   |                          |    |              |   |                         |    |              |   |   |             |                           |   |   |             |                           |   |   |
| Salary growth (original)  | 2%  | 3.25% - 5.7%  | ✗          |               |           |            |               |      |              |   |                       |      |               |   |                          |    |              |   |                         |    |              |   |   |             |                           |   |   |             |                           |   |   |
| Salary growth (Updated)   | 4%  | 3.25% - 5.7%  | ✓          |               |           |            |               |      |              |   |                       |      |               |   |                          |    |              |   |                         |    |              |   |   |             |                           |   |   |             |                           |   |   |
| Life expectancy: Males currently aged 45 / 65                               | 24.4 / 23.1   | 21.9 - 24.4 / 20.5 - 23.1   | ✓          |               |           |            |               |      |              |   |                       |      |               |   |                          |    |              |   |                         |    |              |   |   |             |                           |   |   |             |                           |   |   |
| Life expectancy: Females currently aged 45 / 65                             | 26.1 / 24.7   | 24.8 - 26.4 / 23.3 - 25.0   | ✓          |               |           |            |               |      |              |   |                       |      |               |   |                          |    |              |   |                         |    |              |   |   |             |                           |   |   |             |                           |   |   |

## Assessment

- [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         |
|--|--|---|--------------------|
| <b>Minimum Revenue Provision - £1.007m</b> | <p>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.</p> <p>The year end MRP charge was £1.0m, a net increase of £179k from 2019/20.</p> | <ul style="list-style-type: none"> <li>In line with our prior period findings, we have challenged management as to how they are satisfied that their calculation complies with statutory guidance, given they have not included any MRP in relation to capital loans to third parties, which in our view is not consistent with the regulations or statutory guidance. We await this response from management.</li> <li>We also challenged management on the size of their MRP charge and whether it is deemed to be prudent, given it is less than 2% of their Capital Financing Requirement, which means the assets to which it relates have expected useful lives above the maximum of 50 years expected within the guidance.</li> </ul> <p>Our work in this area remains in progress.</p> | <b>Dark Purple</b> |

## Assessment

- [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
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## 2. Financial Statements - other communication requirements

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

Page 64



| <b>Issue</b>   | <b>Commentary</b>   |
|--|---|
| <b>Matters in relation to fraud</b>                              | We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.   |
| <b>Matters in relation to related parties</b>                    | We are not aware of any related parties or related party transactions which have not been disclosed. Our work in this areas is still ongoing at the time of writing.  |
| <b>Matters in relation to laws and regulations</b>               | Management 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.   |
| <b>Written representations</b>                                   | Written representations will be requested from management at the conclusion of the audit. Given we still have a number of significant areas to complete, we will request representations at a future date.  |
| <b>Confirmation requests from third parties</b>                  | We requested from management permission to send confirmation requests to the Council's bank and institutions, the Council had year-end investments and borrowing with. This permission was granted, and the requests were sent. We await the return of a small number of requests and have highlighted these to management. |
| <b>Accounting practices</b>                                      | We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures.<br>Our review found no material omissions in the financial statements.  |
| <b>Audit evidence and explanations/ significant difficulties</b> | As referred to on page 5 we encountered a number of difficulties in completing our audit work, including late accounts, slow response times and inadequate 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).

Page 65

| Issue         | Commentary  |
|---------------|---|
| Going concern | <p>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.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"><li>• 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</li><li>• 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.</li></ul> <p>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:</p> <ul style="list-style-type: none"><li>• the nature of the Council and the environment in which it operates</li><li>• the Council's financial reporting framework</li><li>• the Council's system of internal control for identifying events or conditions relevant to going concern</li><li>• management's going concern assessment.</li></ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"><li>• a material uncertainty related to going concern has not been identified, as despite the demise of the council on 1 April 2023, the assets and liabilities will transfer to the newly created Somerset Council</li><li>• management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li></ul> |

# 2. Financial Statements - other responsibilities under the Code

| Issue  | Commentary  |
|--|---|
| Other information  | <p>We are required to give an opinion on whether the other information published together with the audited financial statements is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Our work is in progress. To date no issues have been identified.</p>  |
| Matters on which we report by exception                      | <p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• if the Annual Governance Statement <b>does not comply with disclosure requirements set out in CIPFA/SOLACE guidance</b> or is misleading or inconsistent with the information of which we are aware from our audit,</li> <li>• if we have applied any of our statutory powers or duties.</li> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es.</li> </ul> <p>We have nothing to report on these matters to date, however our work is in progress.</p> |
| <b>Specified procedures for Whole of Government Accounts</b> | <p>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.</p> <p>Detailed work is not required as the Council does not exceed the threshold.</p>   |
| Certification of the closure of the audit                    | <p>We intend to certify the closure of the 2021/22 audit of <b>South Somerset District Council</b> in the audit report, as our VFM work is complete.</p>  |



# 3. Value for Money arrangements

## Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code requires 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.

Page 67



### 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 is presented alongside this report.

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 risks we identified are detailed in the table below, along with the further procedures we performed and our conclusions. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Page 68

| Risk of significant weakness  | Procedures undertaken  | Findings   | Outcome   |
|---|--|--|---|
| Governance was identified as a potential significant weakness with regard to the arrangements to transition to the new authority, see page 11 for more details.               | We have undertaken additional work to assess the LGR programme’s governance arrangements.            | There are good governance arrangements in place to manage the complex task of local government reorganisation in Somerset. Progress is closely managed and monitored and at the time of writing no material gaps in delivery of products for vesting day have been identified. | Appropriate arrangements are in place, with three improvement recommendations raised. |
| Financial sustainability was identified as a potential significant weakness with regard to the arrangements to transition to the new authority, see page 22 for more details. | We have undertaken additional work to assess the progress made across key financial LGR workstreams. | There is a robust process in place for delivering a balanced budget for 2023/24, but the scale of savings required to achieve a balanced position for the first year of Somerset Council represents a significant challenge.   | Appropriate arrangements are in place, with four improvement recommendations raised.  |
| Improving economy, efficiency and effectiveness was not identified as a potential significant weakness.   | No additional procedures undertaken.   | Appropriate arrangements are in place to improve economy, efficiency and effectiveness.  | Appropriate arrangements are in place, with one improvement recommendation raised.    |

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# 4. 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). In this context, we disclose the following to you:

Barrie Morris is currently serving his 5th 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 because after that date the council will cease to exist.

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 D.

## Transparency

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

# 4. Independence and ethics

## Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. The following non-audit services were identified which were charged from the beginning of the financial year to the current date, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

| Service  | Fees £        | Threats identified                              | Safeguards  |
|--|---------------|---|---|
| <b>Audit related</b>                           |               |   |   |
| Certification of Housing Benefit Claim 2020-21 | 36,000        | 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        |   |   |
|  | <b>56,000</b> |   |   |

# Appendices

# A. Action plan – Audit of Financial Statements

We have identified 4 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 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

| Assessment | Issue and risk   | Recommendations  |
|------------|--|--|
| Page 72    | We identified that the council had a lower than expected salary assumption percentage included in it's IAS 19 report for 2021-22.                    | <p>We recommend 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.</p> <p><b>Management response</b></p> <p>SSDC accepts the recommendation, and this will be fed through to the new council to ensure that the assumptions in the IAS19 report are reviewed and a challenge to the actuary is made where required.</p> |
|            | As reported in the prior year, we identified several assets whose useful economic life was outside of the ranges identified in the council's policy. | <p>We continue to recommend that management reviews its asset lives and associated policies for appropriateness.</p> <p><b>Management response</b></p> <p>SSDC accepts the recommendation, and this will be fed through to the new council to ensure that the asset lives and associated policies are reviewed and amended where required.</p>   |
|            | Our testing of inventories identified one asset that was held at an amount greater than the net sale proceeds received by the council.               | <p>While the difference was trivial, we recommend that annually, management reviews it's inventory balances to ensure that the assets are appropriately held at the lower of cost or net realisable value.</p> <p><b>Management response</b></p> <p>TBC</p>  |

## Key

- High – Significant control weakness or impact on financial statements
- Medium – Control deficiency and limited impact on the financial statements
- Low – Best practice



# A. Action plan – Audit of Financial Statements

We have identified 4 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 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

| Assessment | Issue and risk  | Recommendations   |
|------------|---|---|
|            | Our expert's review of the Group PPE valuation models identified a number of recommendations. | <p>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.</p> <p><b>Management response</b></p> <p>SSDC accepts the recommendations and will ensure this is fed through to the new authority for action in closing the 2023/24 accounts.</p> |

Page 73

## Key

- High – Significant control weakness or impact on financial statements
- Medium – Control deficiency and limited impact on the financial statements
- Low – Best practice

# B. Follow up of prior year recommendations

We identified the following issues in the audit of South Somerset District Council's 2020/21 financial statements, which resulted in 11 recommendations being reported in our 2020/21 Audit Findings report. We have followed up on the implementation of our recommendations and will provide a further report on the conclusion of our audit work.

Page 74

## Assessment

- ✓ Action completed
- X Not yet addressed

| Assessment | Issue and risk previously communicated   | Update on actions taken to address the issue   |
|------------|--|--|
| Partially  | <p>We experienced issues with understanding some of the supporting working papers, several which were produced by staff who have since left the organisation.</p> <p>We also experienced some issues with the supporting evidence provided to us and had to request additional evidence to support items selected for testing.</p> <p>We encountered unnecessary challenge and inappropriate communications from some members of the Council's staff. This has hampered the efficient and effective delivery of the audit.</p> | While we have continued to experience some difficulties relating to understanding working papers produced by staff who have left the organisation, we are pleased to report that we have seen improvements in the communications of certain council staff. |
| TBC        | Our valuations expert identified a number of recommendations in relation to the council's Group PPE valuation model.   | Management have requested that their expert review and update valuation reports having regard to the findings raised by our auditor's expert in 2020-21. Our work in this area is still in progress.   |
| TBC        | As part of our testing of the obsolescence factor used in DRC valuations, we challenged officers as to how they had determined the specific factor for each asset. We received a detailed explanation with an example of the valuer's rationale for one property, but none of this information was noted within the individual asset valuation report, or corroborated by evidence.  | Our work on Property Plant and Equipment is in its early stages due to a delay in receipt of key working papers.   |
| ✓          | As part of our testing of the senior officer remuneration note, we identified a lack of formalised arrangements for the council's previous monitoring officer. The monitoring officer was seconded from another council on a temporary basis. The original contract for the service ended in July 2020 however the council continued with the arrangement without a formal contract in place until March 2021. Our inquires identified that finance, payroll and HR staff did not have any details of the arrangements.        | We understand management has undertaken a review of all secondment arrangements. Our work on Senior Officer remuneration has not identified concerns to date.  |
| X          | We identified a number of assets that had a useful life which was outside of the stated range within the council's policy.   | Our work has identified continued exceptions in this area in 2021-22.  |

# B. Follow up of prior year recommendations

| Assessment | Issue and risk previously communicated  | Update on actions taken to address the issue   |
|------------|---|--|
| TBC        | This is the second year that we have identified issues with the agreement of floor areas as part of our testing of the Council's internal valuations.<br>There is a risk that the Council is not keeping appropriate records of their properties in order to support valuations.  | Our work on Property Plant and Equipment is in its early stages due to a delay in receipt of key working papers.   |
| TBC        | Testing of journal entries identified nine journals that had not been authorised appropriately due to a batch type being excluded from authorisation reports.   | Our work in this area is in progress.  |
| TBC        | Testing of the annual leave accrual back to payroll / contract data identified some errors. Once extrapolated this indicated the accrual was understated by approximately £19k.<br>There is a risk that the council's accrual will be based on incorrect data if amounts are not able to be agreed to contractual data.   | Our work in this area is in progress.  |
| TBC        | As part of our debtors testing, we identified a number of debts that had not been paid and were well overdue.   | Our work in this area is in progress.  |
| Partially  | Within the opening balances of the council's fixed asset register, we identified a difference in the net book value and gross book values of Investment properties and heritage assets, where we would expect these assets to have the same values, due to their revaluation as at the balance sheet date.<br>The council has stated that this difference has arisen as a result of the historical cost depreciation. | Our work in 2021-22 did not identify any difference between the Heritage Asset gross book value and net book value.<br>We have identified one reconciliation difference relating to Investment property which we are currently discussing with management. |
| TBC        | We identified as part of our review of the final set of financial statements that management had made a £191k adjustment to creditors, but we were unable to reconcile this to any agreed audit adjustment. Management are satisfied that the accounts would not have been updated were the adjustments not appropriate, but are unable to provide supporting evidence as to why they have been made.                 | Our work is in progress and to date we have not identified any adjustments that management are not able to explain.  |

## Assessment

- ✓ Action completed
- X Not yet addressed

# C. Audit Adjustments

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

## Impact of adjusted misstatements

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

| Detail  | Comprehensive Income and Expenditure Statement £'000 | Statement of Financial Position £' 000 | Impact on total net expenditure £'000 |
|---|--|--|---------------------------------------|
| The council's Pension liability values were restated after a change to the future salary assumptions resulting in a material adjustment to the net pension liability as well as changed to the disclosure note. | 7,099  | 7,099                                  | 7,099                                 |
| The council treated a number of grants as though they were principal within their draft financial statements, despite them being agency grants  | Dr Income 13,887<br>Cr Expenditure 19,326            | Dr Debtors 5,438                       | Cr Reserves 5,438                     |
| <b>Overall impact</b>   | <b>£1,661</b>  | <b>£1,661</b>                          | <b>£1,661</b>                         |

# C. Audit Adjustments

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

## 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 omission   | Auditor recommendations   | Adjusted? |
|---|---|-----------|
| As a result of the updated actuarial report that was obtained, the net pension liability notes were adjusted to reflect the new asset and liability position and updated salary assumption from 2% to 4%.   | Management is in the process of updating their draft accounts for all the relevant changes. | ✓         |
| General typographical errors and presentational and grammar changes as well as amendments to years or notes were made.  | Management is in the process of updating their draft accounts for all the relevant changes. | ✓         |
| Note 42, Related Party Transactions disclosed £34,909 of transactions with Royal Mail. Having reviewed, we confirmed that this should be disclosed as £39,409.  | Management is in the process of updating their draft accounts for all the relevant changes. | TBC       |
| The depreciation balance disclosed in Note 7 was £2.074m, but it was determined that it should be £1.92m and that incorrect mapping had led to the wrong value being disclosed.   | Management is in the process of updating their draft accounts for all the relevant changes. | TBC       |
| We have noted that as part of audit procedures, the prior year 2020/21 audit costs note has been amended from £67,000.00 to £206,000.00 to match the final fee charged for the year. As the final fees were approved by PSAA after the finalisation of the accounts, and we would not expect an immaterial prior period adjustment to be made, the council has processed an adjustment to reflect the additional fees in the 2021/22 financial statements | Management is in the process of updating their draft accounts for all the relevant changes. | TBC       |
| The council's operating leases note double counted one property requiring adjustment of the total future leases payment receivable which from £39,948k to £43,083k.   | Management is in the process of updating their draft accounts for all the relevant changes. | TBC       |

# C. Audit Adjustments



Page 78

## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 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<br>£'000 | Statement of Financial Position<br>£'000 | Impact on total net expenditure<br>£'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. |
| <b>Overall impact</b>  | <b>£206</b>   | <b>£nil</b>                              | <b>£206</b>                              |  |

# C. Audit Adjustments

## Prior year unadjusted misstatements

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

| Detail  | Comprehensive Income and Expenditure Statement<br>£'000 | Statement of Financial Position<br>£' 000 | Impact on total net expenditure<br>£'000 | Reason for not adjusting  |
|---|---|---|--|---|
| The council has a carried forward debtors of £102k relating to elections included in its 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 testing of one of the Council's Investment Properties identified two differences when agreeing valuation inputs to supporting evidence. Firstly, the market rent used was incorrect by £62k and secondly, the estimated costs associated differed to actuals by £82k. The total impact on the valuation was an understatement of £145k.   | (£145)  | £145                                      | (£145)                                   | Not material, and one element related to estimation differences |
| Our testing of the senior officer remuneration note identified that the council was unable to verify the period that invoices for the previous monitoring officer's salary related to. The council have therefore included the April invoice in the disclosure, and while we agree that this is likely to relate to 2020-21, we cannot confirm this. As such there is a potential error included within the note. | £2  | (£2)                                      | £2                                       | Not material  |
| As reported in the prior year, the council incorrectly includes its share of a joint venture (Lufton 2000) in its single entity accounts. The council have not adjusted for this error in 2020-21.  | £12   | £649                                      | £12                                      | Not material  |

# C. Audit Adjustments

## Impact of prior year unadjusted misstatements continued

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

| Detail   | Comprehensive Income and<br>Expenditure Statement<br>£'000 | Statement of Financial Position<br>£' 000 | Impact on total net expenditure<br>£'000 | Reason for<br>not adjusting |
|--|--|---|--|-----------------------------|
| We identified that management are not providing for Minimum Revenue Provision (MRP) on commercial loans. As noted on page 19 in our view this is not in line with the prudential code and as a result the MRP is understated for the current year.   | £776   | £nil                                      | £776                                     | Not material                |
| Our testing of a sample of grant income identified one grant that related to 2021-22 but had been accounted for in 2020-21. Income is overstated by £242k.   | £242   | £nil                                      | £242                                     | Not material                |
| Our review of the final version of financial statements identified a debit adjustment to Creditors of £191k which management were unable to explain at the time of concluding. The adjustment reduces creditors, therefore we have reported it as an unadjusted error as we are unable to understand the adjustment. | £191   | Cr Creditors £191                         | £191                                     | Not material                |
| <b>Overall impact</b>  | <b>£1,078</b>  | <b>£1,085</b>                             | <b>£1,078</b>                            |                             |



# D. Fees

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

| <b>Audit fees</b>                | <b>Proposed fee</b> | <b>Final fee</b> |
|----------------------------------|---------------------|------------------|
| Council Audit                    | £91,443             | TBC*             |
| Total audit fees (excluding VAT) | £91,443             | £TBC             |

The fees do not reconcile to the draft financial statements. As the council has disclosed fees of £98,000. We have alerted management who are in the process of adjusting the disclosure.

Page 81  
Our final proposed fee will be determined and discussed with management at the conclusion of our audit work. A summary of additional fees raised to date is included on page 30. Fees are still TBC as our audit work is still in progress. We have indicated to management that our anticipated final fee proposal is in the region of £145,000.

| <b>Non-audit fees for other services</b>       | <b>Proposed fee</b> | <b>Final fee</b> |
|--|---------------------|------------------|
| Audit Related Services (Housing Benefit Claim) | 20,000              | TBC**            |
| Total non-audit fees (excluding VAT)           | £20,000             | £TBC             |

\*\* The Housing Benefit Certification for 2021-22 is still in progress.

# D. Fees

## Further Fee analysis

| Audit fees   | Estimated fee |
|--|---------------|
| Scale fee  | 37,943        |
| Raising the bar/regulatory factors   | 2,500         |
| Enhanced audit procedures for Property, Plant and Equipment                      | 1,750         |
| Enhanced audit procedures for Pension Liabilities (IAS19)                        | 1,750         |
| Additional work on Value for Money (VfM) under new NAO Code                      | 9,000         |
| Increased audit requirements of revised ISAs 540 / 240 / 700                     | 6,500         |
| Group  | 4,000         |
| Use of expert – estimated cost for Group PPE (review of 3 models)                | 20,000        |
| Use of expert – Investment Property review                                       | TBC           |
| Use of expert – audit team review and liaison                                    | TBC           |
| Additional audit procedures arising from a lower materiality                     | 5,000         |
| Additional procedures to address issues identified in the prior year             | 3,000         |
| Additional procedures to address issues in MRP                                   | TBC           |
| Additional procedures regarding triennial review updates for Pension Liabilities | 6,000         |
| <b>Estimated fee</b>   | <b>*£TBC</b>  |

32



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# South Somerset District Council

## Statement of Accounts 2021/2022



# Contents

|   | Page Number |
|---|-------------|
| Foreword  | 1           |
| Narrative Report  | 2           |
| Independent Auditors report to the Members of South Somerset District Council   | 19          |
| Statement of Responsibilities for the Statement of Accounts   | 22          |
| Statement of Accounting Policies  | 23          |
| The Core Financial Statements   | 37          |
| <ul style="list-style-type: none"><li>• Comprehensive Income and Expenditure Statement</li><li>• Movement in Reserves Statement</li><li>• Balance Sheet</li><li>• Cash Flow Statement</li></ul> |             |
| Notes to the Core Financial Statements  | 41          |
| Collection Fund Account   | 81          |
| Group Financial Statements  | 85          |
| <ul style="list-style-type: none"><li>• Comprehensive Income and Expenditure Statement</li><li>• Movement in Reserves Statement</li><li>• Balance Sheet</li><li>• Cash Flow Statement</li></ul> |             |
| Notes to Group Financial Statements   | 91          |
| Glossary of Terms   | 95          |
| Contact Details for further information   | 102         |

# Foreword

I am pleased to present South Somerset District Council's draft Statement of Accounts. These give an overview of the Council's finances for 2021/22.

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

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

The Accounts and Audit (Amendment) Regulations 2021 changed the statutory audit deadlines for all Local Authorities. The deadline for issuing draft accounts is now 31 July and the publication deadline for audited accounts moved from 31 July to 30 September for a two year period applicable from 31 March 2021.

Draft Accounts for 2021/22 were published on our website on 29 July 2022 and submitted to our External Auditors, Grant Thornton, on the same date, which is within the statutory deadline. The revised regulations state that the public inspection period must commence on or before the first working day of August 2022.

As the external audit of the 2020/21 financial statements for the Council remains ongoing, due to a number of issues that have yet to be resolved, Grant Thornton has advised that they will not be commencing the audit of the 2021/22 financial statements until after the prior year audit has been concluded.

This will mean that the audit is not planned to commence until October 2022. Hence, the Council will not be able to publish its audited 2021/22 financial statements by the 30 September 2022 but will seek to do so as soon as practical after the audit has been concluded.

The Council will follow best practice principles and submit the draft accounts to the Audit Committee on 22nd September 2022 to allow Members the opportunity to review them before they are asked to formally approve the audited Statements in January 2023.

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



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

# Narrative Report

## 1. Introduction

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

However, local authority financial statements are complex and can be difficult to understand: they must comply with the Chartered Institute of Public Finance & Accountancy's (CIPFA) "Code of Practice on Local Authority Accounting in the United Kingdom 2021/22", which is based on International Financial Reporting Standards (IFRS), and also the requirements of accounting and financing regulations of central government.

This narrative report will provide the reader with:

- An understanding of the Council and its strategic priorities.
- An outline of how the Council responded to Covid-19 and how it has impacted on our finances and priorities.
- A summary of the Council's financial performance for 2021/22 along with information on how well we delivered its key priorities during the year.
- An overview of the Council's medium term financial plans, future outlook, and key risks going forwards.
- A guide to the key features of the primary statements and notes that make up the financial statements.

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

## 2. South Somerset District Council

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

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

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

South Somerset District Council is made up of 60 locally elected members - 39 Liberal Democrats, 13 Conservatives, 6 Independents, 1 Green and 1 vacant seat as at 31 March 2022.

The Council employed 385.33 full time equivalent (FTE) employees as at 31 March 2022. In terms of



actual numbers of employees this equates to 415, of whom 326 are full time and 89 are part-time employees.

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

### 3. Strategic direction of the Council

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

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

[Council Plan 2020-24](#)

#### Our Vision

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

#### Our Values



#### 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 2021/22 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 2021/22



Economy &  
Healthy, Self-reliant  
Communities

1. Lead the recovery and revitalisation of our economy and communities to be stronger, more resilient and more vibrant than before Covid-19



Economy

2. Continue to deliver Regeneration Programmes



Places where we live

3. To develop proposals to accelerate the delivery of key housing sites and associated infrastructure



Healthy, Self-reliant  
Communities

4. Address child poverty, social isolation and low levels of social mobility across the district



Environment

5. To accelerate action to adapt to and mitigate the effects of climate change and extreme weather

## 4. The impact of Covid-19

The COVID pandemic has continued to impact upon our staff, residents and businesses. Our staff and communities have stepped up to provide help and support where and when it was needed. We have continued to deliver our services despite resources being diverted to aid with the pandemic. We have met ongoing demands, even with the changes to services that were made in line with Government guidelines. We are incredibly proud of the work we have achieved alongside our communities in 2021/22.

The Council has acted in the capacity of “Agent” and “Principal” for the Government, passporting grants to businesses and support to individuals in accordance with Government guidelines. “Agent” payments and grant income have not been included in the CIES, whilst those relating to the Council as “Principal” are included in the CIES. The total amount paid out in 2021/22 was £13.2m. During 2021/22 the Council also administered Business Rate Relief (discounts) schemes totalling £9.2m.

## 5. 2021/22 achievements



Economy

- The new Leisure Centre in Chard was completed and opened in November 2021.
- Economic support was provided to businesses by signposting to economic development initiatives including M-Hub and Growth Hub.
- £13m + Business Support Grants paid out to local businesses.
- £150k Welcome Back Fund administered and paid out.
- Provided employment support for businesses and individuals including setting up the South Somerset Opportunities Hub.



### Environment

- **The Council worked with Somerset Waste Partnership to roll out Recycle More over the summer despite the challenges of Covid and the national driver shortage.**
- 750 subscribers to our community environment newsletter, Get Sussed. 12 Issues to date.
- Fully energised the 25MW Battery Energy Storage Site (BESS) facility.
- **Continued to measure and track the decrease in SSDC's annual carbon footprint progressing priority projects that best deliver for the carbon neutrality target of 2030.**
- £36,000 secured from Cultural Recovery Fund for Heritage for environmental protection and restoration of the monument at Ham Hill.



### Places where we live

- Community grants of £89,255 were awarded covering Arts, Community Transport, Sports and Recreation, Group Development, Community activities and Community buildings.
- Implemented an action plan based on the "Accelerated Housing Delivery in South Somerset" report.
- Completed a cycling and walking infrastructure plan for Yeovil.
- Made improvements to Cartgate Visitor Information Centre creating a Gold in Somerset and Silver in SW England award winning hub for visitors and residents (South West England Tourism Excellence Awards).



### Healthy, Self-reliant Communities

- Yeovil won Silver for South West in Bloom. We have also supported over 10 "It's Your Neighbourhood" community groups annually as part of the Bloom initiative.
- New Yeovil Recreation Centre Café and Community space opened in July 2021.
- Investigated 166 abandoned vehicles and removed 11 to help keep streets and neighbourhoods clean and attractive.
- 1,650 trees planted across the SSDC estate and within our communities, exceeding our 1,000 per annum target.

The end-of-year Performance Report can be found here:

[Performance Report 2021-22](#)

## 6. 2021/22 Financial Performance

### Background Context

This part of the Narrative Report reviews the Council's performance against the approved 2021/22 revenue and capital budget (known as "year-end outturn") and the consequential impact on reserves, borrowing, and investments.

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

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

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

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

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

### Revenue Budget

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

The 2021/22 revenue budget approved by Full Council in February 2021 can be found here. [2021/22 Revenue and Capital Budgets and Medium Term Financial Plan](#)

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

The 2021/22 quarterly revenue budget monitoring reports can be read by clicking on the following hyperlinks:

[Quarter 1 Revenue Budget Monitoring Report 2021-22](#)

[Quarter 2 Revenue Budget Monitoring Report 2021-22](#)

[Quarter 3 Revenue Budget Monitoring Report 2021-22](#)

[Quarter 4 Revenue Budget Monitoring Report 2021-22](#)

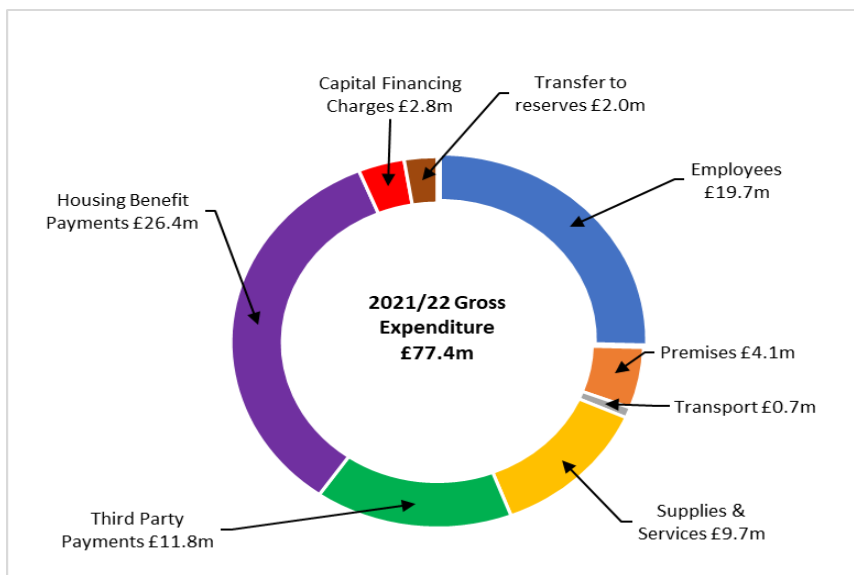
**Net Revenue Outturn:** total net expenditure for 2021/22 was **£17.301m** resulting in a small underspend against the approved net budget.

**Table 2: Revenue Budget Net Outturn for 2021/22**

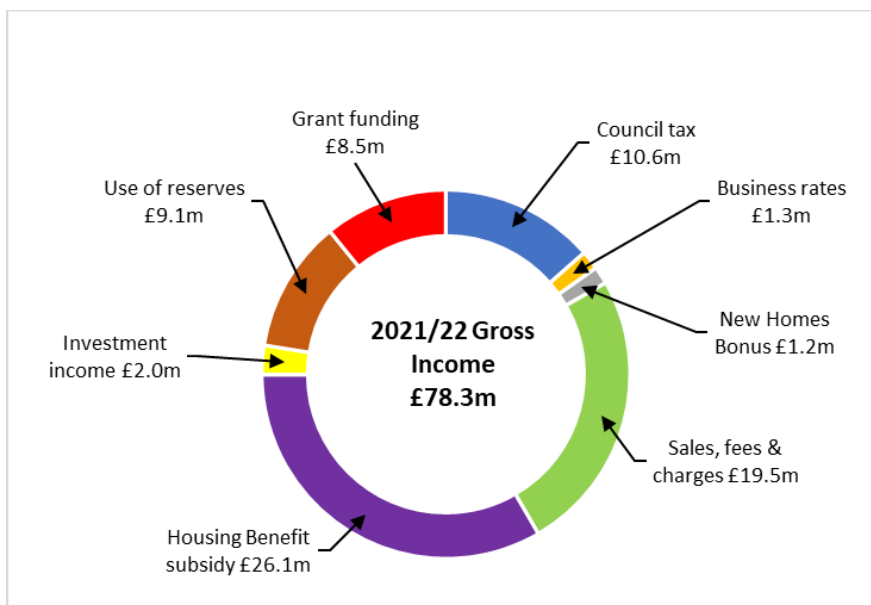
|                             | Outturn Position - 2021/22 |                    |                  |
|-----------------------------|----------------------------|--------------------|------------------|
|                             | Budget                     | Actual             | Variance         |
| Chief Executive             | £752,950                   | £886,677           | £133,727         |
| Commercial Services         | £3,542,180                 | £3,484,731         | (£57,449)        |
| Place & Recovery            | £536,960                   | £617,931           | £80,971          |
| Strategy & Support Services | £8,376,170                 | £8,623,040         | £246,870         |
| Service Delivery            | £4,111,150                 | £3,688,417         | (£422,733)       |
| <b>Net Budget</b>           | <b>£17,319,410</b>         | <b>£17,300,796</b> | <b>(£18,614)</b> |

**Gross expenditure and income:** Local Government conventionally shows the net expenditure budget position in committee reports. This is defined as the net expenditure that is financed by Council Tax, Business Rates, general government grants, and non-earmarked reserves. An analysis of the 2021/22 gross expenditure and how that is financed is illustrated below.

**Pie Chart 1: Breakdown of 2021/22 Gross Expenditure of £77.4m**



**Pie Chart 2: Breakdown of 2021/22 Gross Income of £78.3m**



## Capital Budget

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

The 2021/22 capital budget approved by Council in February 2021 can be found [here](#).

### [2021-22 Capital Budget](#)

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

The 2021/22 quarterly capital budget monitoring reports can be read by clicking on the following hyperlinks:

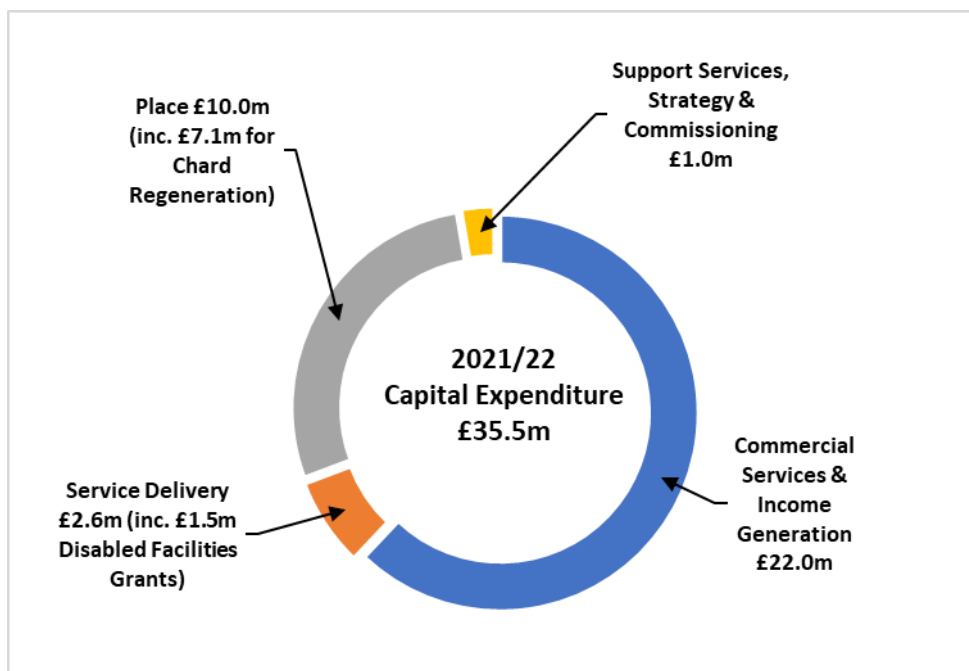
[Quarter 1 & 2 Capital Monitoring Report 2021-22](#)

[Quarter 3 Capital Monitoring Report 2021-22](#)

[Quarter 4 Capital Monitoring Report 2021-22](#)

**Capital Outturn:** Total capital spending for 2021/22 was **£35.499m**; this was £5.041m (12%) less than the revised budget £40.540m of planned expenditure agreed by Council in December 2021.

### ***Pie chart 3: Capital expenditure by Directorate***



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

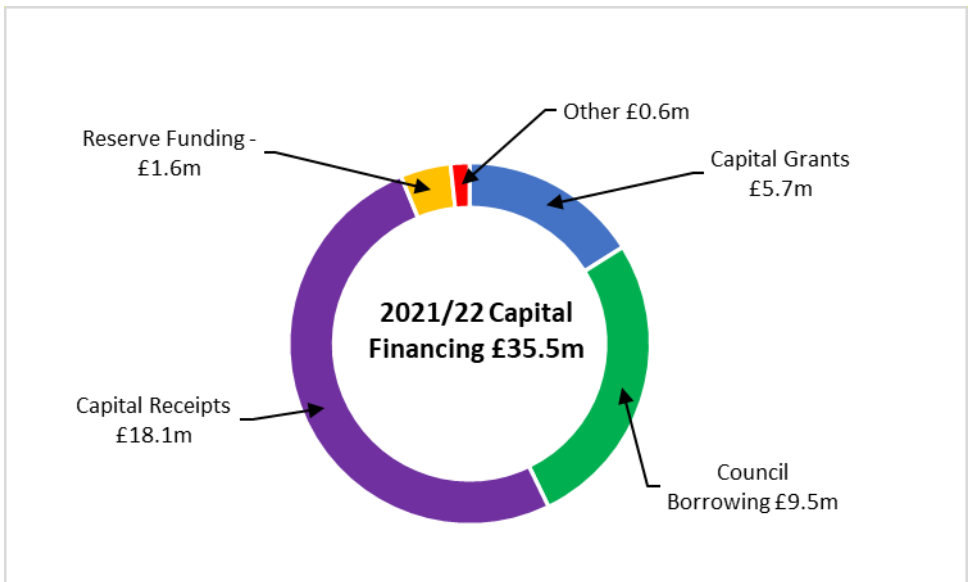
£10.3m Commercial Loan to SSDC Opium Power Ltd for the Battery Storage Scheme at Fareham – to be repaid in line with loan agreements to generate new income.

£9.6m in acquiring 3 commercial Investment Properties (Costa Coffee in Glastonbury, Lyndon House in Birmingham, and St John's Retail Park in Taunton) – generating new income to fund services to our communities.

|  |
|--|
| £9.6m on Town Centre Regeneration – the majority on the Chard Regeneration Project (£7m) enabling the successful delivery of a new leisure centre in the town which opened in November 2021. £2.1m was also spent on the Yeovil Refresh project improving the public realm town centre to stimulate economic growth. |
| £1.5m Disabled Facilities & Home Repair Grants – enabling aids and adapting private properties to support living at home.  |
| £1m on the grant-funded Public Sector Decarbonisation scheme at our leisure facilities.  |
| £403k on Play facilities (Jarmon Street, Chard, Play Area Equipment (£104k) and West Cocker Pavilion and play projects (£299k) – improving facilities to aid healthy living and enjoyment in the community.  |
| £348k commercial loan to Somerset Waste Partnership – for vehicles.  |
| £338k for Green Homes Grant Local Authority Delivery (LAD) Scheme.   |
| 285k on Yeovil Crematorium – updating and improving the Crematorium to deliver an improved service to the community.   |
| £213k on Leisure centres capital improvement works.  |
| £145k on the Market Towns vision.  |
| £101k on digital systems – enhancing facilities to enable home working during Covid and ensuring the ongoing security and efficiency of digital systems.   |

**Capital financing:** The financing of the 2021/22 capital programme is illustrated in pie chart 4.

**Pie chart 4: Funding of 2021/22 capital expenditure**



The borrowing amount of £9.5m 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 £31.606m as at 31 March 2022 (they were £38.464m as at the end of March 2021).

The most significant revenue earmarked reserves comprise:

- £8.9m Medium Term Financial Plan Support Fund
- £6.7m in the Commercial Investment Risk Reserve
- £6.5m NNDR S31 Grant Coll. Fund Reserve
- £3.2m Regeneration Fund

The General Fund Balance is £6.556m as at 31 March 2022 (previous year's position was £4.152m). The 2021/22 revenue budget underspend was transferred into the balance at year end.

Capital reserves are £5.183m as at the end of the year (corresponding position last year was £18.222m).

## 7. Medium Term Financial Plan and Outlook

**Introduction:** This section of the Narrative Report set outs the council's revenue and capital budgets for 2022/23 along with how these budgets will be funded. The 2022/23 budget will be the last budget of SSDC prior to the creation of the new Somerset Council from 1<sup>st</sup> April 2023: therefore, there is no Medium Term Financial Plan nor a Capital Strategy. Council approved the budget at its meeting on 28<sup>th</sup> February 2022. The Budget Report can be found here:

### [South Somerset District Council - 2022/23 Budget Report](#)

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

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

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

**2023/24 revenue estimates:** The Budget Report sets out an indicative position for the 2023/24 revenue budget (the first year of Somerset Council) based on a continuation of the services and delivery methods SSDC currently provides along with estimates of the potential impact of the local government funding reforms, anticipated to be introduced in that financial year. These estimates must be treated with caution



particularly as there is a lack of current information on the reforms and it is difficult therefore to forecast their impact with any degree of accuracy.

These 2023/24 estimates will be superseded and reviewed as part of the preparation needed to set Somerset Council's 2023/24 budget. Work is currently being undertaken as part of the LGR Programme to consolidate a base budget position across the five councils as a starting point for developing the 2023/24 budget and Medium Term Financial Plan for the new council.

## Key budget proposals agreed by Council:

### 2022/23 Revenue Budget:

- Balanced revenue budget position for 2022/23 (with a small estimated surplus of £140k).
- Net revenue budget requirement in 2022/23 of £19.714m representing an increase on the 2021/22 original approved estimate of £2.971m (17.75%).
- Revenue budget growth proposals totalling £2.108m.

### 2021/22 to 2023/24 Capital Programme:

- Capital Programme of £116.469m an increase of £21.521m from the 2021/22 original approved estimate of £96.352m (an increase of 23%).
- The creation of a corporate capital contingency fund within the capital programme of £4m.
- Consequential increase in the revenue budget (financing costs) of £1.272m.

### Reserves:

- Use of £6.658m of earmarked reserves during 2022/23 (2.101m to fund the revenue budget and 4.557m to fund the capital programme).
- Increase in the LGR (Local Government Reorganisation) Reserve by £1m to fund potential staffing capacity gaps during 2022/23.
- Creation of a reserve in 2023/24 of £4.8m for the Yeovil Refresh capital project should there be a requirement in that year to pay back the money-received to-date from the Future High Streets Fund (FHSF).
- Transfer of £2m from the Commercial Investments Risk Reserve to the MTFP Support Fund reserve to assist the 2023/24 position of the new Council to fund potentially adverse local government finance reforms.
- Increase in the Treasury Management Reserve by £0.350m to fund an increase in interest rates in 2022/23 (up to 1%) should they rise above the rates assumed in this Budget Report.

### Council Tax:

- An increase of 2.82% in Council Tax (SSDC's element excluding precepts) in 2022/23 to £182.11 (for Band D).

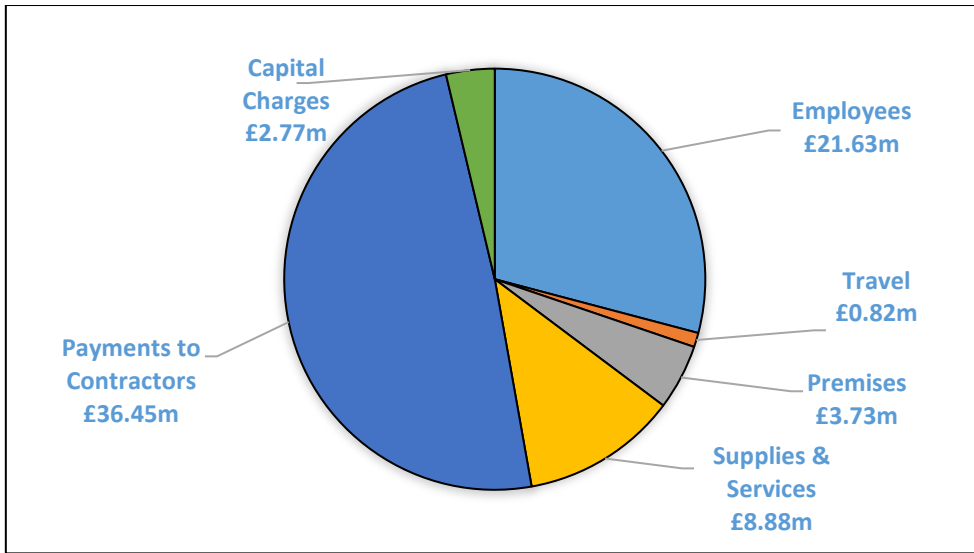
## Revenue Budget

The Net Budget Requirement for 2022/23 is £19.714m, which once funded by government grants, Council Tax, and retained Business Rates produces an overall balanced budget with a small surplus of £140k estimated (0.7% of the Net Budget Requirement).

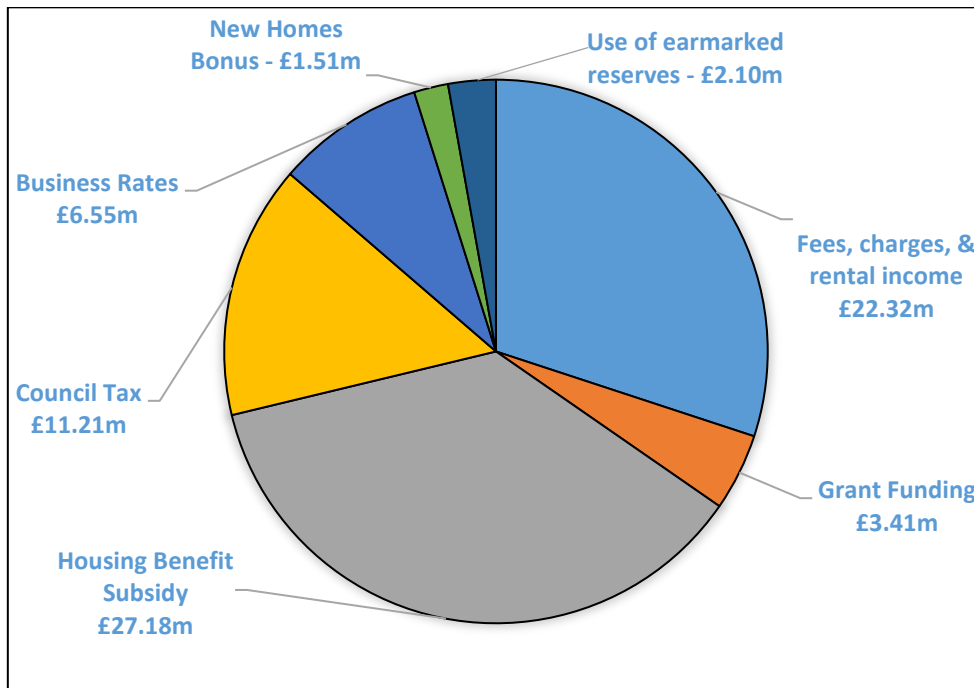
The preliminary forecast for 2023/24, based on SSDC continuing its services, shows a deficit of £4.535m, which is largely the result of assumptions made about the local government finance reforms, which may be introduced in that year and the likely adverse impact of the changes.

The overall 2022/23 gross revenue expenditure budget for SSDC is £74.28m. Charts 5 and 6 illustrate how this budget is planned to be spent and how it is financed.

**Pie Chart 5: 2022/23 Gross Revenue Budget Expenditure (£74.28m) by type of expense**



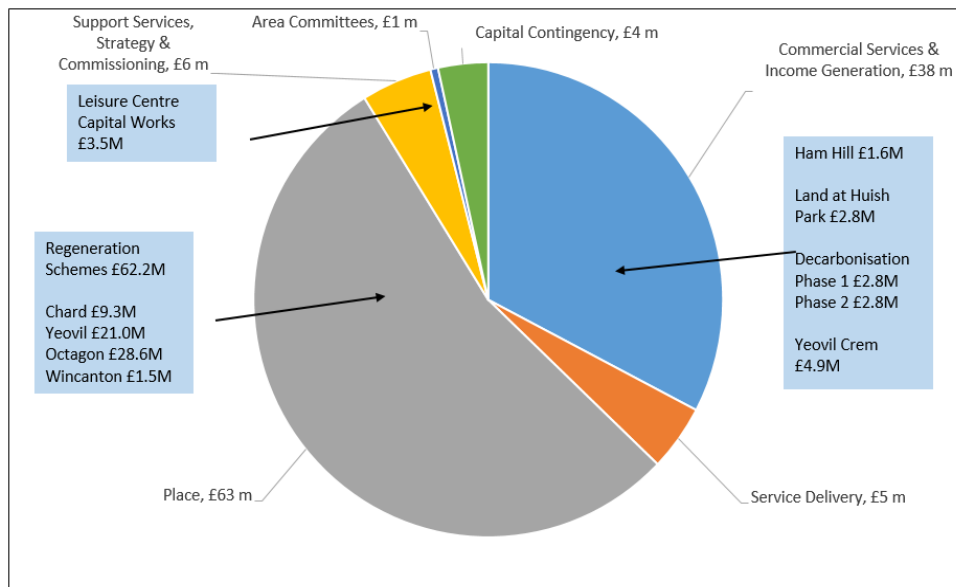
**Pie Chart 6 Funding of 2022/23 Gross Revenue Budget of £74.28m**



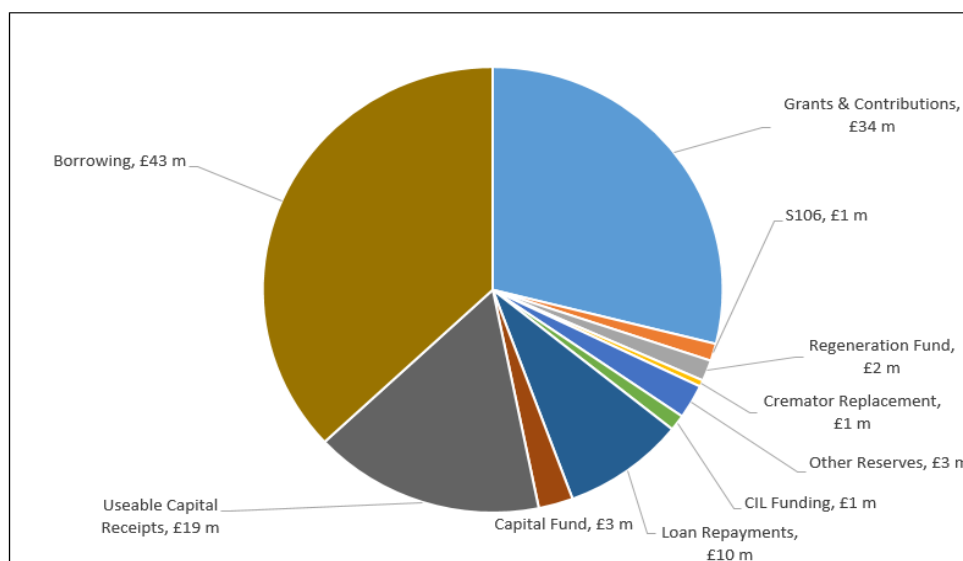
## Capital Programme

The total capital programme for the years 2021/22 to 2023/24 (and ongoing expenditure until 2025/26) is £116.469m. This is illustrated in pie chart 7 with pie chart 8 showing how this will be funded. Council agreed at its meeting an addition to the capital programme of £21.521m for the years 2022/23 and beyond.

**Pie Chart 7: Capital Programme by Service Area along with major projects**



**Pie Chart 8: Funding of the overall Capital Programme**



## Reserves

The Council holds earmarked revenue reserves for a variety of good financial management reasons. Some reserves are for specific expenditure that will occur in the future, some reserves are held to mitigate possible risk, and others are reserves specifically built up over the past to help support the Medium-Term Financial Plan. We also hold reserves for each Area Committee.

Earmarked reserves are either revenue reserves (which can be used to fund both revenue and capital expenditure) or capital reserves, which, unless the Secretary of State gives the council a specific dispensation, can only be used to fund capital expenditure. The capital reserves showing in the table below are primarily comprised of capital receipts.

## Assessment of Financial Risks

**Table 4: Assessment of key financial risks**

| RISK                     | DESCRIPTION AND ANY MITIGATION   |
|--------------------------|--|
| <b>Staffing capacity</b> | <p><b>Risk:</b> There is the possibility that SSDC may lose staff during 2022/23. There is also additional workload arising from LGR implementation. There is a risk therefore that there may not be sufficient capacity to maintain service delivery, deliver the corporate annual action plan, as well as LGR implementation.</p> <p><b>Mitigation:</b> Council increased the LGR Reserve by £1m to fund any additional capacity requirements over those proposed in the budget proposals.</p>   |
| <b>Interest Rates</b>    | <p><b>Risk:</b> Interest rates have increased from 0.25% at the start of 2021/22 to 0.75% at the end of the financial year. There have been subsequent increases in the bank rate which now stands at 1.25% as at 30 June 2022. The economic forecast is that rates will continue to rise with the Council's treasury advisors anticipating the rate to increase above 2% by December 2022. SSDC has a high Capital Financing Requirement (indebtedness) and currently borrows on a short-term basis through peer-to-peer lending, which is cheap and does not fetter the flexibility of the new Somerset Council to manage its future borrowing needs.</p> <p><b>Mitigation:</b> Regular meetings with our external Treasury Management advisers are held to inform us of the potential risks and any need for action. A 0.75% interest rate is assumed in the 2022/23 budget estimates. Council agreed an increase of £0.350m in the Treasury Management Reserve to fund any rise of interest rates to 1% in 2022/23. Discussions are being held with the S151 officers in the other Somerset councils on whether some long-term borrowing should be acquired in order to fix interest rates for some of the borrowing needed.</p> |
| <b>Pay Award</b>         | <p><b>Risk:</b> The 2022/23 pay award for local government services employees remains unresolved. Negotiations on the pay award for 2023/24 do not form part of this year's dispute and will be considered separately once the pay award for 1 April 2022 has been finalised. There is a significant risk that the pay award maybe above the amounts estimated in the budget proposals.</p> <p><b>Mitigation:</b> SSDC holds sufficient reserves to fund any increase for this year and next.</p>  |

| RISK                          | DESCRIPTION AND ANY MITIGATION   |
|-------------------------------|--|
| <b>Price Inflation</b>        | <p><b>Risk:</b> General inflation is at its highest level for thirty years and some commentators expect it to peak at 10% later in 2022. Construction inflation is currently running at 20% to 40%.</p> <p><b>Mitigation:</b> The risk is most acute for the delivery of the capital programme. Whilst agreed budgets for the council's major projects already have a contingency amount within the approved budget, the CFO proposed the creation of a corporate capital contingency of £4m in 2022/23 to help mitigate this risk. Council agreed this proposal at its budget meeting in February 2022.</p>   |
| <b>Business Rates, Income</b> | <p><b>Risk:</b> The funding from business rates is based on the accurate calculation of the NNDR1 form. There is volatility in the estimates due to various factors, such as anticipated discretionary and mandatory reliefs, growth in the rateable value, bad debts, and volume of appeals. All of these factors can affect the surplus or deficit position on the collection fund that will affect the next financial year's revenue budget.</p> <p><b>Mitigation:</b> The Collection Fund estimates for 2022/23 have been produced using recommended guidance from CIPFA (Chartered Institute of Public Finance &amp; Accountancy), and a review of the figures has been undertaken by LG Futures, an external consultancy firm.</p> |
| <b>Covid-19</b>               | <p><b>Risk:</b> The pandemic could continue in 2022/23 and in future years in a way, that requires further responses which impacts on the Councils service provision and/or financial standing.</p> <p><b>Mitigation:</b> In this instance, as we have seen during the past two financial years, we would be expecting the Government to be stepping in to support the entire sector if the impacts were high.</p>   |

## 8. 2021/22 Statement of Accounts

The Statement of Accounts sets out the financial performance of the Council for the year ended 31 March 2022 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 losses arise as a result of changes in market valuations, interest rates or changes in measurement assumptions in relation to pension liabilities.

### Movement in Reserves Statement (MIRS)

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

required under local government legislation.

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

Reserves are analysed into two categories: usable and unusable.

#### **Usable reserves**

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

#### **Unusable reserves**

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

#### **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 2022. 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 Elleston Services Ltd and SSDC Opium Power Limited into the overall group.

South Somerset District Council wholly owns (100%) Elleston Services Ltd which was established in April

2019 to deliver Landscape Services. The company did not trade in 2020/21 or 2021/22 and the long-term plan for this company is currently being considered.

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.

A change has been made to one accounting policy for 2021/22. This relates to 'Accruals of Expenditure and Income' and the de minimis level used for accruals.

A decision was taken to set the limit at £500 for 2021/22, which is a revision from the previous limit of £2,000. The 2021/22 accounting policies were approved by Audit Committee on 24 March 2022.

### **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.

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# Statement of Responsibilities for the Statement of Accounts

## The Authority's Responsibilities

The council is required to: -

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

## S151 Officer Responsibilities

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

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

- 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 2022.

Signed

P Matravers CPFA  
Deputy S151 Officer

30 July 2022

# Statement of Accounting Policies

## 1. General Principles

The Statement of Accounts summarises the authority's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. 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 2021/22 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 will cease to exist with effect from 31<sup>st</sup> March 2023 and the assets and liabilities of the Council will transfer to the newly created authority.

## 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 2022.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their

fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2022, using the following methods and assumptions:

- Loans borrowed by the council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- 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-21 | Restated Gross Income year ended 31-Mar-21 | Restated Net Cost of Services year ended 31-Mar-21 | Service   | Note Number | Gross Expenditure year ended 31-Mar-22 | Gross Income year ended 31-Mar-22 | Net Cost of Services year ended 31-Mar-22 |
|---|--|--|---|-------------|--|-----------------------------------|---|
| £'000   | £'000                                      | £'000  |   |             | £'000                                  | £'000                             | £'000                                     |
| 2,091   | (281)                                      | 1,810  | Chief Executive   |             | 1,563                                  | (3)                               | 1,560                                     |
| 17,137  | (7,519)                                    | 9,618  | Director of Commercial Services and Income Generation             |             | 18,734                                 | (8,974)                           | 9,760                                     |
| 51,303  | (34,908)                                   | 16,395   | Director of Service Delivery                                      |             | 40,039                                 | (27,142)                          | 12,897                                    |
| 4,778   | (557)                                      | 4,221  | Director of Strategy & Support Services                           |             | 8,035                                  | (3,505)                           | 4,530                                     |
| 14,020  | (10,002)                                   | 4,018  | Director of Place & Recovery                                      |             | 11,047                                 | (5,945)                           | 5,102                                     |
| <b>89,329</b>                                   | <b>(53,267)</b>                            | <b>36,062</b>                                      | <b>Cost of Services</b>   |             | <b>79,418</b>                          | <b>(45,569)</b>                   | <b>33,849</b>                             |
| 5,881   | (700)                                      | 5,181  | Other Operating expenditure                                       | 10          | 6,118                                  | (948)                             | 5,170                                     |
| 14  | 0  | 14   | Net Loss/(Gain) on Disposal of Property, Plant and Equipment      | 12          | 290                                    | 0                                 | 290                                       |
| 2,382   | (2,149)                                    | 233  | Financing and Investment Income and Expenditure                   | 13          | (2,381)                                | (1,950)                           | (4,331)                                   |
| 0   | (31,617)                                   | (31,617)   | Taxation and Non-Specific Grant Income                            | 14          | 0                                      | (34,175)                          | (34,175)                                  |
| <b>97,606</b>                                   | <b>(87,733)</b>                            | <b>9,873</b>                                       | <b>(Surplus)/Deficit on Provision of Services</b>                 |             | <b>83,445</b>                          | <b>(82,642)</b>                   | <b>803</b>                                |
|   |  | (4,932)  | (Surplus)/Deficit on revaluation of Property, Plant and Equipment | 33          |  |                                   | 529                                       |
|   |  | (2,117)  | (Surplus)/Deficit on revaluation of Pooled Funds                  | 33          |  |                                   | (1,113)                                   |
|   |  | 17,034   | Re-measurement of the Net Defined Benefit Liability               | 47          |  |                                   | (33,107)                                  |
|   |  | (12)   | Share of Other Income and Expenditure of Joint Operations         | 21          |  |                                   | 68  |
|   |  | <b>9,973</b>                                       | <b>Other Comprehensive Income and Expenditure</b>                 |             |  |                                   | <b>(33,623)</b>                           |
|   |  | <b>19,846</b>                                      | <b>Total Comprehensive Income and Expenditure</b>                 |             |  |                                   | <b>(32,820)</b>                           |

# 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                    |
| <b>Balance at 31 March 2020</b>                                     | <b>(5,100)</b>       | <b>(21,877)</b>    | <b>(26,977)</b>            | <b>(18,433)</b>          | <b>(2,501)</b>           | <b>(638)</b>              | <b>(48,549)</b>       | <b>36,674</b>     | <b>(11,875)</b>          |
| <b>Movement in reserves during 2020/21:</b>                         |                      |                    |                            |                          |                          |                           |                       |                   |                          |
| Total Comprehensive Income and Expenditure                          | 9,873                | 0                  | 9,873                      | 0                        | 0                        | (12)                      | 9,861                 | 9,985             | 19,846                   |
| Adjustments between accounting basis and funding basis under        | (25,171)             | 0                  | (25,171)                   | 211                      | (5,284)                  | 0                         | (30,244)              | 30,244            | 0                        |
| <b>Net Increase/Decrease before transfers to Earmarked Reserves</b> | <b>(15,298)</b>      | <b>0</b>           | <b>(15,298)</b>            | <b>211</b>               | <b>(5,284)</b>           | <b>(12)</b>               | <b>(20,383)</b>       | <b>40,229</b>     | <b>19,846</b>            |
| Transfers to/from Earmarked Reserves (note 32)                      | 16,351               | (16,351)           | 0                          | 0                        | 0                        | 0                         | 0                     | 0                 | 0                        |
| <b>(Increase)/Decrease in 2020/21</b>                               | <b>1,053</b>         | <b>(16,351)</b>    | <b>(15,298)</b>            | <b>211</b>               | <b>(5,284)</b>           | <b>(12)</b>               | <b>(20,383)</b>       | <b>40,229</b>     | <b>19,846</b>            |
| <b>Balance at 31 March 2021</b>                                     | <b>(4,047)</b>       | <b>(38,228)</b>    | <b>(42,275)</b>            | <b>(18,222)</b>          | <b>(7,785)</b>           | <b>(650)</b>              | <b>(68,932)</b>       | <b>76,903</b>     | <b>7,971</b>             |
| <b>Movement in reserves during 2021/22:</b>                         |                      |                    |                            |                          |                          |                           |                       |                   |                          |
| Total Comprehensive Income and Expenditure                          | 802                  | 0                  | 802                        | 0                        | 0                        | 68                        | 871                   | (33,689)          | (32,818)                 |
| Adjustments between accounting basis and funding basis under        | (2,293)              | 0                  | (2,293)                    | 13,039                   | (2,651)                  | 0                         | 8,095                 | (8,095)           | 0                        |
| <b>Net Increase/Decrease before transfers to Earmarked Reserves</b> | <b>(1,491)</b>       | <b>0</b>           | <b>(1,491)</b>             | <b>13,039</b>            | <b>(2,651)</b>           | <b>68</b>                 | <b>8,966</b>          | <b>(41,784)</b>   | <b>(32,818)</b>          |
| Transfers to/from Earmarked Reserves (note 32)                      | (6,623)              | 6,623              | 0                          | 0                        | 0                        | 0                         | 0                     | 0                 | 0                        |
| <b>(Increase)/Decrease in 2021/22</b>                               | <b>(8,114)</b>       | <b>6,623</b>       | <b>(1,491)</b>             | <b>13,039</b>            | <b>(2,651)</b>           | <b>68</b>                 | <b>8,966</b>          | <b>(41,784)</b>   | <b>(32,818)</b>          |
| <b>Balance at 31 March 2022</b>                                     | <b>(12,161)</b>      | <b>(31,605)</b>    | <b>(43,766)</b>            | <b>(5,183)</b>           | <b>(10,436)</b>          | <b>(582)</b>              | <b>(59,966)</b>       | <b>35,119</b>     | <b>(24,847)</b>          |

## 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<br>March 2021 |   | Note No. | As at 31 March 2022 |                  |
|------------------------|---|----------|---------------------|------------------|
|                        |   |          | £'000               | £'000            |
| 47,416                 | Property, Plant & Equipment                         | 15       | 47,020              |                  |
| 79,809                 | Investment Properties                               | 17       | 89,967              |                  |
| 710                    | Intangible Assets                                   | 20       | 408                 |                  |
| 650                    | Investment in Joint Ventures                        | 21       | 581                 |                  |
| 490                    | Assets Held for Sale                                | 18       | 490                 |                  |
| 1,792                  | Heritage Assets                                     | 22       | 1,792               |                  |
| 0                      | Long Term Investments                               | 35       | 0                   |                  |
| 33,827                 | Long Term Debtors                                   | 23       | 41,190              |                  |
| <b>164,694</b>         | <b>TOTAL LONG-TERM ASSETS</b>                       |          |                     | <b>181,449</b>   |
| 24,899                 | Short Term Investments                              | 34       | 40,501              |                  |
| 4,923                  | Inventories   | 24       | 3,434               |                  |
| 33,288                 | Short Term Debtors                                  | 25       | 30,660              |                  |
| 490                    | Cash & Cash Equivalents                             | 26       | 8                   |                  |
| 613                    | Bank Accounts                                       | 26       | 309                 |                  |
| <b>64,213</b>          | <b>CURRENT ASSETS</b>                               |          |                     | <b>74,913</b>    |
| (98,000)               | Short term Borrowing                                | 27       | (128,500)           |                  |
| 0                      | Bank Overdraft                                      | 26       | 0                   |                  |
| (1,091)                | Third Party Cash                                    | 26       | (1,002)             |                  |
| (31,149)               | Short term Creditors                                | 28       | (23,129)            |                  |
| <b>(130,240)</b>       | <b>CURRENT LIABILITIES</b>                          |          |                     | <b>(152,631)</b> |
| (740)                  | Provisions  | 30       | (771)               |                  |
| (4,829)                | Developers Contributions Deferred                   | 31       | (5,733)             |                  |
| (33)                   | Long Term Liabilities – Creditors                   | 29/34    | (39)                |                  |
| (5)                    | Long Term Liabilities – Finance Lease               | 45/34    | 0                   |                  |
| (101,031)              | Liability related to defined benefit pension scheme | 47       | (72,507)            |                  |
| <b>(106,638)</b>       | <b>LONG TERM LIABILITIES</b>                        |          |                     | <b>(79,050)</b>  |
| <b>(7,971)</b>         | <b>NET ASSETS</b>                                   |          |                     | <b>24,680</b>    |
| 68,282                 | Usable Reserves                                     | 32       | 59,218              |                  |
| 650                    | Usable Reserve – Share in Joint Operations          | 32/21    | 581                 |                  |
| (76,903)               | Unusable Reserves                                   | 33       | (35,119)            |                  |
| <b>(7,971)</b>         | <b>TOTAL RESERVES</b>                               |          |                     | <b>24,681</b>    |

## 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<br>31 March 2021<br>£'000 |   | Year Ended<br>31 March 2022<br>£'000 |
|--------------------------------------|---|--------------------------------------|
| (9,873)                              | Net surplus/(deficit) on the provision of services  | (803)                                |
| 10,151                               | Adjustments to net surplus or deficit on the provision of services for non-cash movements (note 35)   | 3,556                                |
| (1,817)                              | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (note 35) | (4,815)                              |
| (1,539)                              | <b>Net cash flows from operating activities</b>   | (2,062)                              |
| (18,188)                             | Investing Activities (note 36)  | (29,129)                             |
| 18,485                               | Financing Activities (note 37)  | 30,495                               |
| (1,242)                              | <b>Net increase or decrease in cash and cash equivalents</b>  | (696)                                |
| 1,254                                | Cash and Cash Equivalents (including bank overdraft) at 1 April (note 26)   | 12                                   |
| 12                                   | <b>Cash and Cash Equivalents (including bank overdraft) at 31 March (note 26)</b>   | (684)                                |

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 £1,002k 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

Paragraph 3.3.4.3 of the Code of Practice requires that the Authority discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2021 for 2021/22).

In compiling the 2021/22 accounts there are no material effects in relation to these standards.

In response to the Covid 19 pandemic, CIPFA/LASAAC following its emergency consultation agree to defer the implementation of IFRS 16 Leases in the public sector until the 2024/25 financial year with an effective date of 1 April 2024 with early adoption allowed. This will require lessees to recognise assets subject to leases as right-of-use assets on their balance sheet, along with corresponding lease liabilities (there are exceptions for low-value and short-term leases).

## 2. Critical Judgements in applying accounting policies

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

- Provision for appeals on business rates

The Council collects approximately net £37.3m in business rates. It is in a Pool for the local retention of business rates for 2021/22 and the council's share of the business rates income is 40%. The assumptions around the outcome of appeals against the NNDR valuations (either received to date or expected in future years) represent a material and critical judgement applied to the accounts. The appeals provision is based on experience with the 2010 list and data available to date for the 2017 list. Using this information an assessment is made on the likely success rate of appeals and their value, in particular the check, challenge, appeal process which appears to have resulted in most cases being resolved a check stage and very few challenges progressing to appeal. The council's current share of the appeals provision is £0.683m which has increased from £0.650m in 2020/21. Due to the technical adjustments relating to the collection fund adjustment accounts this will not impact the general reserves in that year and only hit the council's general fund account in future years. However, if the net business rates income reduces below the levels set by central government the council will be compensated accordingly.

- SSDC Opium Power Limited is a joint venture or subsidiary

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

## 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.  | <p>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.</p> <p>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.</p>  |
| Pension Valuation             | The Local Government Pension Scheme, that the council is a member of, holds assets in the form of a Property portfolio. The assets provide returns on the investment to offset the liabilities in the form of pension contributions to members. The council has 7% of its pension assets invested in Real Estate which accounts for £10.521m of the total assets held.   | As with the valuation of the council's directly owned assets, there is a similar level of uncertainty of the Pension Scheme property asset value as at the balance sheet date.  |
| Pensions Liability            | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The council has engaged Barnett Waddingham as its consulting actuary to provide the authority with expert advice about the assumptions to be applied.   | The effects on the net pension liability of changes in individual assumptions can be measured. A sensitivity analysis is included in the Defined Benefit Pension Schemes (note 47).   |
| Investment Properties         | <p>Investment properties are measured (valued) initially at cost and subsequently at fair value, being the price that would be received to sell an asset in the market.</p> <p>Properties are not depreciated but are revalued annually according to market conditions at year end. This takes the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date.</p> | <p>A variation in the annual estimated valuations could result in a movement being recorded inappropriately in the Comprehensive Income and Expenditure Statement.</p> <p>If the value of the council's investment properties were to reduce by 10%, this would result in a charge to the Comprehensive Income and Expenditure Statement of approximately £8.996m</p> <p>If the value of the council's investment properties were to increase by 10%, this would result in a gain to the Comprehensive Income and Expenditure Statement of approximately £8.996m.</p> |
| Arrears                       | At 31 March 2022, the Authority had a balance for sundry debtors of £0.017m. A review of significant balances suggested that an impairment allowance of £3.043m 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.   |

#### 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

The Statement of Accounts was authorised for issue by the Deputy S151 Officer on 30<sup>th</sup> July 2022. Events taking place after this date are not reflected in the financial statements or notes.

Since the balance sheet date reorganisation of Local Government in Somerset has progressed with a decision taken that a Unitary Authority to replace the current two-tier structure. This will mean that with effect from 31 March 2023 South Somerset District Council will cease to exist as an organisation and the assets and liabilities of the Council will transfer to the newly created authority.

## 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.

| 2020/21  |  |   | Service   | 2021/22   |   |  |
|--|--|---|---|---|---|--|
| Restated Net Expenditure Chargeable to the General Fund<br>£'000 | Restated Adjustments between the Funding and Accounting Basis<br>£'000 | Restated Net Expenditure in the Comprehensive Income & Expenditure Statement<br>£'000 |   | Net Expenditure Chargeable to the General Fund<br>£'000 | Adjustments between the Funding and Accounting Basis<br>£'000 | Net Expenditure in the Comprehensive Income & Expenditure Statement<br>£'000 |
| 697  | 1,113  | 1,810   | Chief Executive                                       | 817   | 839   |  |
| 6,215  | 3,403  | 9,619   | Director of Commercial Services and Income Generation | 3,630   | 6,130   |  |
| 4,250  | 12,145   | 16,395  | Director of Service Delivery                          | 8,418   | 4,480   |  |
| 3,165  | 1,056  | 4,221   | Director of Strategy & Support Services               | 9,364   | (4,834)   |  |
| 878  | 3,141  | 4,018   | Director of Place & Recovery                          | (4,903)   | 10,006  |  |
| <b>15,204</b>  | <b>20,858</b>  | <b>36,063</b>   | <b>Net Cost of Services</b>                           | <b>17,326</b>   | <b>16,619</b>   |  |
| <b>(30,501)</b>  | <b>4,313</b>   | <b>(26,189)</b>   | Other Income and Expenditure                          | <b>(18,651)</b>   | <b>(14,393)</b>   | <b>(3,258)</b>   |
| <b>(15,297)</b>  | <b>25,171</b>  | <b>9,873</b>  | <b>Surplus or Deficit</b>                             | <b>(1,325)</b>  | <b>2,227</b>  |  |
| <b>(26,977)</b>  |  |   | Opening General Fund Balance                          | <b>42,273</b>   |   |  |
| -  |  |   | Less deficit on General Fund                          | <b>1,325</b>  |   |  |
| <b>(15,297)</b>  |  |   | Add Surplus on General Fund                           | -   |   |  |
| <b>(42,275)</b>  |  |   | <b>Closing General Fund Balance at 31 March</b>       | <b>43,599</b>   |   |  |

| <b>Adjustments between Funding and Accounting Basis 2021/22</b>  |   |  |                          |                          |
|--|---|--|--------------------------|--------------------------|
| <b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts</b>   | <b>Adjustments for Capital Purposes</b> | <b>Net change for the Pensions Adjustments</b> | <b>Other Differences</b> | <b>Total Adjustments</b> |
|  | <b>(Note 1)</b>                         | <b>(Note 2)</b>                                | <b>(Note 3)</b>          |                          |
|  | <b>£'000</b>                            | <b>£'000</b>                                   | <b>£'000</b>             | <b>£'000</b>             |
| Chief Executive  | 391                                     | 114  | 334                      | <b>839</b>               |
| Director of Commercial Services and Income Generation  | 1,684                                   | 749  | 3,696                    | <b>6,130</b>             |
| Director of Service Delivery   | 3,401                                   | 835  | 244                      | <b>4,480</b>             |
| Director of Strategy & Support Services  | (3,058)                                 | 747  | 16,802                   | <b>14,491</b>            |
| Director of Place & Recovery   | 9,484                                   | 52   | 470                      | <b>10,006</b>            |
| <b>Net Cost of Services</b>  | <b>11,902</b>                           | <b>2,497</b>                                   | <b>21,546</b>            | <b>35,945</b>            |
| <b>Other income and expenditure from the Expenditure and Funding Analysis</b>  | <b>(8,533)</b>                          | <b>2,020</b>                                   | <b>(27,205)</b>          | <b>(33,718)</b>          |
| <b>Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b> | <b>3,369</b>                            | <b>4,517</b>                                   | <b>(5,659)</b>           | <b>2,227</b>             |

| <b>Restated - Adjustments between Funding and Accounting Basis 2020/21</b>   |   |  |                          |                          |
|--|---|--|--------------------------|--------------------------|
| <b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts</b>   | <b>Adjustments for Capital Purposes</b> | <b>Net change for the Pensions Adjustments</b> | <b>Other Differences</b> | <b>Total Adjustments</b> |
|  | <b>(Note 1)</b>                         | <b>(Note 2)</b>                                | <b>(Note 3)</b>          |                          |
|  | <b>£'000</b>                            | <b>£'000</b>                                   | <b>£'000</b>             | <b>£'000</b>             |
| Chief Executive  | 600                                     | 2  | 511                      | <b>1,113</b>             |
| Director of Commercial Services and Income Generation  | 4,940                                   | 1,958  | (3,496)                  | <b>3,403</b>             |
| Director of Service Delivery   | 11,249                                  | 22   | 874                      | <b>12,145</b>            |
| Director of Strategy & Support Services  | 696                                     | 109  | 251                      | <b>1,056</b>             |
| Director of Place & Recovery   | (1,073)                                 | 60   | 4,154                    | <b>3,141</b>             |
| <b>Net Cost of Services</b>  | <b>16,412</b>                           | <b>2,151</b>                                   | <b>2,294</b>             | <b>20,858</b>            |
| <b>Other income and expenditure from the Expenditure and Funding Analysis</b>  | <b>(6,795)</b>                          | <b>1,911</b>                                   | <b>9,197</b>             | <b>4,313</b>             |
| <b>Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b> | <b>9,617</b>                            | <b>4,062</b>                                   | <b>11,492</b>            | <b>25,171</b>            |

# 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

| 2020/21                          |                        |   | 2021/22                          |                        |
|----------------------------------|------------------------|---|----------------------------------|------------------------|
| Revenues from external customers | Grants & Contributions |   | Revenues from external customers | Grants & Contributions |
| £'000                            | £'000                  |   | £'000                            | £'000                  |
| (281)                            | 0                      | Chief Executive                                       | 0                                | (3)                    |
| (11,284)                         | (2,064)                | Director of Commercial Services and Income Generation | (15,646)                         | (629)                  |
| (3,035)                          | (34,773)               | Director of Service Delivery                          | (3,312)                          | (31,180)               |
| (172)                            | (385)                  | Director of Strategy and Support Services             | (554)                            | (3,835)                |
| (1,921)                          | (14,145)               | Director of Place & Recovery                          | 0                                | (5,945)                |
| <b>(16,693)</b>                  | <b>(51,367)</b>        | <b>Total income analysed on a segmental basis</b>     | <b>(19,512)</b>                  | <b>(41,591)</b>        |

| 2020/21         |  | 2021/22         |
|-----------------|--|-----------------|
| £'000           | Expenditure/Income                                     | £'000           |
|                 | <b>Expenditure</b>                                     |                 |
| 20,580          | Employee benefits expenses                             | 22,078          |
| 71,130          | Other services expenses                                | 60,306          |
| 5,257           | Depreciation, amortisation, impairment                 | 1,920           |
| 966             | Interest Payments                                      | 151             |
| 5,879           | Precepts and levies                                    | 6,118           |
| 2               | Payments to housing capital receipts pool              | 0               |
| 14              | Loss on the disposal of assets                         | 290             |
| <b>103,828</b>  | <b>Total Expenditure</b>                               | <b>90,863</b>   |
|                 | <b>Income</b>  |                 |
| (18,146)        | Fees, charges and other service income                 | (21,932)        |
| 0               | Gain on the disposal of assets                         | 0               |
| (2,149)         | Interest and investment income                         | (1,950)         |
| 4,370           | Income from council tax and NDR                        | (17,432)        |
| (78,030)        | Government grants and contributions                    | (48,746)        |
| <b>(93,955)</b> | <b>Total Income</b>                                    | <b>(90,060)</b> |
| <b>9,873</b>    | <b>Surplus or Deficit on the Provision of Services</b> | <b>803</b>      |

## 8. Contracts with Service Recipients

Included with income from fees and charges of £27.0m (£18.5m 2020/21) are the following amounts derived from contracts with service recipients as defined by IFRS 15.

| Previous year<br>2020/21<br>£'000 | Service  | Current year<br>2021/22<br>£'000 |
|-----------------------------------|--|----------------------------------|
| (337)                             | Building Control   | (395)                            |
| (1,436)                           | Planning   | (1,507)                          |
| (940)                             | Car Park Income  | (1,436)                          |
| (5,278)                           | Commercial Rent & Licences                                 | (6,678)                          |
| (468)                             | Other Rents & Wayleaves                                    | (501)                            |
| (406)                             | Careline   | (395)                            |
| (260)                             | Licences   | (299)                            |
| (934)                             | Waste  | (1,032)                          |
| (439)                             | Land Charges   | (439)                            |
| (112)                             | Theatre Venues   | (1,515)                          |
| <b>(10,610)</b>                   | <b>Total Income from Contracts with Service Recipients</b> | <b>(14,198)</b>                  |

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

| 2021/22  | Movement in Usable Reserves |                           |                          | Movement in Unusable Reserves |
|--|-----------------------------|---------------------------|--------------------------|-------------------------------|
|  | General Fund Balance        | Capital Receipts Reserves | Capital Grants Unapplied |                               |
|  | £'000                       | £'000                     | £'000                    | £'000                         |
| <b>Adjustments involving the Capital Adjustment Account:</b>   |                             |                           |                          |                               |
| <i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</i>   |                             |                           |                          |                               |
| Charges for depreciation, amortisation and impairment of non-current assets  | (2,221)                     | 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)                         |
| <i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>  |                             |                           |                          |                               |
| 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                         |
| <b>Adjustments involving the Capital Receipts Reserve:</b>   |                             |                           |                          |                               |
| Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure  | 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                             |
| <b>Adjustments involving the Pensions Reserve:</b>   |                             |                           |                          |                               |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 47)  | (8,280)                     | 0                         | 0                        | (8,280)                       |
| Employer's pensions contributions and direct payments to pensioners payable in the year  | 3,697                       | 0                         | 0                        | 3,697                         |
| <b>Adjustments involving the Collection Fund Adjustments Account:</b>  |                             |                           |                          |                               |
| 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                         |
| <b>Adjustment involving the Accumulating Compensated Absences Adjustment Account:</b>  |                             |                           |                          |                               |

|   |                |               |                |              |
|---|----------------|---------------|----------------|--------------|
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 45             | 0             | 0              | 45           |
| <b>TOTAL ADJUSTMENTS</b>  | <b>(2,293)</b> | <b>13,038</b> | <b>(2,650)</b> | <b>8,095</b> |

### 10. Other operating income and expenditure

| Previous year<br>2020/21<br>£'000 |  | Current year<br>2021/22<br>£'000 |
|-----------------------------------|--|----------------------------------|
| 5,879                             | Parish council precepts and levies                       | 6,118                            |
| 2                                 | Payments to the Government housing Capital Receipts Pool | 0                                |
| <b>5,881</b>                      | <b>Total Other Operating Expenditure</b>                 | <b>6,118</b>                     |
| (700)                             | Easements and other Capital Receipts (note 11)           | (948)                            |
| <b>5,181</b>                      | <b>Total Other Operating Income and Expenditure</b>      | <b>5,170</b>                     |

### 11. Easements and other capital receipts

The council received £886k in Right to Buy receipts (compared to £682k in 2020/21) and a further £63k in other capital receipts (£18k in 2020/21).

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

The net loss on disposal of plant, property and equipment amounts to £290k (compared to a net loss of £14k in 2020/21)

### 13. Financing and investment income and expenditure

| Previous year<br>2020/21<br>£'000 |  | Current year<br>2021/22<br>£'000 |
|-----------------------------------|--|----------------------------------|
| 966                               | Interest Payable and similar charges                         | 151                              |
| 1,911                             | Net interest on the net defined benefit liability            | 2,017                            |
| (211)                             | (Surplus)/Deficit on Trading Undertaking (note 38)           | (122)                            |
| (2,107)                           | (Surplus)/Deficit on Investment Properties (note 17)         | (6,678)                          |
| <b>559</b>                        | <b>Total Financing and Investment Expenditure</b>            | <b>(4,632)</b>                   |
| (2,149)                           | Interest receivable and similar income                       | (1,950)                          |
| <b>(1,590)</b>                    | <b>Total Financing and Investment Income and Expenditure</b> | <b>(6,582)</b>                   |

### 14. Taxation and non-specific grant income

| Previous year<br>2020/21<br>£'000 |   | Current year<br>2021/22<br>£'000 |
|-----------------------------------|---|----------------------------------|
| (16,217)                          | Council tax income                                  | (17,194)                         |
| (6,554)                           | Non domestic rates                                  | (6,581)                          |
| (9,082)                           | Non ring-fenced government grants                   | (10,400)                         |
| <b>(31,853)</b>                   | <b>Total Taxation and Non Specific Grant Income</b> | <b>(34,175)</b>                  |

## 15. Property, plant and equipment

Movement in 2021/22:

|  | <b>Total Land &amp; Buildings</b> | <b>Vehicles, Plant &amp; Equipment</b> | <b>Infra-structure Assets</b> | <b>Com-munity Assets</b> | <b>Surplus Assets</b> | <b>Total Property Plant &amp; Equipment</b> |
|--|-----------------------------------|--|-------------------------------|--------------------------|-----------------------|---|
|  | <b>£'000</b>                      | <b>£'000</b>                           | <b>£'000</b>                  | <b>£'000</b>             | <b>£'000</b>          | <b>£'000</b>                                |
| <b>Cost or Valuation</b>   | 45,507                            | 4,562                                  | 1,097                         | 812                      | 0                     | 51,978                                      |
| As at 1 April 2021   |                                   |  |                               |                          |                       |   |
| Additions  | 1,457                             | 759                                    | 23                            | 20                       | 0                     | 2,259                                       |
| 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         | (170)                             | 282                                    | 0                             | 0                        | 0                     | 112   |
| Impairment (losses)/reversals recognised in the surplus/deficit on the provision of services | (1,194)                           | (258)                                  | 0                             | 0                        | 0                     | (1,452)                                     |
| Reclassification - Other   | 0                                 | 0                                      | 0                             | 0                        | 0                     | 0   |
| <b>As at 31 March 2022</b>   | <b>44,619</b>                     | <b>5,032</b>                           | <b>1,120</b>                  | <b>832</b>               | <b>0</b>              | <b>51,603</b>                               |
| <b>Accumulated Depreciation</b>  |                                   |  |                               |                          |                       |   |
| As at 1 April 2021   | (2,017)                           | (2,378)                                | (168)                         | 0                        | 0                     | (4,563)                                     |
| Depreciation charge  | (1,364)                           | (440)                                  | (16)                          | 0                        | 0                     | (1,820)                                     |
| 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   |
| <b>As at 31 March 2022</b>   | <b>(2,026)</b>                    | <b>(2,372)</b>                         | <b>(185)</b>                  | <b>0</b>                 | <b>0</b>              | <b>(4,583)</b>                              |
| <b>Net Book Value</b>  |                                   |  |                               |                          |                       |   |
| <b>At 31 March 2022</b>  | <b>42,592</b>                     | <b>2,660</b>                           | <b>936</b>                    | <b>832</b>               | <b>0</b>              | <b>47,020</b>                               |
| <b>At 31 March 2021</b>  | <b>43,490</b>                     | <b>2,184</b>                           | <b>929</b>                    | <b>812</b>               | <b>0</b>              | <b>47,415</b>                               |



Comparative movements in 2020/21:

|  | <b>Total Land &amp; Buildings</b> | <b>Vehicles, Plant &amp; Equipment</b> | <b>Infra-structure Assets</b> | <b>Com-munity Assets</b> | <b>Surplus Assets</b> | <b>Total Property Plant &amp; Equipment</b> |
|--|-----------------------------------|--|-------------------------------|--------------------------|-----------------------|---|
|  | <b>£'000</b>                      | <b>£'000</b>                           | <b>£'000</b>                  | <b>£'000</b>             | <b>£'000</b>          | <b>£'000</b>                                |
| <b>Cost or Valuation</b>   | 44,945                            | 5,189                                  | 1,097                         | 726                      | 0                     | 51,957                                      |
| As at 1 April 2020   |                                   |  |                               |                          |                       |   |
| Additions  | 601                               | 159                                    | 0                             | 86                       | 0                     | 846   |
| Disposals  | (170)                             | (0)                                    | 0                             | 0                        | 0                     | (170)                                       |
| Revaluation<br>Increases/(decreases)<br>recognised in the<br>Revaluation Reserve                             | 4,933                             | (0)                                    | 0                             | 0                        | 0                     | 4,932                                       |
| Revaluation<br>Increases/(decreases)<br>recognised in the<br>surplus/deficit on the<br>provision of Services | (4,095)                           | (802)                                  | 0                             | 0                        | 0                     | (4,897)                                     |
| Impairment<br>(losses)/reversals<br>recognised in the<br>surplus/deficit on the<br>provision of services     | (130)                             | 17                                     | 0                             | 0                        | 0                     | (113)                                       |
| Reclassification - Other   | (576)                             | 0                                      | 0                             | 0                        | 0                     | (576)                                       |
| <b>As at 31 March 2021</b>   | <b>45,508</b>                     | <b>4,562</b>                           | <b>1,097</b>                  | <b>812</b>               | <b>0</b>              | <b>51,979</b>                               |
| <b>Accumulated Depreciation</b>  |                                   |  |                               |                          |                       |   |
| As at 1 April 2020   | (2,793)                           | (2,000)                                | (152)                         | 0                        | 0                     | (4,945)                                     |
| Depreciation charge  | (1,338)                           | (877)                                  | (16)                          | 0                        | 0                     | (2,232)                                     |
| Depreciation written out<br>to the surplus/deficit on<br>the Provision of Services                           | 2,046                             | 500                                    | 0                             | 0                        | 0                     | 2,546                                       |
| Derecognition –<br>Disposals   | 15                                | 0                                      | 0                             | 0                        | 0                     | 15  |
| Derecognition –<br>Reclassification  | 53                                | 0                                      | 0                             | 0                        | 0                     | 53  |
| <b>As at 31 March 2021</b>   | <b>(2,017)</b>                    | <b>(2,378)</b>                         | <b>(168)</b>                  | <b>0</b>                 | <b>0</b>              | <b>(4,563)</b>                              |
| <b>Net Book Value</b>  |                                   |  |                               |                          |                       |   |
| <b>At 31 March 2021</b>  | <b>43,490</b>                     | <b>2,184</b>                           | <b>929</b>                    | <b>812</b>               | <b>0</b>              | <b>47,416</b>                               |
| <b>At 31 March 2020</b>  | <b>42,152</b>                     | <b>3,189</b>                           | <b>945</b>                    | <b>726</b>               | <b>0</b>              | <b>47,012</b>                               |

## 16. Property, Plant and Equipment valuation

All property, plant and equipment owned by South Somerset District Council have been valued on a five year rolling programme by SSDC's internal valuers. This year the internal valuers were Robert Orrett; BSc MRICS, RICS Registered Valuer and Brendan Fisher; BA(Hons) MSc MRICS, RICS Registered Valuer – in accordance with the Statements of Asset Valuation Practice and Guidance Notes of The Royal Institute of Chartered Surveyors. Not all assets are inspected each year, as this is neither practicable nor considered by the valuer to be necessary for the purposes of the valuation. The basis of valuation is as set out in the Statement of Accounting Policies. The effective date of revaluation is 31<sup>st</sup> December 2021.

The council has been given assurance by the internal valuers that the carrying value of assets not revalued

within year is not materially different to the fair value of the assets.

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

The following table shows the progress of the rolling programme:

|                                | <b>Land &amp; Buildings</b> | <b>Vehicles, Plant &amp; Equipment</b> | <b>Infrastructure Assets</b> | <b>Community Assets</b> | <b>Total</b>  |
|--------------------------------|-----------------------------|--|------------------------------|-------------------------|---------------|
|                                | <b>£'000</b>                | <b>£'000</b>                           | <b>£'000</b>                 | <b>£'000</b>            | <b>£'000</b>  |
| Valued at historical cost      | 0                           | 0                                      | 800                          | 714                     | <b>1,514</b>  |
| Valued at current value at:    |                             |  |                              |                         |               |
| 31 <sup>st</sup> December 2016 | 98                          | 0                                      | 136                          | 32                      | <b>266</b>    |
| 31 <sup>st</sup> December 2017 | 4,871                       | 95                                     | 0                            | 0                       | <b>4,966</b>  |
| 31 <sup>st</sup> December 2018 | 2,697                       | 45                                     | 0                            | 0                       | <b>2,742</b>  |
| 31 <sup>st</sup> December 2019 | 4,532                       | 579                                    | 0                            | 0                       | <b>5,111</b>  |
| 31 <sup>st</sup> December 2020 | 9,332                       | 575                                    | 0                            | 86                      | <b>9,992</b>  |
| 31 <sup>st</sup> December 2021 | 21,596                      | 1,376                                  |                              |                         | <b>22,972</b> |
| <b>Total</b>                   | <b>43,125</b>               | <b>2,671</b>                           | <b>936</b>                   | <b>832</b>              | <b>47,564</b> |

## 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.

| <b>Previous year</b> |   | <b>Current year</b> |
|----------------------|---|---------------------|
| <b>2020/21</b>       |   | <b>2021/22</b>      |
| <b>£'000</b>         |   | <b>£'000</b>        |
| (5,744)              | Rental Income from Investment Property                                  | (6,972)             |
| 1,127                | Operating Expenses and Financing costs arising from Investment Property | 803                 |
| 2,510                | Net gains / Losses from fair value adjustments                          | (510)               |
| <b>(2,107)</b>       | <b>Total</b>  | <b>(6,678)</b>      |

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

| <b>Previous year</b> |  | <b>Current year</b> |
|----------------------|--|---------------------|
| <b>2020/21</b>       |  | <b>2021/22</b>      |
| <b>£'000</b>         |  | <b>£'000</b>        |
| 71,973               | Balance at the start of the year                           | 79,809              |
| 10,313               | Additions  | 9,648               |
| (2,510)              | Net gains / (losses) from fair value adjustments           | 510                 |
| 0                    | Disposals  | 0                   |
| 33                   | <b>Transfers:</b><br>(To)/from Property, Plant & Equipment | 0                   |
| <b>79,809</b>        | <b>Balance at the end of the year</b>                      | <b>89,967</b>       |

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

| Previous year<br>2020/21<br>£'000 | Significant Unobservable Inputs (Level 2) | Current year<br>2021/22<br>£'000 |
|-----------------------------------|---|----------------------------------|
| 7,250                             | Commercial Building                       | 7,745                            |
| 4,465                             | Small Business Unit                       | 5,035                            |
| 10,158                            | Retail                                    | 16,993                           |
| 24,742                            | Offices                                   | 26,560                           |
| 23,250                            | Industrial                                | 23,840                           |
| 2,550                             | Leisure                                   | 2,700                            |
| 364                               | Other                                     | 414                              |
| 330                               | Historic                                  | 330                              |
| 6,700                             | Alternative                               | 6,350                            |
| <b>79,809</b>                     | <b>Investment Property</b>                | <b>89,967</b>                    |

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<br>2020/21<br>£'000 |  | Current year<br>2021/22<br>£'000 |
|-----------------------------------|--|----------------------------------|
| 0                                 | Balance at the start of the year               | 490                              |
| 490                               | Transfers to/from Property Plant and Equipment | 0                                |
| <b>490</b>                        | <b>Balance at the end of the year</b>          | <b>490</b>                       |

### 19. Capital commitments

The Council had no contractual capital commitments as at 31<sup>st</sup> March 2022.

### 20. Intangible Assets

The value of Intangible Assets held in the Council's balance sheet amounts to £408k (compared to £710k in 2020/21).

### 21. Joint Venture

The council is part of a joint venture called Lufton 2000, with Abbey Manor Developments Ltd, to purchase and develop 30 acres of industrial land at Lufton. The initial contribution was £351k in 1999/2000. The draft unaudited accounts of the joint operation for the year ended 31 March 2022 disclose net assets of £1.163m and a net loss of £135k. SSDC and Abbey Manor Developments Ltd hold the shares joint each with a 50%

interest.

| 31 March 2021<br>£'000 |  | 31 March 2022<br>£'000 |
|------------------------|--|------------------------|
| 650                    | Lufton 2000                                    | 581                    |
| <b>650</b>             | <b>Investment in Joint Operations/Ventures</b> | <b>581</b>             |

| 31 March 2021<br>£'000 |  | 31 March 2022<br>£'000 |
|------------------------|--|------------------------|
| 650                    | Lufton 2000  | 581                    |
| <b>650</b>             | <b>Useable Reserves – Share in Joint Operations/Ventures</b> | <b>581</b>             |

| 31 March 2021<br>£'000 |   | 31 March 2022<br>£'000 |
|------------------------|---|------------------------|
| (12)                   | Lufton 2000   | 68                     |
| <b>(12)</b>            | <b>Share of Other Income and Expenditure in Joint Operations/Ventures</b> | <b>68</b>              |

## 22. Heritage Assets

| 31 March 2021<br>£'000 |                              | 31 March 2022<br>£'000 |
|------------------------|------------------------------|------------------------|
| 1,792                  | Balance at start of year     | 1,792                  |
| 0                      | Additions                    | 0                      |
| 0                      | Revaluations/(Impairments)   | 0                      |
| <b>1,792</b>           | <b>Total Heritage Assets</b> | <b>1,792</b>           |

## 23. Long term debtors

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

| 31 March 2021<br>£'000 |                                      | 31 March 2022<br>£'000 |
|------------------------|--------------------------------------|------------------------|
| 33,551                 | Loans                                | 40,913                 |
| 1                      | Mortgages                            | 0                      |
| 270                    | Rights to receipts – long term lease | 268                    |
| 5                      | Car/bike/learning loans              | 9                      |
| <b>33,827</b>          | <b>Total Long-Term Debtors</b>       | <b>41,190</b>          |

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.

## 24. Inventories

| 2020/21 |  | 2021/22 |
|---------|--|---------|
|---------|--|---------|

| SSDC Consumables | Property Acquired or constructed for sale | Total        |                         | SSDC Consumables | Property Acquired or constructed for sale | Total          |
|------------------|---|--------------|-------------------------|------------------|---|----------------|
| £'000            | £'000                                     | £'000        |                         | £'000            | £'000                                     | £'000          |
| 120              | 4,472                                     | <b>4,592</b> | Balance 1 April         | 196              | 4,727                                     | <b>4,923</b>   |
| 96               | 255                                       | <b>351</b>   | Purchases               | 15               | 3   | <b>18</b>      |
| (20)             | 0   | <b>(20)</b>  | Expenses in year        | (15)             | (1,491)                                   | <b>(1,507)</b> |
| <b>196</b>       | <b>4,727</b>                              | <b>4,923</b> | <b>Balance 31 March</b> | <b>196</b>       | <b>3,238</b>                              | <b>3,434</b>   |

## 25. Short term debtors

| 31 March 2021 |                                 | 31 March 2022 |
|---------------|---------------------------------|---------------|
| £'000         |                                 | £'000         |
| 14,732        | Central Government Bodies       | 9,771         |
| 8,232         | Other Local Authorities         | 8,405         |
| 35            | NHS Bodies                      | 2             |
| 10,289        | Other Entities and Individuals  | 12,483        |
| <b>33,288</b> | <b>Total Short-Term Debtors</b> | <b>30,660</b> |

## 26. Cash and cash equivalents

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

| 31 March 2021 |   | 31 March 2022 |
|---------------|---|---------------|
| £'000         |   | £'000         |
| 10            | Cash held by the Authority  | 9             |
| 480           | Short-term deposits with Business Reserve accounts and Money Market Funds | 0             |
| <b>490</b>    | <b>Total Cash and Cash Equivalents</b>                                    | <b>9</b>      |
| 0             | Bank overdrafts   | 0             |
| 613           | Bank Accounts   | 309           |
| (1,091)       | Cash held on behalf of others   | (1,002)       |
| <b>12</b>     | <b>Net Cash and Cash Equivalents as per cashflow statement</b>            | <b>(684)</b>  |

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.

## 27. Short-term Borrowings

| 31 March 2021   |                                   | 31 March 2022    |
|-----------------|-----------------------------------|------------------|
| £'000           |                                   | £'000            |
| (98,000)        | Other Local Authorities           | (128,500)        |
| 0               | Other Entities and Individuals    | 0                |
| <b>(98,000)</b> | <b>Total Short-Term Borrowing</b> | <b>(128,500)</b> |

## 28. Short-term Creditors

| 31 March 2021   |                                   | 31 March 2022   |
|-----------------|-----------------------------------|-----------------|
| £'000           |                                   | £'000           |
| (15,766)        | Central Government Bodies         | (18,342)        |
| (2,232)         | Other Local Authorities           | (3,061)         |
| 0               | NHS Bodies                        | (0)             |
| (13,151)        | Other Entities and Individuals    | (7,163)         |
| <b>(31,149)</b> | <b>Total Short-Term Creditors</b> | <b>(28,566)</b> |

### 29. Long term liabilities – Creditors

| 31 March 2021 |  | 31 March 2022 |
|---------------|--|---------------|
| £'000         |  | £'000         |
| (33)          | Other Entities and Individuals                 | (39)          |
| <b>(33)</b>   | <b>Total Long-Term Liabilities - Creditors</b> | <b>(39)</b>   |

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

### 30. Provisions

| 31 March 2021 |                                       | 31 March 2022 |
|---------------|---------------------------------------|---------------|
| £'000         |                                       | £'000         |
| (650)         | Business Rates Provisions for Appeals | (683)         |
| (88)          | MMI Provision                         | (88)          |
| <b>(738)</b>  | <b>Total Provisions</b>               | <b>(771)</b>  |

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 reduced the provision by £33k.

### 31. Developers' contribution deferred

| 31 March 2021  |   | 31 March 2022  |
|----------------|---|----------------|
| £'000          |   | £'000          |
| (4,092)        | Balance at start of year                      | (4,829)        |
| (969)          | Additional Deposits                           | (1,747)        |
| 232            | Applied Deposits                              | 843            |
| <b>(4,829)</b> | <b>Total Developers Contribution Deferred</b> | <b>(5,733)</b> |

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

### 32. Usable Reserves

| 31 March 2021   |                                      | 31 March 2022   |
|-----------------|--------------------------------------|-----------------|
| £'000           |                                      | £'000           |
| (4,047)         | General Fund Balance                 | (6,556)         |
| (38,228)        | Earmarked Reserves                   | (31,606)        |
| (18,222)        | Capital Receipts Reserve             | (5,183)         |
| (7,785)         | Capital Grants Unapplied             | (10,436)        |
| (650)           | Authority's share of Joint Operation | (581)           |
| <b>(68,932)</b> | <b>Total Usable Reserves</b>         | <b>(54,362)</b> |

#### Capital Receipts Reserve

| 31 March 2021   |  | 31 March 2022  |
|-----------------|--|----------------|
| £'000           |  | £'000          |
| (18,433)        | Balance of Usable Receipts at 1 April              | (18,222)       |
| (1,817)         | Receipts from Sale of Assets                       | (4,815)        |
| 2,026           | Receipts applied to finance Capital Expenditure    | 17,853         |
| 2               | Amount payable to the housing capital receipt pool | 0              |
| <b>(18,222)</b> | <b>Total Capital Receipts Reserve</b>              | <b>(5,183)</b> |

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 2021  |   | 31 March 2022   |
|----------------|---|-----------------|
| £'000          |   | £'000           |
| (2,501)        | Balance at start of year  | (7,785)         |
| (5,477)        | Additional Capital Grants recognised through the Comprehensive Income and Expenditure Statement | (5,228)         |
| 192            | Applied Deposits  | 2,578           |
| <b>(7,785)</b> | <b>Total Capital Grants Unapplied</b>   | <b>(10,436)</b> |

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 2021/22. All earmarked reserves are revenue balances.

|                                    | Balance as at 31 March 2020<br>£'000 | Transfers in 2020/21<br>£'000 | Transfers out 2020/21<br>£'000 | Balance as at 31 March 2021<br>£'000 | Transfers in 2021/22<br>£'000 | Transfers out 2021/22<br>£'000 | Balance as at 31 March 2022<br>£'000 |
|------------------------------------|--------------------------------------|-------------------------------|--------------------------------|--------------------------------------|-------------------------------|--------------------------------|--------------------------------------|
| Capital Fund                       | (926)                                | (359)                         | 356                            | (929)                                | (140)                         | 918                            | (152)                                |
| Cremator Replacement Reserve       | (549)                                | 0                             | 0                              | (549)                                | 0                             | 0                              | (549)                                |
| Internal Borrowing Repayments      | (209)                                | (112)                         | 0                              | (321)                                | (100)                         | 420                            | (1)                                  |
| Elections Reserve                  | (174)                                | (40)                          | 0                              | (214)                                | (40)                          | 0                              | (254)                                |
| Sports Facilities Reserve          | (41)                                 | (10)                          | 0                              | (51)                                 | 0                             | 41                             | (10)                                 |
| Yeovil Athletics Track Repairs     | (179)                                | (19)                          | 0                              | (198)                                | (25)                          | 7                              | (216)                                |
| Planning Delivery Reserve          | (16)                                 | 0                             | 0                              | (16)                                 | 0                             | 16                             | (0)                                  |
| Bristol to Weymouth Rail Reserve   | (76)                                 | 0                             | 4                              | (72)                                 | 0                             | 72                             | 0                                    |
| Yeovil Refresh Reserve             | (112)                                | 0                             | 0                              | (112)                                | 0                             | 112                            | 0                                    |
| IT Replacement Reserve             | (10)                                 | 0                             | 0                              | (10)                                 | 0                             | 0                              | (10)                                 |
| Insurance Fund                     | (50)                                 | 0                             | 0                              | (50)                                 | 0                             | 50                             | 0                                    |
| Transformation Fund                | (139)                                | 0                             | 48                             | (91)                                 | 0                             | 91                             | 0                                    |
| Treasury Management Reserve        | (600)                                | (150)                         | 0                              | (750)                                | 0                             | 0                              | (750)                                |
| Revenue Grant Reserve              | (456)                                | (76)                          | 6                              | (525)                                | (16)                          | 142                            | (399)                                |
| MTFP Support Fund                  | (3,276)                              | (1,603)                       | 0                              | (4,879)                              | (4,580)                       | 596                            | (8,863)                              |
| CTAX/Housing Benefits Reserve      | (704)                                | (895)                         | 308                            | (1,291)                              | (118)                         | 168                            | (1,241)                              |
| Closed Churchyards Reserve         | (15)                                 | (4)                           | 0                              | (19)                                 | 0                             | 19                             | 0                                    |
| Health Inequalities                | (32)                                 | 0                             | 0                              | (32)                                 | 0                             | 32                             | 0                                    |
| Deposit Guarantee Claims Reserve   | (3)                                  | (9)                           | 0                              | (12)                                 |                               | 13                             | 0                                    |
| Park Homes Replacement Reserve     | (256)                                | (30)                          | 0                              | (286)                                | (30)                          | 317                            | 0                                    |
| Planning Obligations Admin Reserve | (30)                                 | 0                             | 0                              | (30)                                 | 0                             | 30                             | (0)                                  |
| Artificial Grass Pitch Reserve     | (146)                                | (16)                          | 0                              | (162)                                | (16)                          | 0                              | (177)                                |
| Business Support Scheme (flooding) | (111)                                | 0                             | 10                             | (101)                                | 0                             | 20                             | (82)                                 |
| Regeneration Fund                  | (3,265)                              | (64)                          | 332                            | (2,997)                              | (1,406)                       | 1,160                          | (3,243)                              |
| NNDR Volatility Reserve            | (2,696)                              | (1,900)                       | 4                              | (4,592)                              | 0                             | 4,593                          | 0                                    |
| Ticket Levy Income                 | (86)                                 | (135)                         | 101                            | (120)                                | (132)                         | 0                              | (252)                                |
| Waste Reserve                      | (100)                                | 0                             | 0                              | (100)                                | 0                             | 0                              | (100)                                |
| Community Housing Fund             | (211)                                | 0                             | 41                             | (170)                                | 0                             | 153                            | (18)                                 |
| Community Safety Reserve           | (68)                                 | 0                             | 25                             | (43)                                 | 0                             | 19                             | (25)                                 |
| Housing and Homelessness Reserve   | (402)                                | (434)                         | 395                            | (441)                                | (258)                         | 163                            | (537)                                |
| Commercial Investment Reserve      | (6,300)                              | (306)                         | 0                              | (6,606)                              | (113)                         | 0                              | (6,719)                              |
| Spatial Policy Reserve             | (305)                                | (48)                          | 95                             | (258)                                | (48)                          | 166                            | (141)                                |
| YIC Maintenance Reserve            | (40)                                 | 0                             | 0                              | (40)                                 | (20)                          | 0                              | (60)                                 |
| Climate Change Fund                | (294)                                | (2)                           | 129                            | (167)                                | (262)                         | 163                            | (266)                                |
| Community Initiatives Reserve      | 0                                    | (524)                         | 361                            | (163)                                | (522)                         | 303                            | (382)                                |
| Local Government Change            | 0                                    | (420)                         | 420                            | 0                                    | 0                             | 0                              | 0                                    |
| Community Resilience Reserve       | 0                                    | (126)                         | 0                              | (126)                                | (247)                         | 282                            | (91)                                 |
| NNDR S31 Grant Coll. Fund          | 0                                    | (11,704)                      | 0                              | (11,704)                             | (3,695)                       | 8,886                          | (6,513)                              |
| Area East Reserve                  | 0                                    | 0                             | 0                              | 0                                    | (49)                          | 0                              | (49)                                 |
| Area North Reserve                 | 0                                    | 0                             | 0                              | 0                                    | (24)                          | 0                              | (24)                                 |
| Area West Reserve                  | 0                                    | 0                             | 0                              | 0                                    | (40)                          | 0                              | (40)                                 |
| MRP Reserve                        | 0                                    | 0                             | 0                              | 0                                    | (444)                         | 0                              | (444)                                |
| <b>Total Reserves</b>              | <b>(21,877)</b>                      | <b>(18,986)</b>               | <b>2,635</b>                   | <b>(38,228)</b>                      | <b>(12,326)</b>               | <b>18,950</b>                  | <b>(31,606)</b>                      |



### 33. Unusable reserves

| 31 March<br>2021<br>£'000 |  | 31 March<br>2022<br>£'000 |
|---------------------------|--|---------------------------|
| (22,119)                  | Revaluation Reserve                                  | (21,089)                  |
| 662                       | Pooled Fund Adjustment Account                       | (451)                     |
| (12,696)                  | Capital Adjustment Account                           | (20,218)                  |
| (276)                     | Deferred Capital Receipts                            | (272)                     |
| 101,031                   | Pensions Reserve                                     | 72,507                    |
| 9,898                     | Collection Fund Adjustment Account                   | 4,284                     |
| 403                       | Accumulating Compensated Absences Adjustment Account | 358                       |
| <b>76,903</b>             | <b>Total Unusable Reserves</b>                       | <b>35,119</b>             |

#### 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 2021<br>£'000 |  | 31 March 2022<br>£'000 |
|------------------------|--|------------------------|
| (17,832)               | Balance at start of year   | (22,119)               |
| (6,122)                | Revaluation gains on non-current assets                              | (1,667)                |
| 1,190                  | Downward revaluation on non-current assets                           | 2,842                  |
| (0)                    | Additions to revaluation reserve                                     | (646)                  |
| 0                      | Disposals of non-current assets                                      | (840)                  |
| 646                    | Current value depreciation transferred to Capital Adjustment Account | 1,340                  |
| <b>(22,119)</b>        | <b>Total Revaluation Reserve</b>                                     | <b>(21,089)</b>        |

#### Pooled Fund Adjustment Account

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

| 31 March 2021<br>£'000 |  | 31 March 2022<br>£'000 |
|------------------------|--|------------------------|
| 2,779                  | Balance at start of year                             | 662                    |
| 0                      | Reclassification of financial instruments            | 0                      |
| 0                      | Loss on derecognition/maturity                       | 0                      |
| (2,117)                | Revaluation losses on pooled fund adjustment account | (1,113)                |
| <b>662</b>             | <b>Total Pooled Fund Adjustment Account</b>          | <b>(451)</b>           |

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 2021 |                 |   | 31 March 2022 |                 |
|---------------|-----------------|---|---------------|-----------------|
| £'000         | £'000           |   | £'000         | £'000           |
|               | <b>(26,735)</b> | <b>Balance at start of year</b>                                     |               | <b>(12,696)</b> |
| (2,026)       |                 | Capital Expenditure financed from Capital Receipts                  | (17,853)      |                 |
| (646)         |                 | Current value depreciation transferred from Revaluation Reserve     | (694)         |                 |
| (828)         |                 | Minimum Revenue Provision   | (1,007)       |                 |
| (120)         |                 | Revenue Contribution to capital                                     | (1,641)       |                 |
| (2,028)       |                 | Capital Grants and Contributions Applied                            | (5,376)       |                 |
|               | <b>(5,649)</b>  |   |               | <b>(26,570)</b> |
|               |                 | Less:   |               |                 |
| 10,795        |                 | Write down of Revenue Expenditure funded from Capital under Statute | 13,290        |                 |
| 155           |                 | Carrying amount of assets disposed                                  | 255           |                 |
| 2,792         |                 | Depreciation  | 2,221         |                 |
| 2,465         |                 | Impairment  | (301)         |                 |
| 2,510         |                 | Movement in market value of Investment Property                     | (510)         |                 |
| 971           |                 | Repayment of Capital Loans  | 3,548         |                 |
|               |                 |   |               |                 |
|               | <b>19,688</b>   |   |               | <b>18,503</b>   |

| 31 March 2021 |                 |   | 31 March 2022 |                 |
|---------------|-----------------|---|---------------|-----------------|
| £'000         | £'000           |   | £'000         | £'000           |
|               | <b>(26,735)</b> | <b>Balance at start of year</b>                                     |               | <b>(12,696)</b> |
| (2,026)       |                 | Capital Expenditure financed from Capital Receipts                  | (17,853)      |                 |
| (646)         |                 | Current value depreciation transferred from Revaluation Reserve     | (149)         |                 |
| (828)         |                 | Minimum Revenue Provision   | (1,007)       |                 |
| (120)         |                 | Revenue Contribution to capital                                     | (1,641)       |                 |
| (2,028)       |                 | Capital Grants and Contributions Applied                            | (5,376)       |                 |
|               | <b>(5,649)</b>  |   |               | <b>(26,025)</b> |
|               |                 | Less:   |               |                 |
| 10,795        |                 | Write down of Revenue Expenditure funded from Capital under Statute | 13,290        |                 |
| 155           |                 | Carrying amount of assets disposed                                  | 255           |                 |

|       |                 |   |       |                 |
|-------|-----------------|---|-------|-----------------|
| 2,792 |                 | Depreciation                                    | 2,221 |                 |
| 2,465 |                 | Impairment                                      | (301) |                 |
| 2,510 |                 | Movement in market value of Investment Property | (510) |                 |
| 971   |                 | Repayment of Capital Loans                      | 3,548 |                 |
|       | <b>19,688</b>   |   |       | <b>18,503</b>   |
|       | <b>(12,696)</b> | <b>Total Capital Adjustment Accounts</b>        |       | <b>(20,218)</b> |

### Deferred Credits Account

| 31 March 2021 |  | 31 March 2022 |
|---------------|--|---------------|
| £'000         |  | £'000         |
| (281)         | Balance at start of year                         | (276)         |
| 2             | Repayment of mortgages on sale of Council Houses | (1)           |
| 3             | Right to Receipts – St Johns Ambulance           | 4             |
| <b>(276)</b>  | <b>Total Deferred Credits</b>                    | <b>(272)</b>  |

### 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 2021  |   | 31 March 2022 |
|----------------|---|---------------|
| £'000          |   | £'000         |
| 79,934         | Balance at start of year  | 101,031       |
| 17,034         | Re-measurement of the net defined benefit liability   | (33,107)      |
| 7,799          | 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 | 8,280         |
| (3,736)        | Employer's pensions contributions and direct payments to pensioners payable in year   | (3,697)       |
| <b>101,031</b> | <b>Total Pensions Reserve</b>   | <b>72,507</b> |

### 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 2021<br>£'000 |   | 31 March 2022<br>£'000 |
|------------------------|---|------------------------|
| (1,558)                | Balance at start of year                                  | 9,898                  |
| 93                     | Collection Fund Adjustment in year for Council Tax        | (350)                  |
| 11,363                 | Collection Fund Adjustment in year for non-domestic rates | (5,264)                |
| <b>9,898</b>           | <b>Total Collection Fund Adjustment Account</b>           | <b>4,284</b>           |

### 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 2022. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfer to or from the Account.

| 31 March 2021 |            |   | 31 March 2022 |            |
|---------------|------------|---|---------------|------------|
| £'000         | £'000      |   | £'000         | £'000      |
|               | <b>367</b> | <b>Balance at start of year</b>   |               | <b>403</b> |
| (367)         |            | Settlement or cancellation of accrual made at the end of preceding year   |               |            |
| 403           |            | Amounts accrued at the end of the current year  |               |            |
|               | 36         | 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)       |
|               | <b>403</b> | <b>Total Accumulating Compensated Absences Adjustment Account</b>   |               | <b>358</b> |

### 34. Financial Instruments

The Authority's accounting policies relating to financial instruments are in accordance with the 2021/22 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 2021      |                  | Financial Liabilities                                | 31 March 2022      |                  |
|--------------------|------------------|--|--------------------|------------------|
| Long Term<br>£'000 | Current<br>£'000 |  | Long Term<br>£'000 | Current<br>£'000 |
|                    | 98,000           | <b>Loans at amortised cost:</b>                      |                    |                  |
|                    | 283              | Principal sum borrowed                               |                    | 128,500          |
|                    |                  | Accrued interest                                     |                    | 35               |
| <b>0</b>           | <b>98,283</b>    | <b>Total Borrowing</b>                               | <b>0</b>           | <b>128,535</b>   |
|                    |                  | <b>Liabilities at amortised cost:</b>                |                    |                  |
| 33                 | 4,198            | Trade payables                                       | 39                 | 4,288            |
| 5                  | 15               | Finance Lease  | 0                  | 5                |
| <b>38</b>          | <b>4,213</b>     | <b>Included in Creditors</b>                         | <b>39</b>          | <b>4,293</b>     |
| <b>38</b>          | <b>102,496</b>   | <b>Total Financial Liabilities at amortised cost</b> | <b>39</b>          | <b>132,828</b>   |

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

| 31 March 2021      |                  | Financial Assets                               | 31 March 2022      |                  |
|--------------------|------------------|--|--------------------|------------------|
| Long Term<br>£'000 | Current<br>£'000 |  | Long Term<br>£'000 | Current<br>£'000 |
|                    |                  | <b>At amortised cost</b>                       |                    |                  |
|                    | 0                | Principal                                      |                    |                  |
|                    | 0                | Accrued Interest                               |                    |                  |
|                    |                  | Loss Allowance                                 |                    |                  |
|                    |                  | <b>At fair value through profit &amp; loss</b> |                    |                  |
| 0                  | 24,899           | Fair value                                     | 0                  | 23,951           |
| <b>0</b>           | <b>24,899</b>    | <b>Total Investments</b>                       | <b>0</b>           | <b>23,951</b>    |
|                    |                  | <b>At amortised cost</b>                       |                    |                  |
|                    | 480              | Principal                                      |                    | 16,550           |
|                    |                  | Accrued Interest                               |                    |                  |
|                    | 0                | Loss Allowance                                 |                    | 0                |
|                    |                  | <b>At fair value through profit &amp; loss</b> |                    |                  |
|                    |                  | Fair value                                     |                    |                  |
| <b>0</b>           | <b>480</b>       | <b>Total Cash and Cash Equivalents</b>         | <b>0</b>           | <b>16,550</b>    |
|                    |                  | <b>At amortised cost</b>                       |                    |                  |
|                    | 3,018            | Trade receivables                              |                    | 2,852            |
| 33,827             | 2,545            | Loans and Receivables                          | 41,005             | 3,812            |
| <b>33,827</b>      | <b>5,562</b>     | <b>Included in Debtors</b>                     | <b>41,005</b>      | <b>6,663</b>     |
| <b>33,827</b>      | <b>30,941</b>    | <b>Total Financial Assets</b>                  | <b>41,005</b>      | <b>47,164</b>    |

## 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 2021                                 |                         |   |                |   | 31 March 2022                                 |                         |   |                   |
|---|-------------------------|---|----------------|---|---|-------------------------|---|-------------------|
| Financial Liabilities Amortised Cost<br>£'000 | Financial Assets        |   |                | Financial Assets  | Financial Liabilities Amortised Cost<br>£'000 | Financial Assets        |   |                   |
|   | Amortised Cost<br>£'000 | Fair Value through Profit & Loss<br>£'000 | Total<br>£'000 |   |   | Amortised Cost<br>£'000 | Fair Value through Profit & Loss<br>£'000 | Total<br>£'000    |
| 2,776   |                         | 0   | 2,776          | Interest expense<br>Losses on derecognition<br>Losses from change in fair value | 151   |                         |   | 151<br>0          |
| <b>2,776</b>                                  |                         | <b>0</b>                                  | <b>2,776</b>   | <b>Interest payable and similar charges</b>                                     | <b>151</b>                                    |                         |   | <b>151</b>        |
|   | (2,966)                 | (996)                                     | (3,962)        | Interest income<br>Gains on derecognition<br>Gains from change in fair value    |   | (991)                   | (955)                                     | (1,946)<br>0<br>0 |
|   | <b>(2,966)</b>          | <b>(1,001)</b>                            | <b>(3,966)</b> | <b>Interest &amp; Investment Income</b>   |   | <b>(991)</b>            | <b>(955)</b>                              | <b>(1,946)</b>    |
| <b>2,776</b>                                  | <b>(2,966)</b>          | <b>(1,000)</b>                            | <b>(1,190)</b> | <b>Net impact on (surplus)/deficit on provision of services</b>                 | <b>151</b>                                    | <b>(991)</b>            | <b>(955)</b>                              | <b>(1,795)</b>    |
|   |                         | 2,117                                     | 2,117          | (Gain)/Losses on revaluation  |   |                         | 1,113                                     | 1,113             |
| <b>2,776</b>                                  | <b>(2,966)</b>          | <b>1,116</b>                              | <b>926</b>     | <b>Net (Gain)/Loss for the year</b>   | <b>151</b>                                    | <b>(991)</b>            | <b>157</b>                                | <b>(683)</b>      |

## 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 31<sup>st</sup> March 2022 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 2021            |                     | Financial Liabilities                               | Fair Value Level | 31 March 2022            |                     |
|--------------------------|---------------------|---|------------------|--------------------------|---------------------|
| Carrying Amount<br>£'000 | Fair Value<br>£'000 |   |                  | Carrying Amount<br>£'000 | Fair Value<br>£'000 |
|                          |                     | <b>Financial Liabilities held at Amortised Cost</b> |                  |                          |                     |
| 98,000                   | 98,317              | Long Terms Loans from PWLB                          |                  | 128,500                  | 128,312             |
| 20                       | 20                  | Other Long Term Loans                               |                  | 5                        | 5                   |
|                          |                     | Finance Lease                                       |                  |                          |                     |
|                          | <b>98,337</b>       | <b>Total</b>  |                  |                          | <b>128,317</b>      |
| 4,231                    |                     | Liabilities for which fair value is not disclosed   |                  | 4,328                    |                     |
| <b>102,251</b>           |                     | <b>Total Financial Liabilities</b>                  |                  | <b>132,833</b>           |                     |
|                          |                     | <b>Recorded on Balance Sheet as:</b>                |                  |                          |                     |
| 4,198                    |                     | Short Term Creditors                                |                  | 4,288                    |                     |
| 98,015                   |                     | Short Term Borrowing                                |                  | 128,505                  |                     |
| 33                       |                     | Long Term Creditors                                 |                  | 39                       |                     |
| 5                        |                     | Long Term Borrowing                                 |                  | 0                        |                     |
| <b>102,251</b>           |                     |   |                  | <b>132,833</b>           |                     |

\* 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 2021            |                     | Financial Assets                               | Fair Value Level | 31 March 2022            |                     |
|--------------------------|---------------------|--|------------------|--------------------------|---------------------|
| Carrying Amount<br>£'000 | Fair Value<br>£'000 |  |                  | Carrying Amount<br>£'000 | Fair Value<br>£'000 |
|                          |                     | <b>Financial Assets held at Fair Value</b>     |                  |                          |                     |
| 24,899                   | 24,899              | Money Market Funds                             | 1                |                          |                     |
|                          |                     | Bond, Equity and Property Funds                | 1                | 23,951                   | 23,951              |
|                          |                     | Covered Bonds & Floating Rate Notes            | 1                |                          |                     |
|                          |                     | <b>Financial Assets held at Amortised Cost</b> |                  |                          |                     |
| 12                       | 12                  | Bank Accounts                                  |                  | (683)                    | (683)               |
| 0                        | 0                   | Term Deposits                                  |                  | 16,550                   | 16,550              |
| 36,082                   | 36,082              | Loans made for Service Purposes                | 2                | 44,530                   | 44,530              |
| <b>60,993</b>            | <b>60,993</b>       | <b>Total</b>                                   |                  | <b>84,348</b>            | <b>84,348</b>       |
| 3,307                    |                     | Assets for which fair value is not disclosed   |                  | 3,138                    |                     |
| <b>64,299</b>            |                     | <b>Total Financial Assets</b>                  |                  | <b>87,486</b>            |                     |
|                          |                     | <b>Recorded on Balance Sheet as:</b>           |                  |                          |                     |
| 0                        |                     | Long Term Investments                          |                  | 0                        |                     |
| 33,827                   |                     | Long Term Debtors                              |                  | 41,005                   |                     |
| 0                        |                     | Short Term Investments                         |                  | 16,550                   |                     |
| 5,562                    |                     | Short Term Debtors                             |                  | 6,663                    |                     |
| 24,910                   |                     | Cash & Cash Equivalents                        |                  | 23,268                   |                     |
| <b>64,299</b>            |                     |  |                  | <b>87,486</b>            |                     |

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 31<sup>st</sup> March 2022. The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

### Financial Instruments – Risk

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

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

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

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

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



## Credit Risk: Investments

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

The council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the council's deposits, but there was no evidence as the 31 March 2022 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    |               |
|---|------------|------------|---------------|---------------|
|   | 31/03/2022 | 31/03/2021 | 31/03/2022    | 31/03/2021    |
|   | £'000      | £'000      | £,000         | £,000         |
| AAA                                       |            |            |               | 2,000         |
| AA+                                       |            |            | 12,550        |               |
| AA  |            |            |               |               |
| AA-                                       |            |            |               | 480           |
| A+  |            |            |               |               |
| A   |            |            |               |               |
| A-  |            |            |               |               |
| Unrated Local Authorities                 |            |            | 4,000         |               |
| Unrated Pooled Funds                      |            |            | 23,500        | 23,500        |
| <b>Total Investments (nominal amount)</b> | <b>0</b>   | <b>0</b>   | <b>40,050</b> | <b>25,980</b> |

## 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 2022, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

| <b>31 March<br/>2021<br/>£'000</b> |  | <b>31 March<br/>2022<br/>£'000</b> |
|------------------------------------|--|------------------------------------|
| 769                                | Increase in interest payable on variable rate borrowings         | 162                                |
| (33)                               | Increase in interest receivable on variable rate investments     | (1,009)                            |
| <b>736</b>                         | <b>Impact on Surplus or Deficit on the Provision of Services</b> | <b>(847)</b>                       |
| 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.

## 35. Cash Flow Statement – Operating activities

The cash flows for operating activities include the following items:

| <b>Previous Year<br/>2020/21<br/>£'000</b> |  | <b>Current Year<br/>2021/22<br/>£'000</b> |
|--|--|---|
| 1,289                                      | Interest received  | 1,599                                     |
| (811)                                      | Interest paid  | (393)                                     |
| <b>478</b>                                 | <b>Net Cash Flows from Operating Activities relating to interest</b> | <b>1,205</b>                              |

| Previous Year<br>2020/21<br>£'000 |   | Current Year<br>2021/22<br>£'000 |
|-----------------------------------|---|----------------------------------|
| 2,792                             | Depreciation and amortisation   | 580                              |
| 2,465                             | Impairment and revaluations   | 1,340                            |
| 2,510                             | Movement in market value of investment property   | (510)                            |
| 20,236                            | Increase/(decrease) in creditors  | (2,577)                          |
| (22,334)                          | (Increase)/decrease in debtors  | 2,652                            |
| (331)                             | (Increase)/decrease in inventories  | 1,489                            |
| 737                               | Increase/(decrease) in developer contributions  | 904                              |
| (142)                             | Increase/(decrease) in provisions   | 33                               |
| 0                                 | Accrued interest  | 60                               |
| 4,063                             | Movement in pension liability   | (1,021)                          |
| 155                               | Carrying amounts of non-current assets and non-current assets held for sale, sold or derecognized | 605                              |
| <b>10,151</b>                     | <b>Total Adjustments for Non-Cash Movements</b>   | <b>3,556</b>                     |

| Previous Year<br>2020/21<br>£'000 |   | Current Year<br>2021/22<br>£'000 |
|-----------------------------------|---|----------------------------------|
| (1,817)                           | Proceeds from the sale of property, plant and equipment and intangible assets | (4,815)                          |
| <b>(1,817)</b>                    | <b>Total Adjustments for Investing and Financing Activities</b>               | <b>(4,815)</b>                   |

### 36. Cash Flow Statement – Investing activities

| Previous Year<br>2020/21<br>£'000 |  | Current Year<br>2021/22<br>£'000 |
|-----------------------------------|--|----------------------------------|
| (11,346)                          | Purchase of property, plant and equipment, investment property and intangible assets               | (12,006)                         |
| (1,750)                           | Purchase of short-term and long-term investments   | (93,810)                         |
| (16,495)                          | Other payments for investing activities  | (7,388)                          |
| 1,817                             | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 4,815                            |
| 9,500                             | Proceeds from sale of short-term and long-term investments   | 79,260                           |
| 85                                | Other receipts from investing activities   | 0                                |
| <b>(18,188)</b>                   | <b>Net Cash Flows from Investing Activities</b>  | <b>(29,129)</b>                  |

### 37. Cash Flow Statement – Financing activities

| Previous Year<br>2020/21<br>£'000 |   | Current Year<br>2021/22<br>£'000 |
|-----------------------------------|---|----------------------------------|
| 18,500                            | Cash receipts of short-term borrowing   | 30,500                           |
| (15)                              | Cash payments for the reduction of the outstanding liabilities relating to finance leases | (5)                              |
| <b>18,485</b>                     | <b>Net Cash Flows from Financing Activities</b>   | <b>30,495</b>                    |

### 38. Trading operations

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

The MOT Station is operated by the Streetscene service.

| Previous Year     |                               | Current Year |              |                   |
|-------------------|-------------------------------|--------------|--------------|-------------------|
| 2020/21           |                               | 2021/22      | 2021/22      | 2021/22           |
| (Surplus)/Deficit |                               | Expenditure  | Income       | (Surplus)/Deficit |
| £'000             |                               | £'000        | £'000        | £'000             |
| (227)             | Careline                      | 220          | (400)        | (181)             |
| 16                | MOT Station                   | 104          | (46)         | 58                |
| <b>(211)</b>      | <b>Total Trading Accounts</b> | <b>324</b>   | <b>(446)</b> | <b>(122)</b>      |

### 39. Members' Allowances

| Previous Year |                                  | Current Year |
|---------------|----------------------------------|--------------|
| 2020/21       |                                  | 2021/22      |
| £'000         |                                  | £'000        |
| 416           | Basic Allowance                  | 422          |
| 124           | Special Responsibility Allowance | 126          |
| 1             | Expenses                         | 2            |
| <b>541</b>    | <b>Total Members Allowance</b>   | <b>550</b>   |

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

### 40. Officers' Remuneration

During the 2021/22 financial year the number of officers who received remuneration, which includes salary, leased car and termination payments, in excess of £50k were as follows:

| 2020/21 |                  |                                 | Remuneration Band   | 2021/22 |                  |        |
|---------|------------------|---------------------------------|---------------------|---------|------------------|--------|
| Total   | Left during year | Compensation for loss of office |                     | Total   | Left during year | Com fo |
| 11      | 1                | 1                               | £50,000 - £54,999   | 26      | 1                |        |
| 14      | 2                | 2                               | £55,000 - £59,999   | 10      | 1                |        |
| 9       | 1                | 1                               | £60,000 - £64,999   | 9       | 1                |        |
| 3       |                  |                                 | £65,000 - £69,999   | 12      |                  |        |
| 4       | 2                | 1                               | £70,000 - £74,999   |         |                  |        |
| 2       |                  |                                 | £75,000 - £79,999   | 4       |                  |        |
| 2       | 1                | 1                               | £80,000 - £84,999   | 1       |                  |        |
| 2       |                  |                                 | £85,000 - £89,999   |         |                  |        |
|         |                  |                                 | £90,000 - £94,999   |         |                  |        |
| 1       |                  |                                 | £100,000 - £104,999 | 1       |                  |        |
| 1       |                  | 1                               | £105,000 - £109,999 | 2       |                  |        |
| 2       | 1                |                                 | £110,000 - £114,999 | 3       |                  |        |
| 1       |                  |                                 | £150,000 - £154,999 |         |                  |        |

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 2021/22 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 2021/22 | Name of officer | Post Term              | Salary (including Fees & Allowances)<br>£'000 | Benefits in kind<br>£'000 | Compensation for loss of office<br>£'000 | Total Remuneration (excl. pension contribution)<br>£'000 | Pension Contribution<br>£'000 | Total Remuneration (incl. pension contribution)<br>£'000 |
|----------------------|-----------------|------------------------|---|---------------------------|--|--|-------------------------------|--|
| Chief Executive      | A Parmley       | April '21 - July '21   | 34  | 0                         | 0  | 34   | 6                             | 40   |
| Chief Executive      | J Portman       | August '21 - March '21 | 83  | 0                         | 0  | 83   | 14                            | 97   |

| Previous year 2020/21 | Name of officer | Post Term                   | Salary (including Fees & Allowances)<br>£'000 | Benefits in kind<br>£'000 | Compensation for loss of office<br>£'000 | Total Remuneration (excl. pension contribution)<br>£'000 | Pension Contribution<br>£'000 | Total Remuneration (incl. pension contribution)<br>£'000 |
|-----------------------|-----------------|-----------------------------|---|---------------------------|--|--|-------------------------------|--|
| Chief Finance Officer | K Watling       | 15 March '21 - 31 March '21 | 9   | 0                         | 0  | 9  | 0                             | 9  |

| Current year 2021/22                             |                                 | Post Term               | Salary (including Fees & Allowances)<br>£'000 | Benefits in kind<br>£'000 | Compensation for loss of office<br>£'000 | Total Remuneration (excl. pension contribution)<br>£'000 | Pension Contribution<br>£'000 | Total Remuneration (incl. pension contribution)<br>£'000 |
|--|---------------------------------|-------------------------|---|---------------------------|--|--|-------------------------------|--|
| Director - Place                                 |                                 | April 2021 - April 2021 | 7   | 0                         | 0  | 7  | 0                             | 7  |
| Director - Service Delivery                      |                                 | April '21 - March '22   | 86  | 0                         | 0  | 86   | 15                            | 101  |
| Director - Commercial                            | Director - Commercial           | April '21 - Oct '21     | 47  | 0                         | 0  | 47   | 8                             | 55   |
| Director - Strategy &                            | Director - Strategy &           | April '21 - March '22   | 88  | 0                         | 0  | 88   | 16                            | 104  |
| Director - Place and Recovery                    |                                 | April '21 - March '22   | 85  | 0                         | 0  | 85   | 15                            | 100  |
| Lead Specialist                                  | Lead Specialist Legal/Monitorin | Jan '22 - March '22     | 77  | 0                         | 0  | 77   | 14                            | 91   |
| S151 Officer                                     | S151 Officer                    | April '21 - March '22   | 46  | 0                         | 0  | 46   | 0                             | 46   |
| Assistant Director -                             | Assistant Director -            | Dec '21 - March '22     | 60  | 0                         | 0  | 60   | 11                            | 71   |
| Assistant Director - Strategy & Support Services |                                 | Dec '21 - March '22     | 60  | 0                         | 0  | 60   | 11                            | 70   |
| Acting Director - Place and Recovery             |                                 | Dec '21 - March '22     | 58  | 0                         | 0  | 58   | 10                            | 69   |

| Previous year<br>2020/21                              | Post Term                | Salary (including<br>Fees &<br>Allowances) | Benefits in<br>kind | Compensation for<br>loss of office | Total<br>Remuneration<br>(excl. pension<br>contribution) | Pension<br>Contribution | Total<br>Remuneration<br>(incl. pension<br>contribution) |
|---|--------------------------|--|---------------------|------------------------------------|--|-------------------------|--|
| Post Title  |                          | £'000                                      | £'000               | £'000                              | £'000  | £'000                   | £'000  |
| Chief Executive Officer                               | April '20 -<br>March '21 | 119  | 0                   | 0                                  | 119  | 21                      | 140  |
| Director - Place                                      | April '20 -<br>March '21 | 84   | 0                   | 106                                | 190  | 15                      | 205  |
| Director - Service Delivery                           | April '20 -<br>March '21 | 86   | 0                   | 0                                  | 86   | 15                      | 101  |
| Director - Service Delivery                           | Feb '21 -<br>March '21   | 9  | 0                   | 0                                  | 9  | 2                       | 10   |
| Director - Strategy &<br>Commissioning                | April '20 - Feb<br>'21   | 37   | 0                   | 0                                  | 37   | 6                       | 43   |
| Director - Commercial Services<br>& Income Generation | April '20 -<br>March '21 | 88   | 0                   | 0                                  | 88   | 16                      | 104  |
| Director - Strategy & Support<br>Services             | Feb '21 -<br>March '21   | 8  | 0                   | 0                                  | 8  | 1                       | 10   |
| Director - Support Services                           | April '20 - Feb<br>'21   | 35   | 0                   | 0                                  | 35   | 6                       | 41   |
| Lead Specialist<br>Legal/Monitoring Officer           | April '20 - Nov<br>'20   | 31   | 0                   | 0                                  | 31   | 5                       | 36   |
| Lead Specialist<br>Legal/Monitoring Officer           | Feb '21 -<br>March '21   | 11   | 0                   | 0                                  | 11   | 2                       | 14   |
| S151 Officer  | April '20 -<br>March '21 | 55   | 0                   | 0                                  | 55   | 10                      | 65   |

## Exit Packages

The total cost of £33k for 2021/22 (£462k for 2020/21) has been charged to the authority's Comprehensive Income and Expenditure Statement in the current year.

| Exit Package Costs Band<br>(including special payments) | Number of Compulsory<br>Redundancies |          | Number of<br>Voluntary/Efficiency of |          | Total Number of Exit Packages |          | Total Cost of Exit Packages |                  |
|---|--------------------------------------|----------|--------------------------------------|----------|-------------------------------|----------|-----------------------------|------------------|
|   | 2020/21                              | 2021/22  | 2020/21                              | 2021/22  | 2020/21                       | 2021/22  | 2020/21<br>£'000            | 2021/22<br>£'000 |
| £0 - £20,000  | 1                                    | 1        | 0                                    | 2        | 1                             | 3        | 3                           | 32               |
| £20,001 - £40,000                                       | 6                                    | 0        | 0                                    | 0        | 6                             | 0        | 189                         | 0                |
| £40,001 - £60,000                                       | 1                                    | 0        | 0                                    | 0        | 1                             | 0        | 44                          | 0                |
| £60,001 - £80,000                                       | 2                                    | 0        | 0                                    | 0        | 2                             | 0        | 123                         | 0                |
| £80,001 - £100,000                                      | 0                                    | 0        | 0                                    | 0        | 0                             | 0        | 0                           | 0                |
| £100,001 - £150,000                                     | 0                                    | 0        | 1                                    | 1        | 1                             | 0        | 103                         | 0                |
| <b>TOTAL</b>  | <b>10</b>                            | <b>1</b> | <b>1</b>                             | <b>3</b> | <b>11</b>                     | <b>3</b> | <b>462</b>                  | <b>33</b>        |

## 41. Audit Costs

In 2021/22 the council incurred the following fees relating to external audit and inspection:

| Previous Year<br>2020/21<br>£'000 |   | Current Year<br>2021/22<br>£'000 |
|-----------------------------------|---|----------------------------------|
| 67                                | Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor | 75                               |
| 36                                | Fees payable to Grant Thornton UK LLP for the certification of grant claims and returns                           | 23                               |
| <b>103</b>                        | <b>Total Audit Costs</b>  | <b>98</b>                        |

## 42. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive income and Expenditure Statement in 2021/2022:

| Previous Year<br>2020/21 |  | Current Year<br>2021/22 |
|--------------------------|--|-------------------------|
|--------------------------|--|-------------------------|

| £'000         |  | £'000         |
|---------------|--|---------------|
| 7,313         | Capital Grants   | 8,026         |
| 1,603         | New Homes Bonus  | 1,171         |
| 166           | Other non-specific Government Grant  | 1,203         |
| <b>9,082</b>  | <b>Total Grants credited to taxation and Non-Specific Grant income and Expenditure</b> | <b>10,400</b> |
| 27,383        | Business Rates Tax loss reimbursement  | 6,343         |
| 224           | Cost of Collection – Business Rates  | 227           |
| 28,072        | Housing Benefits   | 26,983        |
| 8,153         | COVID related grants   | 2,457         |
| 627           | Homelessness Grants  | 1,011         |
| 4,723         | Miscellaneous Grants   | 1,325         |
| <b>69,184</b> | <b>Total Grants credited to services</b>   | <b>38,346</b> |
| <b>78,266</b> | <b>Total Grants</b>  | <b>48,746</b> |

Several additional grants were received from Government as part of their response to the Covid-19 Pandemic. Where the Council was deemed to be acting in the capacity of an agent and so passing these funds on to the eventual beneficiaries, these transactions do not have an impact on the Statement of Accounts. The value of these grants was £13.8m.

### 43. Related Party Transactions

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

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

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

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

| Organisation                     | SSDC Contribution in 2021/22 |                                       | SSDC Councillor |
|----------------------------------|------------------------------|---------------------------------------|-----------------|
| LGA General Assembly             | 10,872                       | LGA Membership                        | Cllr V Keitch   |
| Parrett Drainage Board           | 71,137                       | Special Levy                          | Cllr G Tucker   |
| South West Councils              | 13,154                       | Annual Subscription/Training          | Cllr V Keitch   |
| Crewkerne Leisure Management Ltd | 65,432                       | NLRF (National Leisure Recovery Fund) | Cllr M Best     |
| The Swan Theatre                 | 12,500                       | Community Grant                       | Cllr K Gill     |
| UNISON                           | 14,620                       | Employee Subscriptions                | Cllr D Bulmer   |
| Preston Grove Medical Centre     | 29,228                       | Medical References                    | Cllr O Patrick  |
| Royal Mail                       | 39,409                       | Postage                               | Cllr K 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 purposes of Part V of the Local Government and Housing Act 1989. The liability of each member is limited to £1, being the amount that each member undertakes to contribute to the assets of the Company in the event of it being wound up while the Authority is a member or within one year after the Authority ceases to be a member. South West Audit Partnership provides internal audit services.

The council has made loans to SSDC Opium Power Limited, which is a partly owned subsidiary. The value of the loans to SSDC Opium Power Limited as at 31 March 2022 is £40.799m

#### 44. Capital expenditure and financing

| Previous Year<br>2020/21 |         |   | Current Year<br>2021/22 |          |
|--------------------------|---------|---|-------------------------|----------|
| £'000                    | £'000   |   | £'000                   | £'000    |
|                          | 96,973  | <b>Opening Capital financing Requirement</b>          |                         | 134,148  |
|                          |         | <b>Capital Expenditure</b>                            |                         |          |
| 187                      |         | Intangible Non-Current Assets                         | 77                      |          |
| 10,701                   |         | Non-Current Assets                                    | 11,939                  |          |
| 458                      |         | Assets under Construction                             | 3                       |          |
| 20,036                   |         | Long Term Debtors                                     | 10,319                  |          |
| 10,795                   |         | Revenue Expenditure funded from Capital under Statute | 13,290                  |          |
|                          | 42,177  | <b>Sources of Finance</b>                             |                         | 35,628   |
| (2,026)                  |         | Use of Capital Receipts                               | (17,853)                |          |
| (1,792)                  |         | Government Grants & Other Contributions               | (5,376)                 |          |
| (356)                    |         | Capital expenditure charged against the capital fund  | (1,641)                 |          |
| (828)                    |         | Minimum Revenue Provisions                            | (1,007)                 |          |
|                          | (5,003) |   |                         | (25,876) |
|                          | 134,148 | <b>Closing Capital Financing Requirement</b>          |                         | 143,901  |

#### 45. Leases

##### Authority as Lessee

##### Finance Leases

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

| 31 March<br>2021<br>£'000 |  | 31 March<br>2022<br>£'000 |
|---------------------------|--|---------------------------|
| 19                        | Vehicles, Plant, Furniture and Equipment | 5                         |
| 19                        | <b>Total Carrying Amount of Leases</b>   | 5                         |

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<br>2021<br>£'000 |   | 31 March<br>2022<br>£'000 |
|---------------------------|---|---------------------------|
| 20                        | Finance lease liabilities (net present value of minimum lease payments) | 5                         |
| 1                         | Finance Cost Payable in future years                                    | 0                         |
| 21                        |   | 5                         |



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

|   | Minimum Lease Payments |               | Finance Lease Liabilities |               |
|---|------------------------|---------------|---------------------------|---------------|
|   | 31 March 2021          | 31 March 2022 | 31 March 2021             | 31 March 2022 |
|   | £'000                  | £'000         | £'000                     | £'000         |
| Not later than one year                           | 16                     | 5             | 15                        | 5             |
| Later than one year and not later than five years | 5                      | 0             | 5                         | 0             |
| <b>Total Finance Lease Payments</b>               | <b>21</b>              | <b>5</b>      | <b>20</b>                 | <b>5</b>      |

## Operating Leases

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

| 31 March 2021               |            |              |   | 31 March 2022               |              |            |
|-----------------------------|------------|--------------|---|-----------------------------|--------------|------------|
| Vehicles, Plant & Equipment | Property   | £'000        |   | Vehicles, Plant & Equipment | Property     | £'000      |
|                             |            | <b>Total</b> |   |                             | <b>Total</b> |            |
| 54                          | 23         | 77           | Not later than one year                           | 22                          | 23           | 44         |
| 21                          | 91         | 112          | Later than one year and not later than five years | 5                           | 91           | 96         |
| -                           | 825        | 825          | Later than five years                             | -                           | 802          | 802        |
| <b>75</b>                   | <b>939</b> | <b>1,014</b> | <b>Total Operating Lease Payments</b>             | <b>27</b>                   | <b>915</b>   | <b>942</b> |

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

| Previous Year<br>2020/21<br>£'000 |   | Current Year<br>2021/22<br>£'000 |
|-----------------------------------|---|----------------------------------|
| 54                                | Minimum lease payments  | 35                               |
| 23                                | <ul style="list-style-type: none"> <li>• Vehicles, Plant and Equipment</li> <li>• Property</li> </ul> | 23                               |
| <b>77</b>                         | <b>Total Operating Lease Payments Charge to the Comprehensive Income and Expenditure Statement</b>    | <b>58</b>                        |

## 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 2021 |   |  | 31 March 2022 |  |
|---------------|---|--|---------------|--|
| £'000         |   |  | £'000         |  |
| 6,355         | No later than one year                            |  | 5,799         |  |
| 17,205        | Later than one year and not later than five years |  | 13,414        |  |
| 22,284        | Later than five years                             |  | 20,735        |  |
| <b>45,844</b> | <b>Total future lease payments receivable</b>     |  | <b>39,948</b> |  |

#### 46. Impairment Losses

During 2021/22, the Authority recognised a net impairment loss of £3.050 (£7.770m in 2020/21). This was made up of £3.679m reduction in value and £0.629m of reversing previous impairment losses.

The impairment losses of £0.363m have been charged to various service lines on the Comprehensive Income and Expenditure Statement and downward revaluations of £2.687m have been charged to the Revaluation Reserve.

#### 47. Defined benefit pension schemes

##### Participation in Pension Schemes

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

South Somerset District Council participates in the Local Government Pension Scheme (LGPS) for employees, administered by Somerset County Council – this is a funded defined benefit scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The benefits accrued up to 31 March 2022 are based on final salary and length of service on retirement. Changes to the LGPS came into effect from 1 April 2014 and any 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   |       |                                      | Current Year |       |
|---|-------|--------------------------------------|--------------|-------|
| 2020/21   |       |                                      | 2021/22      |       |
| £'000   | £'000 |                                      | £'000        | £'000 |
| <b>Comprehensive Income and Expenditure Statement</b> |       |                                      |              |       |
| Cost of Services:                                     |       |                                      |              |       |
| 5,337   |       | • Current service costs              | 6,194        |       |
| 500   |       | • Service costs                      | 0            |       |
| 47  |       | • Past service and curtailment costs | 14           |       |
| 51  |       | • Administration Expenses            | 63           |       |

|                  |                |   |                  |                 |
|------------------|----------------|---|------------------|-----------------|
|                  | 5,935          | Financing and Investment Income and Expenditure   |                  |                 |
| 3,489<br>(1,625) |                | <ul style="list-style-type: none"> <li>• Interest Cost</li> <li>• Return on Assets</li> </ul>   | 4,317<br>(2,308) |                 |
|                  | 1,864          |   |                  |                 |
|                  | <b>7,799</b>   | <b>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>  |                  |                 |
| <b>£'000</b>     | <b>£'000</b>   |   | <b>£'000</b>     |                 |
|                  |                | <b>Other Post Employment benefit charged to the Comprehensive Income and Expenditure Statement</b>  |                  |                 |
|                  |                | <b>Remeasurement of the net defined benefit liability comprising:</b>   |                  |                 |
| (24,806)         |                | Return on plan fund assets in excess of interest  | (7,581)          |                 |
| 46,152           |                | Change in financial assumptions   | (9,265)          |                 |
| (1,936)          |                | Change in demographic assumptions   | (16,022)         |                 |
| (2,376)          |                | Experience (gain)/losses on defined benefit obligation  | (386)            |                 |
|                  |                | Other actuarial (gains)/losses on assets  | 147              |                 |
|                  | <b>17,034</b>  | <b>Total remeasurement of net defined benefit liability</b>   |                  | <b>(33,931)</b> |
|                  | <b>24,833</b>  | <b>Total post employment benefit charged to the Comprehensive Income and Expenditure Statement</b>  |                  | <b>(24,784)</b> |
|                  |                | <b>Movement in Reserves Statement</b>   |                  |                 |
|                  |                | 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:  |                  |                 |
| (3,536)          |                | <ul style="list-style-type: none"> <li>• Employer's contributions payable to scheme</li> <li>• Retirement benefits payable to pensioners</li> </ul> | (3,503)<br>(194) |                 |
| (200)            |                |   |                  |                 |
|                  | <b>(3,736)</b> |   |                  | <b>(3,736)</b>  |

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 2022 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<br>2020/21<br>£'000 |  | Current Year<br>2021/22<br>£'000 |
|-----------------------------------|--|----------------------------------|
| 219,863<br>(121,411)              | Present Value of Funded Obligation<br>Fair Value of Assets in Scheme | 200,602<br>(130,126)             |
| <b>98,452</b>                     | <b>Net Liability</b>   | <b>70,476</b>                    |
| 2,579                             | Present Value of Unfunded Obligation                                 | 2,031                            |
| <b>101,031</b>                    | <b>Closing Balance at 31 March</b>                                   | <b>72,507</b>                    |

The liabilities show the underlying commitments to 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<br>2020/21<br>£'000 |   | Current Year<br>2021/22<br>£'000 |
|-----------------------------------|---|----------------------------------|
| 174,622                           | Opening Balance at 1 April                                    | 222,442                          |
| 5,337                             | Current service cost  | 6,194                            |
| 3,489                             | Interest cost   | 4,317                            |
| 0                                 | Remeasurement (gains) and losses:                             | 0                                |
| 46,152                            | Actuarial gains/losses from change in financial assumptions   | (9,265)                          |
| (1,936)                           | Actuarial gains/losses from change in demographic assumptions | 0                                |
| (2,376)                           | Experience loss/(gain) on defined benefit obligation          | (386)                            |
| 1,933                             | Liabilities assumed/(extinguished) on settlements             | 0                                |
| (5,359)                           | Estimated benefits paid net of transfers in                   | (5,820)                          |
| 47                                | Past service costs, including curtailments                    | 14                               |
| 733                               | Contributions by scheme participants                          | 749                              |
| (200)                             | Unfunded Pension Payments                                     | (194)                            |
| <b>222,442</b>                    | <b>Closing balance at 31 March</b>                            | <b>218,051</b>                   |

### Reconciliation of Fair Value of Scheme Assets

| Previous Year<br>2020/21<br>£'000 |                                      | Current Year<br>2021/22<br>£'000 |
|-----------------------------------|--------------------------------------|----------------------------------|
| 94,688                            | Opening Balance at 1 April           | 121,411                          |
| 1,625                             | Interest on Assets                   | 2,308                            |
| 24,806                            | Return on Assets less interests      | 7,581                            |
| 0                                 | Other actuarial gains/(losses)       | 0                                |
| (51)                              | Administration expenses              | (63)                             |
| 3,736                             | Contribution by the employers        | 3,697                            |
| 733                               | Contributions by scheme participants | 749                              |
| (5,559)                           | Benefits paid                        | (6,014)                          |
| 1,433                             | Settlement prices received/(paid)    | 0                                |
| <b>121,411</b>                    | <b>Closing balance at 31 March</b>   | <b>129,669</b>                   |

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   |
|---|---------|---------|---------|
| <b>Adjustment to discount rate</b>                              | +0.1%   | 0.0%    | -0.1%   |
| Present value of total obligation                               | 213,095 | 217,255 | 221,500 |
| Projected service cost  | 5,221   | 5,405   | 5,595   |
| <b>Adjustment to long term salary increase</b>                  | +0.1%   | 0.0%    | -0.1%   |
| Present value of total obligation                               | 217,646 | 217,255 | 216,867 |
| Projected service costs   | 5,408   | 5,405   | 5,402   |
| <b>Adjustment to pension increases and deferred revaluation</b> | +0.1%   | 0.0%    | -0.1%   |
| Present value of total obligation                               | 221,079 | 217,255 | 213,503 |
| Projected service costs   | 5,593   | 5,405   | 5,222   |
| <b>Adjustment to mortality age rating assumption</b>            | +1 Year | None    | -1 Year |
| Present value of total obligation                               | 227,325 | 217,255 | 207,654 |
| Projected service costs   | 5,628   | 5,405   | 5,190   |

## Projected Pension Expense for the year to 31 March 2023

|                                       | Year to 31 March 2023 |
|---------------------------------------|-----------------------|
|                                       | £'000                 |
| Service Cost                          | 5,405                 |
| Net Interest on the defined liability | 2,024                 |
| Administration expenses               | 61                    |
| <b>Total Loss/(Profit)</b>            | <b>7,490</b>          |
| <b>Employer Contributions</b>         | <b>3,426</b>          |

## 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 2022.

The principal assumptions used by the actuary have been:

| 31 March 2021 |  | 31 March 2022 |
|---------------|--|---------------|
| 3.20%         | Rate of inflation (CPI)                        | 3.20%         |
| 3.80%         | Rate of general long-term increase in salaries | 4.00%         |
| 2.80%         | Rate of increase to pensions in payment        | 3.20%         |
| 2.80%         | Rate of increase to deferred pensions          | 3.20%         |
| 2.00%         | Discount Rate                                  | 2.60%         |

Assumed life expectations from aged 65 (years) are:

|                                       | Males | Females |
|---------------------------------------|-------|---------|
| Current Pensioners                    | 23.1  | 24.7    |
| Future Pensioners (20 years from now) | 24.4  | 26.1    |

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

| <b>% of total</b>                 | <b>Value of total</b>             |                    | <b>% of total</b>                 | <b>Value of total</b>             |
|-----------------------------------|-----------------------------------|--------------------|-----------------------------------|-----------------------------------|
| <b>Scheme as at 31 March 2021</b> | <b>Scheme as at 31 March 2021</b> |                    | <b>Scheme as at 31 March 2022</b> | <b>Scheme as at 31 March 2022</b> |
|                                   | <b>£'000</b>                      |                    |                                   | <b>£'000</b>                      |
| 71                                | 87,309                            | Equity Investments | 72                                | 94,095                            |
| 6                                 | 6,975                             | Government Bonds   | 5                                 | 6,947                             |
| 10                                | 11,762                            | Corporate Bonds    | 10                                | 12,997                            |
| 7                                 | 8,389                             | Property           | 8                                 | 10,521                            |
| 6                                 | 6,976                             | Cash               | 5                                 | 5,955                             |
| <b>100</b>                        | <b>121,411</b>                    |                    | <b>100</b>                        | <b>130,515</b>                    |

#### 48. Contingent liabilities

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

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

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 2021/22 accounts.

#### 49. Dorcas House

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

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

| <b>Previous Year</b> |                                       | <b>Current Year</b> |
|----------------------|---------------------------------------|---------------------|
| <b>2020/21</b>       |                                       | <b>2021/22</b>      |
| <b>£'000</b>         |                                       | <b>£'000</b>        |
| (3)                  | Total Income for the Year             | 1                   |
| 0                    | Total Expenditure of the Year         | 0                   |
| <b>(3)</b>           | <b>Deficit/(Surplus) for the Year</b> | <b>1</b>            |

(Brackets represent income)

| <b>Previous Year</b> |  | <b>Current Year</b> |
|----------------------|--|---------------------|
| <b>2020/21</b>       |  | <b>2021/22</b>      |
| <b>£'000</b>         |  | <b>£'000</b>        |
|                      |  |                     |

|            |                              |            |
|------------|------------------------------|------------|
| 454        | Capital & Unrestricted Funds | 452        |
| <b>454</b> | <b>Total Reserves</b>        | <b>452</b> |

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 2022

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<br>2020/21 |  | Year Ended 31 March 2022 |                      |                          |
|--------------------------|--|--------------------------|----------------------|--------------------------|
| Collection Fund<br>£'000 |  | Business Rates<br>£'000  | Council Tax<br>£'000 | Collection Fund<br>£'000 |
|                          | <b>Income</b>  |                          |                      |                          |
| (114,695)                | Council Tax Receivable                               |                          | (121,790)            | (121,790)                |
| (23,756)                 | Business Rates Receivable                            | (37,276)                 |                      | (37,276)                 |
|                          | <b>Apportionment of Previous Year Deficit</b>        |                          |                      |                          |
| 0                        | Central Government                                   | (11,124)                 | 0                    | (11,124)                 |
| (168)                    | Somerset County Council                              | (1,988)                  | (536)                | (2,524)                  |
| (30)                     | Police and Crime Commissioner for Avon & Somerset    | 0                        | (95)                 | (95)                     |
| (12)                     | Devon & Somerset Fire & Rescue                       | (222)                    | (37)                 | (259)                    |
| (35)                     | South Somerset District Council (including Parishes) | (8,886)                  | (112)                | (8,998)                  |
| <b>(138,696)</b>         | <b>Total Income</b>                                  | <b>(59,497)</b>          | <b>(122,570)</b>     | <b>(182,066)</b>         |
|                          | <b>Expenditure</b>                                   |                          |                      |                          |
|                          | <b>Precepts and Demands</b>                          |                          |                      |                          |
| 22,855                   | Central Government                                   | 22,563                   | 0                    | 22,563                   |
| 82,382                   | Somerset County Council                              | 4,061                    | 82,772               | 86,834                   |
| 13,831                   | Police and Crime Commissioner for Avon & Somerset    | 0                        | 14,750               | 14,750                   |
| 5,814                    | Devon & Somerset Fire & Rescue                       | 451                      | 5,504                | 5,955                    |
| 34,923                   | South Somerset District Council (including Parishes) | 18,513                   | 16,956               | 35,468                   |
|                          | <b>Apportionment of Previous Year Surplus</b>        |                          |                      |                          |
| 1,177                    | Central Government                                   | 0                        | 0                    | 0                        |
| 1,030                    | Somerset County Council                              | 0                        | 0                    | 0                        |
| 0                        | Police and Crime Commissioner for Avon & Somerset    | 0                        | 0                    | 0                        |
| 40                       | Devon & Somerset Fire & Rescue                       | 0                        | 0                    | 0                        |
| 1,712                    | South Somerset District Council (including Parishes) | 0                        | 0                    | 0                        |
|                          | <b>Charges to Collection Fund</b>                    |                          |                      |                          |
| 551                      | Write offs of uncollectable amounts                  | 87                       | 424                  | 511                      |
| 2,515                    | Increase/(Decrease) in bad debt                      | 788                      | (304)                | 484                      |
| (173)                    | Increase/(Decrease) in Provision for Appeals         | 82                       | 0                    | 82                       |
| 224                      | Cost of Collection                                   | 227                      | 0                    | 227                      |
| 209                      | Transitional Protection Payments                     | 111                      | 0                    | 111                      |
| <b>167,090</b>           | <b>Total Expenditure</b>                             | <b>46,884</b>            | <b>120,102</b>       | <b>166,985</b>           |
| 28,394                   | <b>(Surplus)/Deficit for Year</b>                    | (12,613)                 | (2,468)              | (15,081)                 |



|               |  |               |                |              |
|---------------|--|---------------|----------------|--------------|
| (3,410)       | <b>(Surplus)/Deficit Balances at Start of Year</b> | 23,740        | 1,244          | 24,984       |
| <b>24,984</b> | <b>(Surplus)/Deficit Balances at End of Year</b>   | <b>11,127</b> | <b>(1,224)</b> | <b>9,903</b> |

| <b>Previous Year<br/>2020/21</b> | <b>Attributable to:</b>   | <b>Year Ended 31 March 2022</b> |                              |                                  |
|----------------------------------|---|---------------------------------|------------------------------|----------------------------------|
| <b>Collection Fund<br/>£'000</b> |   | <b>Business Rates<br/>£'000</b> | <b>Council Tax<br/>£'000</b> | <b>Collection Fund<br/>£'000</b> |
| 11,884                           | Central Government  | 5,563                           | 0                            | 5,563                            |
| 2,980                            | Somerset County Council   | 1,001                           | (847)                        | 154                              |
| 150                              | Police and Crime Commissioner for Avon & Somerset                       | 0                               | (151)                        | (151)                            |
| 296                              | Devon & Somerset Fire & Rescue  | 111                             | (55)                         | 56                               |
| 9,674                            | South Somerset District Council<br>(including Parishes for Council Tax) | 4,451                           | (170)                        | 4,280                            |
| 0                                |   |                                 |                              | 0                                |
| <b>24,984</b>                    |   | <b>11,127</b>                   | <b>(1,224)</b>               | <b>9,903</b>                     |

(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 2021/22.

| Tax Base                  |                   |           |          |   |                           |                      |  |
|---------------------------|-------------------|-----------|----------|---|---------------------------|----------------------|--|
| Previous Year 2020/21     |                   |           |          |   |                           | Current Year 2021/22 |  |
| Effective No of dwellings | Band D Equivalent | Weighting | Tax Band | Property Value (at April 1991)                            | Effective No of dwellings | Band D Equivalent    |  |
| 13                        | 7                 | 5/9ths    | A-       | Disabled band   | 11                        | 6                    |  |
| 8,644                     | 5,763             | 6/9ths    | A        | Up to £40,000   | 8,783                     | 5,856                |  |
| 20,054                    | 15,598            | 7/9ths    | B        | Between £40,001 & £52,000                                 | 20,190                    | 15,703               |  |
| 14,945                    | 13,284            | 8/9ths    | C        | Between £52,001 & £68,000                                 | 15,121                    | 13,441               |  |
| 11,072                    | 11,072            | 1         | D        | Between £68,001 & £88,000                                 | 11,204                    | 11,204               |  |
| 8,944                     | 10,932            | 11/9ths   | E        | Between £88,001 & £120,000                                | 9,060                     | 11,073               |  |
| 4,570                     | 6,601             | 13/9ths   | F        | Between £120,001 & £160,000                               | 4,647                     | 6,712                |  |
| 1,767                     | 2,945             | 15/9ths   | G        | Between £160,001 & £320,000                               | 1,785                     | 2,974                |  |
| 141                       | 282               | 18/9ths   | H        | Over £320,000   | 147                       | 293                  |  |
| <b>70,150</b>             | <b>66,484</b>     |           |          |   | <b>70,946</b>             | <b>67,262</b>        |  |
|                           | (613)             |           |          | Less adjustment for non-collection and banding reductions |                           | (618)                |  |
|                           | (5,160)           |           |          | Less adjustment for Council Tax Reduction Scheme          |                           | (5,491)              |  |
|                           | <b>60,711</b>     |           |          | <b>Council Tax Base</b>                                   |                           | <b>61,153</b>        |  |

Details of the precepts are shown below:

| Previous Year 2020/21 £ | Precepting Authorities                            | Current Year 2021/22 £ |
|-------------------------|---|------------------------|
| 78,268,338              | Somerset County Council                           | 82,772,352             |
| 13,830,523              | Police and Crime Commissioner for Avon & Somerset | 14,750,092             |
| 5,357,119               | Devon & Somerset Fire & Rescue Authority          | 5,503,765              |
| 10,448,932              | District Council's own requirement                | 10,830,786             |
| 5,894,503               | Total of Parish Precepts & Levies                 | 6,118,031              |

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

| Previous Year 2020/21 £ | Council Tax Levy at Band D                        | Current Year 2021/22 £ |
|-------------------------|---|------------------------|
| 1,289.20                | Somerset County Council                           | 1,353.53               |
| 227.81                  | Police and Crime Commissioner for Avon & Somerset | 241.20                 |
| 88.24                   | Devon & Somerset Fire & Rescue Authority          | 90.00                  |
| 172.11                  | South Somerset District Council                   | 177.11                 |
| 1,777.36                |   | 1,861.84               |
| 97.09                   | Add Town & Parish Councils (average)              | 100.16                 |
| <b>1,874.45</b>         | <b>Average Council Tax Levy at Band D</b>         | <b>1,962.00</b>        |

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<br>2020/21 |   | Current Year<br>2021/22 |
|--------------------------|---|-------------------------|
| £120,283,409             | <b>National Non-Domestic Rates (NNDR)</b><br>Rateable value at 31 March | £120,548,122            |
|                          | <b>NNDR rate poundage</b>   |                         |
| 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<br>2020/21<br>£'000 | Period              | Business Rates<br>£'000 | Council Tax<br>£'000 | Total 2021/22<br>£'000 |
|-----------------------------------|---------------------|-------------------------|----------------------|------------------------|
| 416                               | Less than 2 months  | 847                     | 732                  | 1,579                  |
| 263                               | 2 to 4 months       | 311                     | 259                  | 569                    |
| 422                               | 4 to 6 months       | 186                     | 351                  | 537                    |
| 1,037                             | 6 to 12 months      | 487                     | 351                  | 838                    |
| 2,466                             | More than 12 months | 1,065                   | 1,131                | 2,196                  |
| <b>4,604</b>                      | <b>Total</b>        | <b>2,896</b>            | <b>2,824</b>         | <b>5,720</b>           |

# Group Accounts

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

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

The council has three joint arrangements: 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 due to the low level of materiality of the figures.

## **Elleston Services Ltd**

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

The Board consists of directors appointed by South Somerset District Council. Elleston Services Ltd has not been consolidated into the Group accounts for 2021/22 due to the values involved not being material.

## **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 (appointed 22 April 2021) and R Orrett (appointed 15 February 2022).

## **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 policies so as to obtain benefits from the entities' activities. Control is usually presumed where the council owns more than half the voting power of an entity however, it may also occur where a council has an over-riding voting right.

## **Basis of the Preparation of the Group Financial Statements**

The Group accounts have been prepared using the Group accounts requirements of the 2021/22 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 2021<br>£'000 | Restated Gross Income year ended 31 March 2021<br>£'000 | Restated Net Cost of Services year ended 31 March 2021<br>£'000 | Service   | Note Number | Gross Expenditure year ended 31 March 2022<br>£'000 | Gross Income year ended 31 March 2022<br>£'000 | Net Cost of Services year ended 31 March 2022<br>£'000 |
|--|---|---|---|-------------|---|--|--|
| 2,092  | (281)   | 1,810   | Chief Executive   |             | 1,659   | (3)  | 1,656  |
| 17,137   | (7,519)   | 9,618   | Director of Commercial Services and Income Generation             |             | 18,734  | (8,974)  | 9,760  |
| 51,303   | (34,908)  | 16,395  | Director of Service Delivery                                      |             | 40,039  | (27,142)                                       | 12,897   |
| 4,778  | (557)   | 4,221   | Director of Strategy and Support                                  |             | 27,360  | (17,393)                                       | 9,967  |
| 14,020   | (10,002)  | 4,018   | Director of Place & Recovery                                      |             | 11,047  | (5,945)  | 5,102  |
| 1,481  | (1,518)   | (37)  | Subsidiary Companies  |             | 1,741   | (2,542)  | (801)  |
| <b>90,810</b>  | <b>(54,785)</b>   | <b>36,025</b>   | <b>Cost of Services</b>   |             | <b>100,580</b>                                      | <b>(61,999)</b>                                | <b>38,581</b>  |
| 5,881  | (700)   | 5,181   | Other Operating expenditure                                       |             | 6,118   | (948)  | 5,170  |
| 14   | 0   | 14  | Net Loss/(Gain) on Disposal of Property, Plant and Equipment      | 2           | 290   | 0  | 290  |
| 2,382  | (1,032)   | 1,350   | Financing and Investment Income and Expenditure                   |             | (2,378)   | (1,251)  | (3,629)  |
| 0  | (31,617)  | (31,617)  | Taxation and Non-Specific Grant Income                            |             | 0   | (34,175)                                       | (34,175)   |
| <b>99,087</b>  | <b>(88,134)</b>   | <b>10,953</b>   | <b>(Surplus)/Deficit on Provision of Services</b>                 |             | <b>104,610</b>                                      | <b>(98,373)</b>                                | <b>6,237</b>   |
|  |   | (11,701)  | (Surplus)/Deficit on revaluation of Property, Plant and Equipment |             |   |  | 529  |
|  |   | (2,117)   | (Surplus)/Deficit on revaluation of Pooled Funds                  |             |   |  | (1,113)  |
|  |   | 17,034  | Remeasurement of the Net Defined Benefit Liability                |             |   |  | (25,907)   |
|  |   | (12)  | Share of Other Income and Expenditure of Joint Operations         |             |   |  | 68   |
|  |   | <b>3,204</b>  | <b>Other Comprehensive Income and Expenditure</b>                 |             |   |  | <b>(26,423)</b>  |
|  |   | <b>14,157</b>   | <b>Total Comprehensive Income and Expenditure</b>                 |             |   |  | <b>(20,186)</b>  |

## 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                |
| <b>Balance at 31 March 2020</b>   | (26,977)                   | (18,433)                 | (2,501)                  | (638)                     | (48,549)              | 36,674            | (11,875)                 | 463                                      | 760  | 1,223                                 | 1,223             | (9,430)              |
| <b>Movement in reserves during 2020/21:</b>                                       |                            |                          |                          |                           |                       |                   |                          |  |  |                                       |                   |                      |
| Total Comprehensive Income and Expenditure  | 9,873                      |                          |                          | (12)                      | 9,861                 | 9,985             | 19,846                   | 540                                      | (3,385)                                    | (2,845)                               | (2,845)           | 14,157               |
| Adjustments between accounting basis and funding basis under regulations (note 9) | (25,171)                   | 211                      | (5,284)                  |                           | (30,244)              | 30,244            | 0                        |  |  | 0                                     |                   | 0                    |
| <b>Net Increase/Decrease before transfers to Earmarked Reserves</b>               | <b>(15,298)</b>            | <b>211</b>               | <b>(5,284)</b>           | <b>(12)</b>               | <b>(20,383)</b>       | <b>40,229</b>     | <b>19,846</b>            | <b>540</b>                               | <b>(3,385)</b>                             | <b>(2,845)</b>                        | <b>(2,845)</b>    | <b>14,157</b>        |
| Transfers to/from Earmarked Reserves (note 32)                                    | 0                          | 0                        | 0                        | 0                         | 0                     | 0                 | 0                        | 0  | 0  | 0                                     | 0                 | 0                    |
| <b>(Increase)/Decrease in 2020/21</b>   | <b>(15,298)</b>            | <b>211</b>               | <b>(5,284)</b>           | <b>(12)</b>               | <b>(20,383)</b>       | <b>40,229</b>     | <b>19,846</b>            | <b>540</b>                               | <b>(3,385)</b>                             | <b>(2,845)</b>                        | <b>(2,845)</b>    | <b>14,157</b>        |
| <b>Balance at 31 March 2021</b>   | <b>(42,275)</b>            | <b>(18,222)</b>          | <b>(7,785)</b>           | <b>(650)</b>              | <b>(68,932)</b>       | <b>76,903</b>     | <b>7,971</b>             | <b>1,003</b>                             | <b>(2,625)</b>                             | <b>(1,622)</b>                        | <b>(1,622)</b>    | <b>4,727</b>         |
| <b>Movement in reserves during 2021/22:</b>                                       |                            |                          |                          |                           |                       |                   |                          |  |  |                                       |                   |                      |
| Total Comprehensive Income and Expenditure  | 6,339                      |                          |                          | 68                        | 6,407                 | (27,035)          | (20,628)                 | (51)                                     |  | (51)                                  | (51)              | (20,730)             |
| Adjustments between accounting basis and funding basis under regulations (note 9) | (2,227)                    | 13,038                   | (2,650)                  | 0                         | 8,161                 | (8,161)           | 0                        |  |  | 0                                     |                   | 0                    |
| <b>Net Increase/Decrease before transfers to Earmarked Reserves</b>               | <b>4,112</b>               | <b>13,038</b>            | <b>(2,650)</b>           | <b>68</b>                 | <b>14,568</b>         | <b>(35,196)</b>   | <b>(20,628)</b>          | <b>(51)</b>                              | <b>0</b>                                   | <b>(51)</b>                           | <b>(51)</b>       | <b>(20,730)</b>      |
| Transfers to/from Earmarked Reserves (note 32)                                    | 0                          |                          |                          |                           | 0                     |                   | 0                        |  |  | 0                                     |                   | 0                    |
| <b>(Increase)/Decrease in 2021/22</b>   | <b>4,112</b>               | <b>13,038</b>            | <b>(2,650)</b>           | <b>68</b>                 | <b>14,568</b>         | <b>(35,196)</b>   | <b>(20,628)</b>          | <b>(51)</b>                              | <b>0</b>                                   | <b>(51)</b>                           | <b>(51)</b>       | <b>(20,730)</b>      |
| <b>Balance at 31 March 2022</b>   | <b>(38,162)</b>            | <b>(5,183)</b>           | <b>(10,436)</b>          | <b>(582)</b>              | <b>(54,364)</b>       | <b>41,707</b>     | <b>(12,656)</b>          | <b>952</b>                               | <b>(2,625)</b>                             | <b>(1,673)</b>                        | <b>(1,673)</b>    | <b>(16,003)</b>      |

# 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 31<sup>st</sup> 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 2021 |   | Note No. | As at 31 March 2022 |                  |
|---------------------|---|----------|---------------------|------------------|
| £'000               |   |          | £'000               | £'000            |
| 79,552              | Property, Plant & Equipment                         | 2        | 83,590              |                  |
| 79,809              | Investment Properties                               |          | 89,967              |                  |
| 710                 | Intangible Assets                                   |          | 408                 |                  |
| 650                 | Investment in Joint Operations                      |          | 581                 |                  |
| 490                 | Assets Held for Sale                                |          | 490                 |                  |
| 1,792               | Heritage Assets                                     |          | 1,792               |                  |
| 980                 | Fixed Asset Investments                             |          | 980                 |                  |
| 0                   | Long Term Investments                               |          | 0                   |                  |
| 2,943               | Long Term Debtors                                   | 3        | 1,887               |                  |
| <b>166,926</b>      | <b>TOTAL LONG TERM ASSETS</b>                       |          |                     | <b>179,695</b>   |
| 24,899              | Short Term Investments                              |          | 40,501              |                  |
| 4,923               | Inventories   |          | 3,434               |                  |
| 220                 | Trade Debtors                                       |          | 7                   |                  |
| 32,546              | Short Term Debtors                                  |          | 28,312              |                  |
| 2,011               | Cash & Cash Equivalents                             | 4        | 1,528               |                  |
| 613                 | Bank Accounts                                       |          | 309                 |                  |
| <b>65,212</b>       | <b>CURRENT ASSETS</b>                               |          |                     | <b>74,092</b>    |
| (98,000)            | Short term Borrowing                                |          | (128,500)           |                  |
| 0                   | Bank Overdraft                                      |          | 0                   |                  |
| (1,091)             | Third Party Cash                                    |          | (1,002)             |                  |
| (31,164)            | Trade Creditors                                     |          | (282)               |                  |
| 0                   | Short term Creditors                                | 5        | (28,566)            |                  |
| <b>(130,255)</b>    | <b>CURRENT LIABILITIES</b>                          |          |                     | <b>(158,350)</b> |
| (712)               | Provisions  | 6        | (761)               |                  |
| (4,829)             | Developers Contributions Deferred                   |          | (5,733)             |                  |
| (33)                | Long Term Liabilities – Creditors                   |          | (39)                |                  |
| (5)                 | Long Term Liabilities – Finance Lease               |          | 0                   |                  |
| (101,031)           | Liability related to defined benefit pension scheme |          | (79,641)            |                  |
| <b>(106,610)</b>    | <b>LONG TERM LIABILITIES</b>                        |          |                     | <b>(86,174)</b>  |
| <b>(4,727)</b>      | <b>NET ASSETS</b>                                   |          |                     | <b>9,263</b>     |
| 66,331              | Usable Reserves                                     |          | 51,342              |                  |
| 650                 | Usable Reserve – Share in Joint Operations          |          | 581                 |                  |
| (73,044)            | Unusable Reserves                                   |          | (40,963)            |                  |
| 1,336               | Unusable Reserves – Minority Interest               |          | (1,426)             |                  |
| <b>(4,727)</b>      | <b>TOTAL RESERVES</b>                               |          |                     | <b>9,534</b>     |

## 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<br>31 March 2021<br>£'000 |  | Year Ended<br>31 March 2022<br>£'000 |
|--------------------------------------|--|--------------------------------------|
| (10,954)                             | Net surplus/(deficit) on the provision of services   | (6,012)                              |
| 27,962                               | Adjustments to net surplus or deficit on the provision of services for non-cash movements (note 7)   | 10,774                               |
| (1,817)                              | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (note 7) | (4,815)                              |
| 15,191                               | <b>Net cash flows from operating activities</b>  | (54)                                 |
| (33,535)                             | Investing Activities (note 8)  | (31,519)                             |
| 18,485                               | Financing Activities   | 30,495                               |
| 141                                  | <b>Net increase or decrease in cash and cash equivalents</b>   | (1,077)                              |
| 1,390                                | Cash and Cash Equivalents (including bank overdraft) at 1 April  | 1,531                                |
| 1,531                                | <b>Cash and Cash Equivalents (including bank overdraft) at 31 March</b>  | 453                                  |



# Notes to the Group Financial Statements

## 1. Financing and investment income and expenditure

| Previous year<br>2020/21<br>£'000 |  | Current year<br>2021/22<br>£'000 |
|-----------------------------------|--|----------------------------------|
| 2,083                             | Interest Payable and similar charges                         | 850                              |
| 1,911                             | Net interest on the net defined benefit liability            | 2,020                            |
| (211)                             | (Surplus)/Deficit on Trading Undertaking (note 39)           | (122)                            |
| (2,107)                           | (Surplus)/Deficit on Investment Properties (note 18)         | (6,678)                          |
| <b>1,675</b>                      | <b>Total Financing and Investment Expenditure</b>            | <b>(3,930)</b>                   |
| (2,149)                           | Interest receivable and similar income                       | (3,527)                          |
| <b>(474)</b>                      | <b>Total Financing and Investment Income and Expenditure</b> | <b>(7,457)</b>                   |

## 2. Property, Plant and Equipment

Movement in 2021/22:

|  | Total Land & Buildings<br>£'000 | Vehicles, Plant & Equipment<br>£'000 | Assets Under Construction<br>£0'00 | Infrastructure Assets<br>£'000 | Community Assets<br>£'000 | Total Property Plant & Equipment<br>£'000 |
|--|---------------------------------|--------------------------------------|------------------------------------|--------------------------------|---------------------------|---|
| <b>Cost or Valuation</b>   |                                 |                                      |                                    |                                |                           |   |
| 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                          | 16                              | (1)                                  | 0                                  | 0                              | 0                         | 15  |
| Revaluation Increases/(decreases) recognised in the surplus/deficit on the provision of Services | (170)                           | 282                                  | 0                                  | 0                              | 0                         | 112                                       |
| Impairment (losses)/reversals recognised in the surplus/deficit on the provision of services     | (1,194)                         | (258)                                | 0                                  | 0                              | 0                         | (1,452)                                   |
| Reclassification - Other   | 0                               | 0                                    | 0                                  | 0                              | 0                         | 0   |
| <b>As at 31 March 2022</b>   | <b>61,715</b>                   | <b>25,623</b>                        | <b>0</b>                           | <b>1,120</b>                   | <b>832</b>                | <b>89,290</b>                             |
| <b>Accumulated Depreciation</b>  |                                 |                                      |                                    |                                |                           |   |
| 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   |
| <b>As at 31 March 2022</b>   | <b>(2,026)</b>                  | <b>(3,521)</b>                       | <b>0</b>                           | <b>(185)</b>                   | <b>0</b>                  | <b>(5,732)</b>                            |
| <b>Net Book Value</b>  |                                 |                                      |                                    |                                |                           |   |
| <b>At 31 March 2022</b>  | <b>59,688</b>                   | <b>22,102</b>                        | <b>0</b>                           | <b>936</b>                     | <b>832</b>                | <b>83,558</b>                             |
| <b>At 31 March 2021</b>  | <b>58,041</b>                   | <b>13,030</b>                        | <b>0</b>                           | <b>929</b>                     | <b>812</b>                | <b>72,812</b>                             |

Comparative movement in 2020/21:

|   | Total Land & Buildings | Vehicles, Plant & Equipment | Assets Under Construction | Infrastructure Assets | Community Assets | Total Property Plant & Equipment |
|---|------------------------|-----------------------------|---------------------------|-----------------------|------------------|----------------------------------|
|   | £'000                  | £'000                       | £0'00                     | £'000                 | £'000            | £'000                            |
| <b>Cost or Valuation</b>  |                        |                             |                           |                       |                  |                                  |
| As at 1 April 2020  | 45,188                 | 5,189                       | 11,329                    | 1,097                 | 726              | 63,529                           |
| Additions   | 601                    | 246                         | 14,278                    | 0                     | 86               | 15,211                           |
| Disposals   | (170)                  | (0)                         | 0                         | 0                     | 0                | (170)                            |
| Revaluation   |                        |                             |                           |                       |                  |                                  |
| Increases/(decreases) recognised in the Revaluation Reserve                                     | 4,933                  | (0)                         | 0                         | 0                     | 0                | 4,932                            |
| Revaluation   |                        |                             |                           |                       |                  |                                  |
| Increases/(decreases) recognised in the surplus/deficit on the provision of Services Impairment | (4,065)                | 5,366                       | 0                         | 0                     | 0                | 1,301                            |
| (losses)/reversals recognised in the surplus/deficit on the provision of services               | (130)                  | 17                          | 0                         | 0                     | 0                | (113)                            |
| Reclassification - Other  | (576)                  | 11,329                      | (11,329)                  | 0                     | 0                | (576)                            |
| <b>As at 31 March 2021</b>  | <b>45,781</b>          | <b>22,146</b>               | <b>14,278</b>             | <b>1,097</b>          | <b>812</b>       | <b>84,114</b>                    |
| <b>Accumulated Depreciation</b>   |                        |                             |                           |                       |                  |                                  |
| As at 1 April 2020  | (2,793)                | (2,000)                     | 0                         | (152)                 | 0                | (4,945)                          |
| Depreciation charge   | (1,338)                | (1,448)                     | 0                         | (16)                  | 0                | (2,803)                          |
| Depreciation written out to the surplus/deficit on the Provision of Services                    | 2,094                  | 1,071                       | 0                         | 0                     | 0                | 3,165                            |
| Derecognition – Disposals   | 15                     | 0                           | 0                         | 0                     | 0                | 15                               |
| Derecognition – Reclassification  | 5                      | 0                           | 0                         | 0                     | 0                | 5                                |
| <b>As at 31 March 2021</b>  | <b>(2,017)</b>         | <b>(2,377)</b>              | <b>0</b>                  | <b>(168)</b>          | <b>0</b>         | <b>(4,563)</b>                   |
| <b>Net Book Value</b>   |                        |                             |                           |                       |                  |                                  |
| <b>At 31 March 2021</b>   | <b>43,764</b>          | <b>19,769</b>               | <b>14,278</b>             | <b>929</b>            | <b>812</b>       | <b>79,552</b>                    |
| <b>At 31 March 2020</b>   | <b>42,395</b>          | <b>3,189</b>                | <b>11,329</b>             | <b>945</b>            | <b>726</b>       | <b>58,583</b>                    |

### 3. Long term debtors

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

| 31 March 2021 |                                      | 31 March 2022 |
|---------------|--------------------------------------|---------------|
| £'000         |                                      | £'000         |
| 2,667         | Loans                                | 1,610         |
| 1             | Mortgages                            | 0             |
| 270           | Rights to receipts – long term lease | 268           |
| 5             | Car/bike/learning loans              | 9             |
| <b>2,944</b>  | <b>Total Long Term Debtors</b>       | <b>1,887</b>  |

#### 4. Short term debtors

| 31 March<br>2021<br>£'000 |                                 | 31 March 2022<br>£'000 |
|---------------------------|---------------------------------|------------------------|
| 14,732                    | Central Government Bodies       | 9,771                  |
| 8,232                     | Other Local Authorities         | 8,405                  |
| 35                        | NHS Bodies                      | 2                      |
| 9,767                     | Other Entities and Individuals  | 10,134                 |
| <b>32,764</b>             | <b>Total Short Term Debtors</b> | <b>28,312</b>          |

#### 5. Trade Creditors

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

#### 6. Provisions

| 31 March<br>2021<br>£'000 |                                       | 31 March<br>2022<br>£'000 |
|---------------------------|---------------------------------------|---------------------------|
| (650)                     | Business Rates Provisions for Appeals | (683)                     |
| (88)                      | MMI Provision                         | (88)                      |
| 28                        | Provision for Group Liabilities       | 9                         |
| <b>(710)</b>              | <b>Total Provisions</b>               | <b>(761)</b>              |

## 7. Cash Flow Statement – Operating activities

The cash flows for operating activities include the following items:

| Previous year<br>2020/21<br>£'000 |  | Current Year<br>2021/22<br>£'000 |
|-----------------------------------|--|----------------------------------|
| 1,289                             | Interest received  | 1,599                            |
| (1,928)                           | Interest paid  | (1,092)                          |
| <b>(639)</b>                      | <b>Net Cash Flows from Operating Activities relating to interest</b> | <b>506</b>                       |

| Previous year<br>2020/21<br>£'000 |   | Current Year<br>2021/22<br>£'000 |
|-----------------------------------|---|----------------------------------|
| 3,362                             | Depreciation and amortisation   | 1,159                            |
| 2,465                             | Impairment and downward valuations  | 1,340                            |
| 2,510                             | Movement in market value of investment property   | (510)                            |
| 40,421                            | Increase/(decrease) in creditors  | (3,449)                          |
| (25,245)                          | (Increase)/decrease in debtors  | 4,687                            |
| (331)                             | (Increase)/decrease in inventories  | 1,489                            |
| 737                               | Increase/(decrease) in developer contributions  | 904                              |
| (175)                             | Increase/(decrease) in provisions   | 33                               |
| 4,063                             | Movement in pension liability   | 4,517                            |
| 155                               | Carrying amounts of non-current assets and non-current assets held for sale, sold or derecognized | 605                              |
| <b>27,962</b>                     | <b>Total Adjustments for Non-Cash Movements</b>   | <b>10,774</b>                    |

| Previous year<br>2020/21<br>£'000 |   | Current Year<br>2021/22<br>£'000 |
|-----------------------------------|---|----------------------------------|
| (1,817)                           | Proceeds from the sale of property, plant and equipment and intangible assets | (4,815)                          |
| <b>(1,817)</b>                    | <b>Total Adjustments for Investing and Financing Activities</b>               | <b>(4,815)</b>                   |

## 8. Cash Flow Statement – Investing activities

| Previous<br>year<br>2020/21<br>£'000 |  | Current<br>Year<br>2021/22<br>£'000 |
|--------------------------------------|--|-------------------------------------|
| (25,711)                             | Purchase of property, plant and equipment, investment property and intangible assets               | (14,396)                            |
| (2,730)                              | Purchase of short-term and long-term investments   | (93,810)                            |
| (16,497)                             | Other payments for investing activities  | (7,388)                             |
| 1,817                                | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 4,815                               |
| 9,500                                | Proceeds from sale of short-term and long-term investments   | 79,260                              |
| 85                                   | Other receipts from investing activities   | 0                                   |
| <b>(33,535)</b>                      | <b>Net Cash Flows from Investing Activities</b>  | <b>(31,519)</b>                     |

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-spending.

### **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 use. There is also an extra payment for providing affordable homes.

**Non-Current Asset**

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

**Non-Current Asset Held for Sale**

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

**Non-operational Assets**

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

**Operational Assets**

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

**Operating Leases**

are 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.

## Contact Details for Further Information

**For more information, please contact us at:**

The Council Offices

Brympton Way

Yeovil

Somerset

BA20 2HT

Telephone: 01935 462462

**Website:** [www.southsomerset.gov.uk](http://www.southsomerset.gov.uk) or

**Email:** [accountancy@southsomerset.gov.uk](mailto:accountancy@southsomerset.gov.uk)

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Grant Thornton UK LLP  
2 Glass Wharf  
Bristol  
BS2 0EL

**26 October 2023**

Dear Sirs

**South Somerset District Council**  
**Financial Statements for the year ended 31 March 2022**

This representation letter is provided in connection with the audit of the financial statements of South Somerset District Council and its subsidiary undertakings, SSDC Opium power Limited, Fareham Energy Reserve Limited and Fareham Energy Reserve Limited 2 for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the group and Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

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

**Financial Statements**

- i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include valuation of land and buildings, investment properties and the net pension liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their

related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the group and Council financial statements:
  - there are no unrecorded liabilities, actual or contingent
  - none of the assets of the [group and ]Council has been assigned, pledged or mortgaged
  - there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as [they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We have updated our going concern assessment. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :
  - the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
  - the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
  - the group and Council's system of internal control has not identified any events or conditions relevant to going concern.

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

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



- xvi. We have considered whether the Council is required to reflect a liability in respect of equal pay claims within its financial statements. We confirm that we are satisfied that no liability needs to be recognised on the grounds that:
- A Collective Agreement was reached in May 2000 with the recognised trade unions as part of the Single Status Agenda.
  - The Council has adopted the equality proofed National Joint Council (NJC) for Local Government's Job Evaluation Scheme which ensures that work of equal value is allocated to the same salary banding, progression within which is determined by performance. The scheme is regularly updated to comply with equal pay legislation
  - The Council's Pay Policy Statement determines its approach to pay and the Remuneration Committee ensures the provisions set out in the statement are applied consistently throughout the Council.
  - Roles and working arrangements whereby individuals or groups may work less time than their contracted hours do not exist in the Council as services where these practices might arise have been contracted out.
- xvii. We have considered the property portfolio of the Council with regard to Reinforced Autoclaved Aerated Concrete (RAAC). Our assessment is that there is no material impact on the valuation of any affected buildings included in the financial statements as at 31 March 2023.

#### **Information Provided**

- xviii. We have provided you with:
- access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;
  - additional information that you have requested from us for the purpose of your audit; and
  - access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.
- xix. We have communicated to you all deficiencies in internal control of which management is aware.
- xx. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xxi. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xxii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:
- management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- xxiii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxiv. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxv. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.
- xxvi. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

#### **Annual Governance Statement**

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

**Narrative Report**

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

**Approval**

The approval of this letter of representation was minuted by the successor Council's Audit Committee at its meeting on 26 October 2023.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

**Signed on behalf of the Council**



## **Audit Committee**

Meeting Date – 26th October 2023

---

## **External Audit Update Report and Somerset West and Taunton Council Statement of Accounts 2021/22**

Lead Member(s): Cllr Liz Leyshon Deputy Leader and Lead Member for Resources and Performance

Lead Officer: Jason Vaughan – Executive Director Resources and Corporate Services

Author: Donna Parham – Head of Corporate Finance

Contact Details: donna.parham@somerset.gov.uk

### **Summary / Link to Council Plan**

The 2022/23 external audit for Somerset West and Taunton Council is in the process of being finalised. The attached Statement of Accounts and Audit Findings will conclude the audit for 2022/23 if approved.

The Somerset Council Audit Committee will need to provide the governance overview and consideration of all legacy Councils outstanding Statement of Accounts. This will include all 2022/23 accounts for the former district councils and Somerset County Council.

### **Recommendations**

1. The Audit Committee
  - 1.1. Approves the Statement of Accounts as attached for South Somerset District Council for 2021/22, or delegates approval for the accounts to the Executive Director Resources and Corporate Services in conjunction with the Chair or Vice-Chair, once any outstanding matters have been resolved.
  - 1.2. Notes the Audit Findings report from Grant Thornton.
  - 1.3. Notes the additional fees as set out in the attached Appendix.

1.4. Approves the signing of the attached Letter of Representation.

### **Reasons for recommendations**

The Audit Committee

- a. Approves the Statement of Accounts as attached for Somerset West and Taunton Council for 2022/23, or delegates approval for the accounts to the Executive Director Resources and Corporate Services in conjunction with the Chair or Vice-Chair, once any outstanding matters have been resolved
- b. Approves the revised Annual Governance Statement
- c. Notes the Audit Findings report from Grant Thornton
- d. Approves the signing of the attached Letter of Representation

### **Links to Council Plan and Medium-Term Financial Plan**

- 4. It is important for Somerset Council to ensure that all audits are completed and an opinion provided for all legacy Councils. This ensures that the opening balances for the new Council are correct. This is particularly important for reserves and capital receipts to ensure that the Council can plan effectively.

There are no specific risks to the council of this report.

| <b>Likelihood</b> |  | <b>Impact</b> |  | <b>Risk Score</b> |  |
|-------------------|--|---------------|--|-------------------|--|
|                   |  |               |  |                   |  |

### **Implications**

- 6. There are no financial implications of noting this report, however the cost of the audit, because of delays has increased by £20k with further fees due to finalise the audit. Further officer resource has been allocated to the Statement of Accounts to reach a conclusion as soon as possible.

### **Legal Implications**

- 7. There are no legal implications of approving the recommendations.

## **Other Implications:**

### **HR Implications – I think we can leave this out.**

8. There are no HR implications of approving this report.

### **Equalities Implications**

9. There are no equalities implications from approving this report.

### **Community Safety Implications**

10. There are no community safety implications from approving this report.

### **Climate Change and Sustainability Implications**

11. Somerset Council have declared both a Climate and Ecological Emergency. Through that, the Council has committed to working towards making the whole county, including our own estate and operations, 'Carbon Neutral' by 2030 and to take positive action to reverse the damage on our natural habitats by man-made activity. We have also pledged to ensure that Somerset is resilient to, and prepared for, the effects of Climate Change. There are no implications from approving this report.

### **Health and Safety Implications**

12. There are no health and safety implications from approving this report.

### **Social Value**

13. There are no social value implications from approving this report.

## **Background**

On the 1<sup>st</sup> April 2023 Somerset Council replaced the five legacy Councils of Somerset County Council, Mendip District Council, Sedgemoor District Council, Somerset West and Taunton Council and South Somerset District Council. At that date the following Councils had yet to receive audit opinions as follows:

- Mendip District Council – 2021/22

- Sedgemoor District Council - 2020/21 and 2021/22(2020/21 has since received the final audit opinion)
- South Somerset District Council - 2021/22

Somerset Council must provide 2022/23 Statement of Accounts for each of the legacy Councils and the Pension Fund. This has been resource intensive. All accounts are now published and are at different stages of the audit process.

## **Report**

This report seeks approval for the audited 2022/23 Somerset West and Taunton Statement of Accounts. Attached is Grant Thornton's Audit Findings Report which sets out issues, amendments and corrections required and recommendations for future year end procedures.

The auditors have not raised any significant risks and the recommended actions are all categorised as low, though the impact of these will be addressed as part of the year end procedures undertaken by Somerset Council for 2023/24.

The recommended adjustments to the statement of accounts have been undertaken though none of these impact the bottom line of the council's outturn position or usable reserves.

As part of the audit the councils Annual Governance Statement is reviewed. A handful of small adjustments were required to the AGS and this is, therefore required to be re-approved.

Jackson Murray and Gail Turner-Radcliffe from Grant Thornton will be attending the committee remotely to go through the report and update members with current position.

## **Appendices**

- As attached.

**SOMERSET WEST AND TAUNTON COUNCIL**

**AUDITED**

**STATEMENT OF ACCOUNTS 2022/23**

## Contents

|   |    |
|---|----|
| • Narrative Report  | 2  |
| • The Statement of Responsibilities for the Statement of Accounts | 14 |
| • Comprehensive Income and Expenditure Statement (CIES)           | 15 |
| • Movement in Reserves Statement                                  | 16 |
| • Balance Sheet   | 17 |
| • Cash Flow Statement   | 19 |
| • Notes to the Core Financial Statements                          | 20 |

|     |   |    |
|-----|---|----|
| 1.  | Accounting Policies   | 20 |
| 2.  | Accounting Standards issued but not yet adopted               | 33 |
| 3.  | Critical Judgements in applying accounting policies           | 34 |
| 4.  | Assumptions made about estimation uncertainty                 | 34 |
| 5.  | Material items of income and expense                          | 36 |
| 6.  | Events after the Balance Sheet date                           | 37 |
| 7.  | Expenditure and Funding analysis                              | 37 |
| 8.  | Adjustments between accounting basis and funding basis        | 42 |
| 9.  | Movements in Earmarked Reserves                               | 45 |
| 10. | Other Operating expenditure                                   | 48 |
| 11. | Financing and Investment income and expenditure               | 48 |
| 12. | Taxation and non-specific grant income                        | 48 |
| 13. | Expenditure and income analysed by nature                     | 49 |
| 14. | Property, plant and equipment (PPE)                           | 50 |
| 15. | Investment Property   | 57 |
| 16. | Financial instruments   | 58 |
| 17. | Nature and extent of risks arising from financial instruments | 65 |
| 18. | Assets held for sale  | 68 |
| 19. | Inventories   | 69 |
| 20. | Debtors   | 69 |
| 21. | Cash and cash equivalents                                     | 70 |
| 22. | Creditors   | 70 |
| 23. | Provisions  | 71 |
| 24. | Usable reserves   | 71 |
| 25. | Unusable reserves   | 72 |
| 26. | Cash Flow Statement - operating activities                    | 78 |
| 27. | Cash Flow Statement - investing activities                    | 79 |
| 28. | Cash Flow Statement - financing activities                    | 79 |
| 29. | Members' allowances   | 80 |
| 30. | Officers' remuneration and termination benefits               | 81 |
| 31. | External Audit costs  | 82 |
| 32. | Grant income  | 83 |
| 33. | Related parties   | 84 |
| 34. | Capital expenditure and capital financing                     | 86 |
| 35. | Leases  | 86 |
| 36. | Defined Benefit pension schemes                               | 87 |
| 37. | Contingent liabilities  | 92 |
| 38. | Contingent assets   | 93 |
| 39. | Prior year adjustment   | 93 |

|                                       |  |     |
|---------------------------------------|--|-----|
| •                                     |  |     |
| • SUPPLEMENTARY FINANCIAL STATEMENTS  |  | 98  |
| • Housing Revenue Account             |  | 98  |
| • Glossary of Terms and Abbreviations |  | 107 |



# Narrative Report

## STATEMENT BY THE ASSISTANT DIRECTOR – FINANCE (S151 OFFICER)

### INTRODUCTION

Welcome to this Statement of Accounts for the year ending 31 March 2023 for Somerset West and Taunton Council (SWT).

This narrative tells the story of the council in 2022-23, seeking to highlight key issues in year for the reader who can then seek more detailed explanations in the financial statements and disclosure notes. Under the statutory deadlines for 2022-23 the council's draft accounts must be published by 31 May 2023 and then audited by 30 September 2023.

This report provides an important opportunity to summarise the financial performance and position for Somerset West and Taunton in its final year and summarises the resources that will transfer to Somerset Council on vesting day 1<sup>st</sup> April 2023.

The restructuring of local government in Somerset took effect on 1 April 2023 with Somerset County Council and four district councils, including SWT, 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.

Readers of the Statement of Accounts will be familiar with the many events affecting the UK. These include but are not limited to the lasting effects of the COVID-19 pandemic, struggling worldwide supply chains, high inflation, rising interest rates, global conflicts (particularly in Ukraine), and the energy crisis. These challenges all impact on individuals and organisations alike throughout our local community. Somerset West and Taunton Council, like all other local councils had to adapt to manage the implications of these influential factors.

Despite the financial pressures and increased risks, the Council closed the financial year with a high degree of financial resilience, underpinned by carefully managed budgets, service delivery and financial reserves.

### SOMERSET WEST AND TAUNTON COUNCIL – KEY INFORMATION

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

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

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

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

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

## **NEW SOMERSET COUNCIL**

The 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 have taken 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.

SWT 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 has been undertaken with the five councils working together collaboratively to ensure the transition to the new unitary is a success. The five Councils have shared implementation costs to the LGR budget held by Somerset County Council. During 2022/23 SWT directly incurred costs of £881k for Local Government Reform (LGR) providing capacity to support the transition and ensuring minimal disruption to 'business as usual' service. The aim has been to keep costs to a minimum with most transitional work delivered within existing management and staff resources through prioritisation of activity.

## **THE GOVERNANCE FRAMEWORK**

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

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

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

The Council's Local Code of Corporate Governance was last reviewed and approved by the Audit and Governance Committee on 13 March 2023.

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

Further information is included in the Annual Governance Statement, which was approved by the Audit and Governance Committee on 13 March 2023.

## THE CORPORATE STRATEGY AND PLAN

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



Linked to the Corporate Strategy, the Council also publishes its Annual Action Plan, stating its intentions for each year to help achieve the strategic outcomes. The plan for 2022/23 laid out the major projects and initiatives to be focused on outside of our core work. It set out the key actions for our energy and resources over the 12 months to 31 March 2023.

## COUNCIL'S PERFORMANCE

During the year, performance was reported quarterly to the Scrutiny and Executive Committees, with the Corporate Performance Outturn reports for 2022/23 going to the new Somerset Council Cabinet in August 2023.

## DECISION MAKING AND RESPONSIBILITIES

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

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

The Constitution sets out the functions of key governance officers, including the statutory posts of Chief Executive, Monitoring Officer and Section 151 (Chief Finance) Officer. It explains the role of these officers for ensuring that processes are in place for enabling the Council to meet its statutory

obligations and also for providing advice to Members, officers and committees on staff management, financial, legal and ethical governance issues.

## **MANAGING RISK**

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

Detailed consideration of this is included in the Council's Annual Governance Statement, which was approved by the meeting of the Council's Audit and Governance Committee on 13 March 2023.

## **FINANCIAL MANAGEMENT**

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

The Council set a balanced budget for 2022/23. Despite the challenges listed in the introduction, above, it is pleasing to report the Council has operated within budget for the year, reporting an underspend against final budget and an increase in general reserves of £1.034m. This follows continual budget management and regular reporting at all levels of the Council.

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

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

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

The Council's financial statements and arrangements for securing value for money are reviewed each year by our external auditor. The Council has opted into the Public Sector Auditor Appointments framework, as an efficient approach to procuring external audit services. Grant Thornton UK LLP is our appointed auditor for 2022/23.

## **FINANCIAL PERFORMANCE**

### **General Fund Revenue Budget and Reserves**

The Council's Original Net Budget for 2022/23 was £17.018m, representing the net cost of General Fund services funded by Business Rates and Council Tax. In 2022/23 the Band D Council Tax rate for Somerset West and Taunton Council was £174.63 (being the average rate per

property), generating Council Tax income of £9.794m towards SWT Services (excluding £1.75 per property collected on behalf of Somerset Rivers' Authority).

The Council's actual net expenditure in 2022/23 was £17.265m which together with an in-year funding surplus resulted in a net underspend of £1.034m (-6.1% of final Net Budget). There were no carry forwards approved going into the new Council.

The net underspend arose due to combination of variances in several budget areas. These are explained in detail in the Council's General Fund Monitoring Outturn Position report for 2022/23, which may be accessed on the Council's website.

In summary the main underspends were due to:

- **Net Cost of Services:** The regular monitoring of financial information and the early reporting of variances by budget holders have enabled the senior management team to control the overall financial position of the Council, resulting in a net underspend of £171k (-0.6% of Net Budget) for net cost of services.
- **Net Interest Payable:** the Council's Treasury Management activities have been efficiently managed during the year against the backdrop of a volatile economic climate. A further £330k favourable variance on top of £500k transferred to unearmarked reserves during the year.
- **Minimum Revenue Position (MRP):** the Council estimates the value of the MRP charge during the budget setting process. The charge is then calculated as part of the year end process and has resulted in lower than estimated charge by £295k.
- **Renewable Energy Retained Income:** the Council was able to retain 100% of the 2021/22 surplus, that was settled during 2022/23, amounting to £344k.

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

|  | Current Budget<br>£000 | Outturn<br>£000 | Variance      |              |
|--|------------------------|-----------------|---------------|--------------|
|  |                        |                 | £000          | %            |
| Development and Place                  | 3,125                  | 3,135           | 10            | 0.3%         |
| External Operations & Climate Change   | 9,352                  | 8,491           | -861          | -9.2%        |
| Housing & Communities                  | 3,561                  | 3,593           | 32            | 0.9%         |
| Internal Operations                    | 9,989                  | 10,812          | 823           | 8.2%         |
| Senior Management                      | 451                    | 417             | -34           | -7.5%        |
| Local Government Reorganisation        | 1,022                  | 881             | -141          | -13.8%       |
| <b>Net Cost of Services</b>            | <b>27,500</b>          | <b>27,329</b>   | <b>-171</b>   | <b>-0.6%</b> |
| Investment Properties                  | -6,379                 | -6,341          | 38            | -0.6%        |
| Interest and Investment Income         | -1,016                 | -1,346          | -330          | 32.5%        |
| Somerset Rivers Authority Contribution | 99                     | 99              | 0             | 0.0%         |
| Expected Credit Losses                 | 0                      | 101             | 101           | 0.0%         |
| Net Transfers to Earmarked Reserves    | -5,573                 | -5,542          | 31            | -0.6%        |
| Net Transfers to General Reserves      | 2,841                  | 2,842           | 1             | 0.0%         |
| Capital and Other Adjustments          | -446                   | 123             | 569           | -127.5%      |
| <b>Net Budget</b>                      | <b>17,026</b>          | <b>17,265</b>   | <b>239</b>    | <b>1.4%</b>  |
| Funding                                | -17,026                | -18,299         | -1,273        | 7.5%         |
| <b>Variance</b>                        | <b>0</b>               | <b>-1,034</b>   | <b>-1,034</b> | <b>-6.1%</b> |

Note: Negative figures represent income / underspend.

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

The General Fund Unearmarked Reserves have increased from £7.592m at the start of the year to £11.468m as at 31 March 2023. This reflects reserves being actively bolstered to provide budget flexibility and financial resilience for the new Somerset Council in 2023/24 in light of significant financial pressures (e.g. rising inflation and rising cost of borrowing) created by the unstable economic operating environment seen in recent years. This was achieved by replacing revenue contributions to fund capital expenditure (RCCO) with borrowing for capital spend in 2022/23, releasing earmarked reserves that were no longer required for their original purpose and transferring treasury management surplus'.

The minimum assessed balance for adequate reserves is £2.4m therefore the balance provides a good degree of financial resilience for any pressures faced by the new Somerset Council in 2023/24 such as unforeseen cost increases and income reductions, and to hold funds that are likely to be needed to support transition to and implementation of local government restructuring.

The Council also carries Earmarked Reserve balances, which represent funds that have usually been set aside to support specific spending in future years plus contingencies for specific risks. In total the General Fund Earmarked Reserves balance at 31 March 2023 stands at £15.471m (£27.990m as at 31 March 2022).

This balance covers a wide variety of known planned spending commitments. Just over a quarter of the earmarked reserves are attributable to Business Rates funding to offset collection fund deficits in future years. Other balances have been set aside for managing risk on our investment portfolio and capital financing requirements. We also have reserves for Garden Town, economic development initiatives, asset management together with several other smaller commitments which we have prudently put aside.

## **CAPITAL SPENDING AND RESERVES**

In addition to our 'revenue' spending on day-to-day service provision, the Council spends money on assets such as land and buildings, vehicles and equipment, systems and technology, and contributions to jointly financed schemes.

General Fund capital spend in the year totalled £11.148m. The major areas of investment related to (a) the completion of the Coal Orchard construction (£1.9m), (b) obtaining planning consents to progress the re-development of the Firepool site and the commencement of the Drainage & Levels project (£2.8m), (c) continuing works on the Flood alleviation project on the Left bank of the Tone River and at Firepool Lock (£0.5m), (d) Purchase of the Green Spaces site in Wellington and continuing Heritage works at Toneworks in Wellington (£1.1m), and (e) Crescent Car Park improvement works (£0.7m).

Housing Revenue Account capital spend totalled £18.532m, with £9.8m on HRA major works and improvements, and £8.7m on social housing development schemes. The major works and improvements capital spend relates to the periodic replacement of major components in our existing housing stock such as kitchens, bathrooms, heating systems and other related works. The spend on the social housing development schemes has been driving forwards a significant investment in regenerating and building new social housing in the North Taunton area, as well as continuing work on building new housing in Seaward Way, Minehead.

The following table (below) identifies all capital schemes with spend over £0.4m during 2022/23:

| <b>Capital Expenditure 2022/23</b>                               | <b>£000</b>   |
|--|---------------|
| <b>General Fund</b>  |               |
| Coal Orchard Construction  | 1,852         |
| Firepool Works   | 2,784         |
| Heritage at Risk   | 1,104         |
| Crescent Car Park Improvements                                   | 740           |
| SWT Waste Vehicle and Depot Works Loan                           | 565           |
| Flood Alleviation  | 525           |
| Community Infrastructure Levy Grants to Town and Parish Councils | 509           |
| Disabled Facilities Grants                                       | 437           |
| Other General Fund Schemes (below £400k)                         | 2,632         |
| <b>Sub-Total – General Fund</b>                                  | <b>11,148</b> |

|                         |               |
|-------------------------|---------------|
| <b>HRA</b>              |               |
| Major Works             | 5,870         |
| North Taunton           | 6,012         |
| Fire Safety             | 3,200         |
| Seaward Way             | 2,081         |
| Other HRA (below £400k) | 1,369         |
| <b>Sub-Total HRA</b>    | <b>18,532</b> |

|                                  |               |
|----------------------------------|---------------|
| <b>Total Capital Expenditure</b> | <b>29,680</b> |
|----------------------------------|---------------|

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

| <b>Sources of Capital Funding 2022/23</b> | <b>Outturn<br/>£000</b> |
|---|-------------------------|
| Capital Grants and Contributions          | 6,763                   |
| Capital Receipts                          | 3,729                   |
| Revenue Funding and Earmarked Reserves    | 890                     |
| Major Repairs Reserve                     | 9,802                   |
| Borrowing                                 | 8,496                   |
| <b>Sub-Total General Fund</b>             | <b>29,680</b>           |

The General Fund Capital Programme has an approved capital budget of £67.499m to spend in 2023/24 and future years. The HRA Capital Programme has an approved capital budget of £97.797m to spend in 2023/24 and future years.

The Council plans to support future spending largely through a combination of existing capital reserves, capital receipts, major repairs reserve, external funding, and borrowing. Capital reserves reflect funds set aside to fund investment in capital items in future years, and largely comprise

grants, contributions and capital receipts that are committed on projects to be completed in the current approved capital programme.

The Council currently holds £50.421m of capital reserves (£45.589m in 2021/22). Borrowing will tend to be long-term fixed (50 years) for HRA, and short-term for General Fund. This will provide a balanced portfolio of debt for the forthcoming Unitary Council.

## BALANCE SHEET

The table below is an extract from our Balance Sheet showing the position at the year-end on 31 March 2023 and, for comparison, the balances held by the Council on 31 March 2022.

| <b>Balance Sheet Extract</b>   | <b>31 March<br/>2022 £000</b> | <b>31 March<br/>2023 £000</b> |
|--|-------------------------------|-------------------------------|
| Long-term assets   | 606,144                       | 582,587                       |
| Net current liabilities – comprising debtors, stock and cash less short-term creditors, liabilities and provisions | -44,113                       | -67,618                       |
| Long-term liabilities  | -248,039                      | -133,742                      |
| <b>Net assets</b>  | <b>313,992</b>                | <b>381,227</b>                |
| Represented by: Usable reserves  | 84,638                        | 80,873                        |
| Represented by: Unusable reserves  | 229,354                       | 300,354                       |
| <b>Total Reserves</b>  | <b>313,992</b>                | <b>381,227</b>                |

## Housing Revenue Account (HRA) Budget and Reserves

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

The Net Budget for the HRA is £Nil, reflecting the self-financing nature of the account. However, financial performance is measured against the Gross Income budget, which is £28.282m for the year.

The HRA has reported an overspend of £227k for 2022/23 (£170k underspend in 2021/22).

| <b>HRA Outturn 2022/23</b>           | <b>Current<br/>Budget<br/>£000</b> | <b>Outturn<br/>£000</b> | <b>Variance</b> |             |
|--------------------------------------|------------------------------------|-------------------------|-----------------|-------------|
|                                      |                                    |                         | <b>£000</b>     | <b>%</b>    |
| Gross Income                         | -28,282                            | -27,944                 | 338             | -1.2%       |
| Service Expenditure                  | 16,611                             | 16,717                  | 106             | 0.6%        |
| Other Operating Expenditure & Income | 11,672                             | 11,454                  | -217            | -1.9%       |
| <b>Variance</b>                      | <b>0</b>                           | <b>227</b>              | <b>227</b>      | <b>0.8%</b> |



The HRA Unearmarked Reserve has decreased from £3.413m at the start of the year to £2.986m at 31 March 2023. The year-end balance is above the minimum level set within the Council's financial strategy of £2m, providing some resilience for financial and service risks and opportunities.

The HRA Earmarked Reserve has increased from £54k at the start of the year to £258k at 31 March 2023. The reserves are committed to future spend related to funding approved to support the Home Moves Plus scheme, community grants, tenant satisfaction and electric vehicles.

### Treasury Management

- Total cash and cash equivalents plus short term investments at 31 March 2023 were £17.376m (£40.914m 31 March 2022). The main factors that would affect cash in the future are:
- Acquisition and disposals relating to the capital programme,
- The value of reserve balances,
- Movements in provisions for collection fund refunds and credit losses,
- Grants and contributions unapplied,
- Cashflow variations,
- Investment and borrowing decisions.

| <b>Cash and Cash Equivalents</b> | <b>31 March 2022<br/>£000</b> | <b>31 March 2023<br/>£000</b> |
|----------------------------------|-------------------------------|-------------------------------|
| Cash and other cash equivalents  | 20,566                        | 1,691                         |
| Short-term investments           | 20,348                        | 15,685                        |
| <b>Total</b>                     | <b>40,914</b>                 | <b>17,376</b>                 |

In 2022/23, cash and cash equivalent balances were utilised to reduce new external borrowing needs in readiness for Somerset West and Taunton Council to become part of the new Unitary Council, Somerset Council on 1 April 2023.

### Pensions

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

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

The financial highlights of the Council's share of the Pension Fund as at 31 March 2023 are:

- Pension assets have decreased by £1.5m to £164.2m (£165.7m in 2021/22),
- Pension liabilities have decreased by £96.6m to £194.8m (£291.4m in 2021/22),
- Unfunded liabilities have reduced by £0.9m to £2.4m (£3.3m in 2021/22), and thus
- The net deficit on the fund has reduced by £95.9m to £33.1m (£129.0m in 2021/22), a net reduction of 74.34%.

This means that the Balance Sheet position for the Council has markedly improved when compared to the deficit that was reported in 2021/22. The reduction in the liability is largely due to an increase in the discount rate the Actuary has applied, which has gone 2.6% to 4.8% because of the current economic climate and interest rates.

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

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

## **FUTURE DEVELOPMENTS AND OUTLOOK**

### **Local Government in Somerset**

As mentioned earlier in this report, the new Somerset Council came into effect on 1<sup>st</sup> April 2023 and set a balanced budget in February 2023. As Somerset West and Taunton Council ceased from 1<sup>st</sup> 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.

## EXPLANATION OF ACCOUNTING STATEMENTS

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

- The **Comprehensive Income and Expenditure Statement (CIES)** (page 15) brings together details of the Council's day-to-day revenue spending and income on its services, and other gains and losses in the year.
- The **Movement in Reserves Statement** (page 16) shows the changes in the Council's financial resources over the year, by showing the movement on the different reserves held, analysed into 'usable reserves' (that can be used to fund spending) or other reserves
- The **Balance Sheet** (page 17) is a measure of the Council's financial position at a point in time (31 March) and sets out what is owned and what is owed.
- The **Cash Flow Statement** (page 19) summarises how the Council generates and uses cash and cash equivalents during the year.
- The **Notes to the Financial Statements** (pages 20 to 95) provide supplementary information on some of the figures contained within the primary statements. They also include accounting policies, which guide the treatment of income and expenditure, and disclosures relating to the assets and liabilities of the Council.

We include two supplementary financial statements, these being:

- The **Housing Revenue Account** (HRA, on pages 96 to 103) – whilst income and expenditure for the HRA is included within the CIES, above, the HRA remains a ring-fenced account which the Council is required to account for separately.
- The **Collection Fund** (pages 104 to 105) is the statement reflecting the Council's statutory obligation as a Billing Authority. As a Billing Authority, SWT issues Council Tax bills on behalf of all local authorities serving its area of responsibility. The Collection Fund is an

independent account of income relating to Council Tax and Non-Domestic Rates collected on behalf of those authorities.

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

## The Statement of Responsibilities for the Statement of Accounts

### The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Executive Director - Resources & Corporate Services for Somerset Council.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts (which is delegated to the Audit Committee of Somerset Council).

### Executive Director - Resources & Corporate Services responsibilities:

Executive Director - Resources & Corporate Services is responsible for the preparation of Somerset West and Taunton Council's Statement of Accounts which, in accordance with proper practices as set out in the CIPFA (Chartered Institute of Public Finance and Accounting) Code of Practice on Local Authority Accounting in the United Kingdom (referred to as the Code).

In preparing this Statement of Accounts, Executive Director - Resources & Corporate Services has:

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

Executive Director - Resources & Corporate Services has also:

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

### Certification of the Accounts

This Statement of Accounts gives a true and fair view of the financial position of Somerset West and Taunton Council at 31 March 2023 and its income and expenditure for the year ended 31 March 2023.

### Approval of the Accounts

The draft unaudited Statement of Accounts was signed and issued by the Executive Director - Resources & Corporate Services on 30 June 2023.

## Comprehensive Income and Expenditure Statement (CIES)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents). Councils raise taxation (and rents) to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the expenditure and funding analysis and the Movement in Reserves Statement. Details of the restated values affecting the Comprehensive Income and Expenditure Statement for 2021/22 are set out in a note of explanation for the prior year adjustment (see note 39).

| 2021/22 (Restated) |                |                 |   | 2022/23   |                   |                |                 |
|--------------------|----------------|-----------------|---|-----------|-------------------|----------------|-----------------|
| Gross Expenditure  | Gross Income   | Net Expenditure |   | Notes     | Gross Expenditure | Gross Income   | Net Expenditure |
| £000               | £000           | £000            |   |           | £000              | £000           | £000            |
| 12,359             | -3,778         | 8,581           | Development and Place   |           | 9,042             | -4,407         | 4,635           |
| 24,251             | -10,408        | 13,843          | External Operations & Climate Change  |           | 23,449            | -11,585        | 11,864          |
| 5,689              | -2,245         | 3,444           | Housing & Communities   |           | 9,631             | -6,278         | 3,353           |
| 45,947             | -35,000        | 10,947          | Internal Operations   |           | 43,686            | -31,737        | 11,949          |
| 737                | -176           | 561             | Senior Management Team  |           | 1,717             | -305           | 1,412           |
| 26,594             | -27,238        | -644            | Housing Revenue Account   |           | 26,983            | -28,289        | -1,306          |
| <b>115,577</b>     | <b>-78,845</b> | <b>36,732</b>   | <b>Cost of Services</b>   |           | <b>114,508</b>    | <b>-82,601</b> | <b>31,907</b>   |
|                    |                | 1,119           | Other Operating Expenditure   | <b>10</b> |                   |                | 1,770           |
|                    |                | 308             | Financing and Investment Income and Expenditure                               | <b>11</b> |                   |                | 3,525           |
|                    |                | -36,435         | Taxation and Non-Specific Grant Income  | <b>12</b> |                   |                | -31,617         |
|                    |                | <b>1,724</b>    | <b>(Surplus) or Deficit on Provision of Services</b>                          |           |                   |                | <b>5,585</b>    |
|                    |                | -45,595         | Surplus (-) or deficit on revaluation of Property, Plant and Equipment assets |           |                   |                | 29,838          |
|                    |                | -22,337         | Remeasurement of the net defined benefit liability                            |           |                   |                | -102,658        |
|                    |                | <b>-67,932</b>  | <b>Other Comprehensive Income and Expenditure</b>                             |           |                   |                | <b>-72,820</b>  |
|                    |                | <b>-66,208</b>  | <b>Total Comprehensive Income and Expenditure</b>                             |           |                   |                | <b>-67,235</b>  |

## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax (or rents) for the year. The net increase / decrease line shows the statutory General Fund balance and Housing Revenue Account (HRA) balance movements in the year following those adjustments. Details of the restated values affecting the Movement in Reserves Statement for 2021/22 are set out in a note of explanation for the prior year adjustment (see note 39).

|   | General<br>Fund<br>Balance<br>£000 | Housing<br>Revenue<br>Account<br>£000 | Capital<br>Receipts<br>Reserve<br>£000 | Major<br>Repairs<br>Reserve<br>£000 | Capital<br>Grants<br>Unapplied<br>£000 | Total<br>Usable<br>Reserves<br>£000 | Unusable<br>Reserves<br>£000 | Total<br>Council<br>Reserves<br>£000 |
|---|------------------------------------|---------------------------------------|--|-------------------------------------|--|-------------------------------------|------------------------------|--------------------------------------|
| <b>2022/23</b>  |                                    |                                       |  |                                     |  |                                     |                              |                                      |
| Balance at 1 April 2022   | -35,581                            | -3,469                                | -18,398                                | -8,200                              | -18,990                                | -84,638                             | -229,354                     | -313,992                             |
| <b>Movement in Reserves during 2022/23</b>  |                                    |                                       |  |                                     |  |                                     |                              |                                      |
| Total Comprehensive Income and Expenditure  | 4,434                              | 1,151                                 |  |                                     |  | 5,585                               | -72,820                      | -67,235                              |
| Adjustments between accounting basis and funding basis under regulations (note 8) | 3,939                              | -926                                  | -2,857                                 | 715                                 | -2,691                                 | -1,820                              | 1,820                        | 0                                    |
| <b>Increase (-) / Decrease in 2022/23</b>   | <b>8,373</b>                       | <b>225</b>                            | <b>-2,857</b>                          | <b>715</b>                          | <b>-2,691</b>                          | <b>3,765</b>                        | <b>-71,000</b>               | <b>-67,235</b>                       |
| <b>Balance at 31 March 2023</b>   | <b>-27,208</b>                     | <b>-3,244</b>                         | <b>-21,255</b>                         | <b>-7,485</b>                       | <b>-21,681</b>                         | <b>-80,873</b>                      | <b>-300,354</b>              | <b>-381,227</b>                      |
| <b>2021/22</b>  |                                    |                                       |  |                                     |  |                                     |                              |                                      |
| Balance at 1 April 2021   | -41,758                            | -3,792                                | -18,596                                | -6,773                              | -14,659                                | -85,578                             | -162,206                     | -247,784                             |
| <b>Movement in Reserves during 2021/22 (Restated)</b>                             |                                    |                                       |  |                                     |  |                                     |                              |                                      |
| Total Comprehensive Income and Expenditure  | 404                                | 1,319                                 | 0                                      | 0                                   | 0                                      | 1,723                               | -67,931                      | -66,208                              |
| Adjustments between accounting basis and funding basis under regulations (note 8) | 5,773                              | -996                                  | 198                                    | -1,427                              | -4,331                                 | -783                                | 783                          | 0                                    |
| <b>Increase (-) / Decrease in 2021/22</b>   | <b>6,177</b>                       | <b>323</b>                            | <b>198</b>                             | <b>-1,427</b>                       | <b>-4,331</b>                          | <b>940</b>                          | <b>-67,148</b>               | <b>-66,208</b>                       |
| <b>Balance at 31 March 2022</b>   | <b>-35,581</b>                     | <b>-3,469</b>                         | <b>-18,398</b>                         | <b>-8,200</b>                       | <b>-18,990</b>                         | <b>-84,638</b>                      | <b>-229,354</b>              | <b>-313,992</b>                      |

## Balance Sheet

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

| <b>(Restated)</b>    |                      |  |              |                      |
|----------------------|----------------------|--|--------------|----------------------|
| <b>01 April 2021</b> | <b>31 March 2022</b> |  |              | <b>31 March 2023</b> |
| <b>£000</b>          | <b>£000</b>          |  | <b>Notes</b> | <b>£000</b>          |
| 312,891              | 353,095              | Council Dwellings                          |              | 337,243              |
| 106,921              | 107,796              | Other Land and Buildings                   |              | 98,355               |
| 5,326                | 4,936                | Vehicles, Plant and Equipment              |              | 4,282                |
| 9,488                | 9,502                | Infrastructure Assets                      |              | 13,755               |
| 7,876                | 7,876                | Community Assets                           |              | 8,555                |
| 177                  | 197                  | Surplus Assets                             |              | 125                  |
| 6,637                | 13,097               | Assets Under Construction                  |              | 17,738               |
| <b>449,316</b>       | <b>496,499</b>       | <b>Total Property, Plant and Equipment</b> | <b>14</b>    | <b>480,053</b>       |
| 141                  | 141                  | Heritage Assets                            |              | 156                  |
| 50,044               | 103,064              | Investment Property                        | 15           | 99,378               |
| 1,099                | 1,935                | Intangible Assets                          |              | 1,718                |
| 3                    | 3                    | Long-term Investments                      | 16           | 0                    |
| 5,352                | 4,502                | Long-term Debtors                          | 20           | 1,282                |
| <b>505,955</b>       | <b>606,144</b>       | <b>Long Term Assets</b>                    |              | <b>582,587</b>       |
| 19,959               | 20,348               | Short-term Investments                     | 16           | 15,685               |
| 3,560                | 4,924                | Assets Held for Sale                       | 18           | 1,374                |
| 7,430                | 4,340                | Inventories                                | 19           | 834                  |
| 35,594               | 20,972               | Short-term Debtors                         | 20           | 14,721               |
| 24,936               | 20,566               | Cash and Cash Equivalents                  | 21           | 1,691                |
| <b>91,479</b>        | <b>71,150</b>        | <b>Current Assets</b>                      |              | <b>34,305</b>        |
| -57,013              | -75,042              | Short-term Borrowing                       | 16           | -86,314              |
| -32,621              | -39,671              | Short-term Creditors                       | 22           | -13,316              |
| -1,252               | -163                 | Grants Receipts In Advance, Revenue        | 32           | -1,292               |
| 0                    | -111                 | Grants Receipts In Advance, Capital        | 32           | 0                    |
| -903                 | -276                 | Provisions                                 | 23           | -1,001               |
| <b>-91,789</b>       | <b>-115,263</b>      | <b>Current Liabilities</b>                 |              | <b>-101,923</b>      |
| -105,683             | -105,683             | Long-term Borrowing                        | 16           | -88,682              |
| -140,156             | -128,970             | Other Long-term Liabilities                | 36           | -33,053              |
| -4,051               | -2,624               | Grants Receipts In Advance, Revenue        | 32           | -1,871               |
| -4,354               | -10,762              | Grants Receipts In Advance, Capital        | 32           | -10,136              |
| <b>-254,244</b>      | <b>-248,039</b>      | <b>Long-term Liabilities</b>               |              | <b>-133,742</b>      |
| <b>251,401</b>       | <b>313,992</b>       | <b>Net Assets</b>                          |              | <b>381,227</b>       |
| 85,578               | 84,638               | Usable Reserves                            | 24           | 80,873               |
| 165,823              | 229,354              | Unusable reserves                          | 25           | 300,354              |
| <b>251,401</b>       | <b>313,992</b>       | <b>Total Reserves</b>                      |              | <b>381,227</b>       |

Details of the restated values affecting the Balance Sheet for 2021/22 are set out in a note of explanation for the prior year adjustment (see note 39).



The unaudited draft accounts were issued on 30 June 2022.

Signed:

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Jason Vaughan FCCA, CPFA, IRRV (Hons)  
Executive Director - Resources & Corporate Services  
(Section 151 Officer), Somerset Council  
30 June 2023

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

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

## Cash Flow Statement

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

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

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

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

| 2021/22<br>£000<br>(Restated) |  | Notes | 2022/23<br>£000 |
|-------------------------------|--|-------|-----------------|
| -1,724                        | <b>Net surplus or deficit (-) on the provision of services</b>   | CIES  | -5,585          |
| 54,359                        | Adjustments to net surplus or deficit on the provision of services for non cash movements                                  | 26    | 16,138          |
| -4,221                        | Adjustments for items included in the net surplus on the provision of services that are investing and financing activities | 26    | -8,142          |
| <b>48,414</b>                 | <b>Net cash flows from Operating Activities</b>  |       | <b>2,411</b>    |
| -87,489                       | Investing Activities   | 27    | -15,286         |
| 18,000                        | Financing Activities   | 28    | -6,000          |
| <b>-21,075</b>                | <b>Net increase or decrease (-) in cash and cash equivalents</b>   |       | <b>-18,875</b>  |
| 41,641                        | Cash and cash equivalents at the beginning of the reporting period   | 21    | 20,566          |
| <b>20,566</b>                 | <b>Cash and cash equivalents at the end of the reporting period</b>  | 21    | <b>1,691</b>    |

Details of the restated values affecting the Cash Flow Statement for 2021/22 are set out in a note of explanation for the prior year adjustment (see note 39).

## Notes to the Core Financial Statements

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

### Note 1. Accounting Policies

#### i General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end on 31 March 2023. The Accounts and Audit Regulations 2015 (as amended) require the Council to prepare an annual Statement of Accounts in accordance with proper accounting practice, namely the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, supported by International Financial Reporting Standards (IFRS). These practices are recognised by Section 21 of the 2003 Act, accompanied by statutory guidance issued under Section 12 of the 2003 Act.

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

The Statement of Accounts has been prepared on a 'going concern' basis. However, it should be noted that as part of the restructuring of local government in Somerset, Somerset West and Taunton Council will cease to exist with effect from close of business on 31 March 2023. The assets and liabilities of Somerset West and Taunton Council will transfer to the newly created unitary authority, Somerset Council.

#### ii Accruals of Income and Expenditure

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

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

#### iii Cash and Cash Equivalents

Cash and cash equivalents include cash balances, bank balances and short-term investments with an initial maturity period of less than 3 months from acquisition. Cash Equivalents are highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

This policy represents an amendment to that used in 2021/22 and earlier years. In the earlier years' policy, the timescale attached to cash equivalents was measured as one month or less from the date of the Balance Sheet. The revised policy is a more-appropriate measure of short-term investments at the Balance Sheet date. It is consistent with that employed by the current Somerset County Council with that to be applied by the new unitary Somerset Council after 1 April 2023.

As a result of this change, a prior year adjustment has been made to the Balance Sheet and to the disclosure Note 21 in respect of 2021/22.

#### **iv Charges to Revenue for Non-Current Assets**

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

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

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

#### **v Council Tax and Non-Domestic Rates**

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

#### **Accounting for Council Tax and Business Rates**

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

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

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

## **vi Employee Benefits**

### **Benefits Payable During Employment**

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

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

### **Termination Benefits**

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

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

### **Post-Employment Benefits**

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

### **The Local Government Pension Scheme**

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

- The liabilities of the SCC pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates,

employee turnover rates, etc., and projections of future earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 4.80%, which is based on yields on high quality (usually AA-rated) corporate bonds, taking into account the term of the pension scheme's liabilities.
- The assets of the SCC pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.

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

**Service cost comprising:**

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

**Remeasurements comprising:**

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

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

## **Discretionary Benefits**

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

## **vii Events After The Reporting Period**

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

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

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

## **viii Financial Instruments**

### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective rate of interest is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

### **Financial Assets**

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

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

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

### **Financial assets measured at amortised cost**

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

For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the sale or disposal of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES in the year of sale or disposal.

### **Financial Assets Measured at Fair Value through Profit or Loss (FVPL)**

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

The fair value measurements of the financial assets are determined as follows:

- instruments with quoted market prices – the market price; and
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs - quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 – unobservable inputs for the asset.

Any gains and losses that arise on the sale or disposal of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

### **Expected Credit Loss Model**

The Council recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets.

Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

A simplified approach to expected credit losses is permitted and used for trade receivables (debtors) and HRA rent debtors held by the Council.



Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations.

#### **ix Government Grants and Contributions**

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

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

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

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

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

#### **x Community Infrastructure Levy**

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

CIL is received without outstanding conditions. It is therefore recognised at the commencement date of the chargeable development in the CIES in accordance with the accounting policy for Government grants and contributions as set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure.

#### **xi Intangible Assets**

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible assets held by the Council meet this criterion and they are,

therefore, carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CIES. An asset is tested for impairment whenever there is an indication the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## **xii Investment Property**

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line of the CIES and result in a gain for the General Fund balance. However, revaluation and disposal gains are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any proceeds greater than £10,000) the Capital Receipts Reserve.

## **xiii Leases**

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

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

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

A new accounting standard (IFRS 16) has been produced that introduces a revision to the methodology of carrying leases in an entity's financial accounts. Essentially, IFRS 16 would bring financing arrangements that meet the definition of Finance Leases onto the Balance Sheet. However, as part of a sector-wide consultation process, CIPFA/ LASAAC have stated their decision to defer the implementation of IFRS 16 until 1 April 2024 (essentially

deferring it for inclusion in the 2024/25 Code, although the actual date of inclusion into the Code remains subject to annual review).

## **The Council as Lessee**

### ***Operating Leases***

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

## **The Council as Lessor**

### ***Operating Leases***

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

## **xiv Overheads and Support Services**

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

## **xv Property, Plant and Equipment**

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

### **Recognition**

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals' basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. day-to-day repairs and maintenance) is charged as an expense when it is incurred. The Council has a discretionary de minimis level for recognising property, plant and equipment of £10,000.

### **Measurement**

Assets are initially measured at cost, comprising:

- The purchase price,
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management,
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of an asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the CIES, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the CIES, they are reversed out of the General Fund balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost;
- non-property assets – where these have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value;
- Dwellings – current value, determined using the Existing Use Value for social housing;
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective;
- Property/land specialist assets – where there is no market-based evidence of current value because of the specialist nature of an asset, Depreciated Replacement Cost is used as an estimate of current value; and
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (Existing Use Value).

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, and fully revalued as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Exceptionally, gains might be credited to the CIES where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

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

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

## **Depreciation**

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives, computed on a straight-line basis. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets

under construction). Useful economic lives of land, buildings and dwellings, are determined by professional Valuers, employed by the Council.

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings – Various components over useful lives of between 15-70 years
- Other Land and Buildings – Straight Line allocation over a useful life of up to 60 years
- Vehicles Plant and Equipment – Straight line basis over a useful life of up to 25 years
- Infrastructure – Depreciation on a straight-line basis over 25 years

Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

### **Impairment**

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

Where impairment losses are identified, they are accounted for as follows:

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

Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

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

### **Disposals and Non-Current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell.

Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or

revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals is payable to the government. The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

## **xvi Provisions and Contingent Liabilities**

### **Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation likely to require settlement by a transfer of economic benefit or service potential and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service in the CIES in the year that the Council becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks, materiality and uncertainties.

### **Contingent Liabilities**

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

### **Contingent Assets**

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

Neither Contingent Liabilities nor Contingent Assets are recognised in the balance sheet. Instead, they are disclosed in separate notes to the accounts.

## **xvii Reserves**

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

Separate reserves are maintained for capital and revenue spending; in line with legislation and accounting practice, capital reserves cannot be used to support general revenue spending although revenue reserves may be used to support capital spending.

Certain reserves are held to manage the accounting processes for non-current assets, financial instruments, local taxation, and retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

## **xviii Revenue Expenditure Funded from Capital under Statute**

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

## **xix VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue & Customs (HMRC). VAT receivable is excluded from income.

## **xx Fair Value Measurement of non-financial assets**

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either:

- a) in the principal market for the asset, or
- b) in the absence of a principal market, in the most advantageous market for the asset.

The Council measures the fair value of an asset using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly; and
- Level 3 – unobservable inputs for the asset.

## **xxi Inventories**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. In relation to stocks and stores of materials and goods, the cost of inventories is assigned using the FIFO (first in first out) costing formula.

For long-term contracts/ projects, such as those involving the construction of assets for resale, the cost of inventories is assigned by using specific identification of their individual costs. The cost is included in the Balance Sheet until sold, at which point the cost and income attributable to sold inventory assets are recognised in the CIES.

## **xxii Prior period adjustments, changes in accounting policies and estimates and errors**

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

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

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

## **Note 2. Accounting Standards That Have Been Issued But Have Not Yet Been Adopted**

The 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.

### **Note 3. Critical Judgements in Applying Accounting Policies**

In applying the accounting policies, set out as Note 1 to the Core Financial Statements, the Council has had to make judgements about complex transactions or those involving uncertainty about future events. The main critical judgements made in this Statement of Accounts for 2022/23 are set out below:

- The 2016 funding settlement increased certainty with the offer of a four-year settlement to any council that wished to take it up, alongside indicative allocations for each year of the Spending Review period. At this point, it was expected the government would implement the outcomes of the Fair Funding Review, reset the Business Rates baseline and also extend Business Rates Retention to a 75% scheme. The anticipated effects of these would have been detrimental to the future funding for district councils. All of these were delayed due to the Pandemic and were not implemented for the subsequent years, including 2022/23. It now appears increasingly likely they will also not be implemented in the immediate future, including 2023/24. However, this does remain a risk and reserves are being held accordingly to protect the medium term financial position of the council.
- The council classifies the leases it holds, both as a lessee and lessor, as either operating or finance leases. Under International Financial Reporting Standards the council is deemed to control assets that fall within contractual and other arrangements which involve the provision of a service using specific assets and which therefore are considered to contain a lease. The appropriate accounting policy for each lease has been applied to these arrangements (where they have been identified) and as a result additional assets are recognised as Property, Plant and Equipment in the council's Balance Sheet.

### **Note 4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

The statement of accounts contains estimated figures that are based on assumptions made by the authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. The assumptions and other sources of estimation uncertainty disclosed below relate to the estimates that require the authority's most difficult, subjective or complex judgements. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgements become more subjective and complex. As a result, balances cannot be determined with certainty and actual results could be materially different from the assumptions and estimates.

The items in the authority's Balance Sheet as at 31 March 2023, for which there is a significant risk of material adjustment in the forthcoming financial year, are set out as follows:

| Item  | Significant Uncertainties   | Effect if Actual Results Differ from Assumptions  |
|---|---|---|
| Land and Buildings and Council Dwellings        | Assets are depreciated over their estimated useful lives. If in the current economic climate historic levels of repairs and maintenance expenditure cannot be sustained, the useful lives of assets may reduce. Assets are held on a valuation basis. Valuations are inherently subjective and based on the expert judgement of the Council's valuers, which include assumptions in respect of market value, yields and obsolescence.   | The incorrect application of expert judgement in the valuation of assets could result in a material misstatement of the asset values on the Balance Sheet in either this financial year or in future years. For example, a change in the underlying assumptions that leads to a 1% increase in property values, the net book value as at 31 <sup>st</sup> March 2023 of £435.6m, would see an increase in value of circa £4.4m.               |
| Investment Properties - Fair Value Measurements | When the fair values of financial assets and liabilities cannot be measured based on quoted prices in active markets their fair value is measured using valuation techniques. Where possible, the inputs to these techniques are based on observable data but where this is not possible, the application of judgement is required. These judgements typically include considerations such as uncertainty and risk.<br>Where quoted prices are not available the Council employs relevant experts to identify the most appropriate valuation technique to determine fair value. Further information about determining fair value is disclosed in Notes 15 and 16. | Significant changes in any of the unobservable inputs would result in a significantly higher or lower fair value measurement for investment properties.<br><br>A change in the underlying assumptions that leads to a 1% increase in investment property values, the net book value of as at 31 <sup>st</sup> March 2023 of £99.4m, would see an increase in value of circa £1.0m based on the property portfolio valued as at 31 March 2023. |

| Item               | Significant Uncertainties   | Effect if Actual Results Differ from Assumptions  |
|--------------------|---|---|
| Pensions Liability | <p>Estimates of the net liability to pay pensions depends on a number of complex judgements relating to various key components, including the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>Recent signs of volatility in UK economic conditions can further impact on these assumptions, increasing the level of uncertainty.</p> <p>The Council works in partnership with Somerset County Council to engage actuaries to provide expert advice about the assumptions to be applied. Part of the valuation process is to review previous assumptions and test them against what actually happened, to provide further data for future assumptions.</p> | <p>The effects on the net pension liability of many changes in individual assumptions can be measured. For example, if the discount rate were to change by plus or minus 0.1% from its assumed 4.80%, then the projected present value in total obligation cost would be between £3.5m lower to £3.8m higher. A similar change of 1 year in the mortality age range assumption means the projected present value in total obligation cost could rise by £3.8m or fall by £3.5m.</p> |
|                    | <p>The assumptions are both difficult to predict from historical data and likely to change significantly in the short to medium term. The pension liability and its underlying data is therefore very much a carefully-reasoned estimate of the most likely combination of factors but, by the very nature of the components involved, the level of uncertainty is regarded as being significant.</p>   | <p>However, the assumptions interact in complex ways; for example, pension membership may fall, the proportion of commutable pension exchanged by members for cash on retirement may go up while members live longer and equity yields improve.</p>   |

The significant assumptions applied by the Valuers in estimating the current values of property are set out in greater detail within Note 14 to the Balance Sheet (Property, Plant and Equipment).

#### Note 5. Material Items of Income and Expense

The Coal Orchard development in Taunton generated £4.494m of net capital receipts from the disposal of 25 residential properties during 2022/23. More detail can be seen within the Inventories note (note 19).

The Council incurs a significant proportion of spend on benefit payments, which is funded predominantly by Government grant. Housing Benefit and subsidy payments are included within Internal Operations on the face of the CIES and payments amounted to £27.570m in 2022/23 (£28.615m in 2021/22). Housing Benefit subsidy amounted to £27.245m in 2022/23 (£28.467m in 2021/22).

**Note 6. Events After the Balance Sheet Date**

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.

**Note 7. Expenditure and Funding Analysis**

The Expenditure and Funding Analysis (overleaf) shows how annual expenditure is used and funded from resources (government grants, rents, Council Tax and Business Rates) by councils in comparison with those resources consumed or earned by councils in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's portfolios. Income and expenditure accounted for under (generally accepted) accounting practices is presented more fully in the CIES.

|  |   |   | 2022/23   |  |                                |
|--|---|---|---|--|--------------------------------|
|  | As Reported for<br>Resource<br>Management | Adjustment to<br>arrive at the net<br>amount<br>chargeable to<br>the General<br>Fund and HRA<br>balances<br>(Note 7a) | Net Expenditure<br>Chargeable to<br>the General<br>Fund and HRA<br>Balances | Adjustments<br>between the<br>Funding and<br>Accounting<br>Basis (Note 7a) | Net Expenditure<br>in the CIES |
| 2022/23  | £000                                      | £000  | £000  | £000   | £000                           |
| Development and Place  | 3,135                                     | -671  | 2,464   | 2,171  | 4,635                          |
| External Operations & Climate Change                               | 8,491                                     | -1,733  | 6,758   | 5,105  | 11,863                         |
| Housing & Communities  | 3,593                                     | -1,326  | 2,267   | 1,086  | 3,353                          |
| Internal Operations  | 10,812                                    | -2,399  | 8,413   | 3,537  | 11,950                         |
| Senior Management Team   | 1,297                                     | 0   | 1,298   | 114  | 1,412                          |
| Housing Revenue Account  | 0   | -11,921   | -11,921   | 10,615   | -1,306                         |
| <b>Net Cost of Services</b>  | <b>27,328</b>                             | <b>-18,050</b>  | <b>9,279</b>  | <b>22,628</b>  | <b>31,907</b>                  |
| Other Income and Expenditure                                       | -28,362                                   | 27,680  | -682  | -25,640  | -26,322                        |
| <b>Surplus (-) or Deficit</b>                                      | <b>-1,034</b>                             | <b>9,630</b>  | <b>8,597</b>  | <b>-3,012</b>  | <b>5,585</b>                   |
| Opening General Fund and HRA<br>Balances                           |   |   | -39,050   |  |                                |
| Surplus (-) or Deficit on General Fund<br>and HRA Balances in Year |   |   | 8,597   |  |                                |
| <b>Closing General Fund and HRA<br/>Balances at 31 March *</b>     |   |   | <b>-30,453</b>  |  |                                |

\* For a split of this balance between the General Fund and the HRA please see the Movement in Reserves Statement.

|  | As Reported for<br>Resource<br>Management | Adjustment to<br>arrive at the net<br>amount<br>chargeable to<br>the General<br>Fund and HRA<br>balances<br>(Note 7a) | 2021/22<br>Net Expenditure<br>Chargeable to<br>the General<br>Fund and HRA<br>Balances | Adjustments<br>between the<br>Funding and<br>Accounting<br>Basis (Note 7a) | Net Expenditure<br>in the CIES |
|--|---|---|--|--|--------------------------------|
|  | £000                                      | £000  | £000   | £000   | £000                           |
| Development and Place  | 2,759                                     | -721  | 2,038  | 6,543  | 8,581                          |
| External Operations & Climate Change                               | 8,094                                     | -2,100  | 5,994  | 7,849  | 13,843                         |
| Housing & Communities  | 2,928                                     | -546  | 2,382  | 1,062  | 3,444                          |
| Internal Operations  | 9,482                                     | -2,198  | 7,284  | 3,663  | 10,947                         |
| Senior Management Team   | 473                                       | 0   | 473  | 88   | 561                            |
| Housing Revenue Account  | -170                                      | -11,222   | -11,392  | 10,748   | -644                           |
| <b>Net Cost of Services</b>  | <b>23,566</b>                             | <b>-16,787</b>  | <b>6,779</b>   | <b>29,953</b>  | <b>36,732</b>                  |
| Other Income and Expenditure                                       | -26,085                                   | 25,807  | -278   | -34,729  | -35,007                        |
| <b>Surplus (-) or Deficit</b>                                      | <b>-2,519</b>                             | <b>9,020</b>  | <b>6,501</b>   | <b>-4,776</b>  | <b>1,725</b>                   |
| Opening General Fund and HRA<br>Balances                           |   |   | -45,550  |  |                                |
| Surplus (-) or Deficit on General Fund<br>and HRA Balances in Year |   |   | 6,500  |  |                                |
| <b>Closing General Fund and HRA<br/>Balances at 31 March *</b>     |   |   | <b>-39,050</b>   |  |                                |

\* For a split of this balance between the General Fund and the HRA please see the Movement in Reserves Statement.

**Note 7a. Adjustments between Funding Basis and Accounting Basis**

| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts              | Adjustments for Capital Purposes | Net Change for Pensions Adjustments | Other Statutory Differences | Total Adjustment Between Funding and Accounting Basis |
|--|----------------------------------|-------------------------------------|-----------------------------|---|
|  |                                  |                                     |                             | £000  |
|  | Note i<br>£000                   | Note ii<br>£000                     | Note iii<br>£000            | £000  |
| <b>2022/23</b>   |                                  |                                     |                             |   |
| Development and Place  | 1,693                            | 470                                 | 8                           | 2,171   |
| External Operations & Climate Change   | 4,557                            | 553                                 | -5                          | 5,105   |
| Housing & Communities  | 820                              | 273                                 | -7                          | 1,086   |
| Internal Operations  | 605                              | 2,924                               | 8                           | 3,537   |
| Senior Management Team   | 0                                | 112                                 | 2                           | 114   |
| Housing Revenue Account  | 9,220                            | 1,381                               | 14                          | 10,615  |
| <b>Net Cost of Services</b>  | <b>16,895</b>                    | <b>5,713</b>                        | <b>20</b>                   | <b>22,628</b>   |
| Other Income and Expenditure from the Expenditure and Funding Analysis   | -21,942                          | 1,027                               | -4,725                      | -25,640   |
| <b>Difference between General Fund Surplus or Deficit and CIES Surplus or Deficit on the Provision of Services</b> | <b>-5,047</b>                    | <b>6,740</b>                        | <b>-4,705</b>               | <b>-3,012</b>   |

| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts              | Adjustments for Capital Purposes | Net Change for Pensions Adjustments | Other Statutory Differences | Total Adjustment Between Funding and Accounting Basis |
|--|----------------------------------|-------------------------------------|-----------------------------|---|
|  |                                  |                                     |                             | £000  |
|  | Note i<br>£000                   | Note ii<br>£000                     | Note iii<br>£000            | £000  |
| <b>2021/22</b>   |                                  |                                     |                             |   |
| Development and Place  | 6,091                            | 469                                 | -17                         | 6,543   |
| External Operations & Climate Change   | 2,940                            | 4,899                               | 10                          | 7,849   |
| Housing & Communities  | 701                              | 348                                 | 13                          | 1,062   |
| Internal Operations  | 661                              | 3,018                               | -16                         | 3,663   |
| Senior Management Team   | 0                                | 93                                  | -5                          | 88  |
| Housing Revenue Account  | 9,836                            | 939                                 | -27                         | 10,748  |
| <b>Net Cost of Services</b>  | <b>20,229</b>                    | <b>9,766</b>                        | <b>-42</b>                  | <b>29,953</b>   |
| Other Income and Expenditure from the Expenditure and Funding Analysis   | -26,751                          | 1,385                               | -9,363                      | -34,729   |
| <b>Difference between General Fund Surplus or Deficit and CIES Surplus or Deficit on the Provision of Services</b> | <b>-6,522</b>                    | <b>11,151</b>                       | <b>-9,405</b>               | <b>-4,776</b>   |

### Note 7a. i - Adjustments for capital purposes

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

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

### Note 7a. ii - Net change for the pensions adjustments

Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:

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

### Note 7a. iii - Other statutory adjustments

Other statutory adjustments between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute:

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



## **Note 8. Adjustments Between Accounting Basis and Funding Basis Under Regulations**

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

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

### **General Fund Balance**

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

### **Housing Revenue Account (HRA) Balance**

The HRA Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

### **Major Repairs Reserve**

The Council is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year-end.

### **Capital Receipts Reserve**

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

### **Capital Grants Unapplied**

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

The table below shows the adjustments that have been made between the accounting basis and funding basis:

|  | General Fund Balance<br>£000 | Housing Revenue Account<br>£000 | Capital Receipts Reserve<br>£000 | Major Repairs Reserve<br>£000 | Capital Grants Unapplied<br>£000 |
|--|------------------------------|---------------------------------|----------------------------------|-------------------------------|----------------------------------|
| <b>2022/23</b>   |                              |                                 |                                  |                               |                                  |
| <b>Adjustments to the Revenue Resources</b>  |                              |                                 |                                  |                               |                                  |
| <i>Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements</i>   |                              |                                 |                                  |                               |                                  |
| Pension costs (transferred to or from the Pensions Reserve)  | -5,126                       | -1,615                          | 0                                | 0                             | 0                                |
| Financial Instruments (transferred to the Financial Instruments Adjustment Account)  | -1,669                       | 0                               | 0                                | 0                             | 0                                |
| Council Tax and NNDR (transfers to or from the Collection Fund)  | 6,394                        | 0                               | 0                                | 0                             | 0                                |
| Holiday Pay (transferred to or from the Accumulated Absences Account)  | -8                           | -13                             | 0                                | 0                             | 0                                |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (charged to the Capital Adjustment Account) | -4,053                       | -11,640                         | 0                                | 0                             | -10,135                          |
| <b>Total Adjustment to Revenue Resources</b>   | <b>-4,462</b>                | <b>-13,268</b>                  | <b>0</b>                         | <b>0</b>                      | <b>-10,135</b>                   |
| <b>Adjustment between Revenue and Capital Resources</b>  |                              |                                 |                                  |                               |                                  |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve   | 4,852                        | 3,291                           | -8,142                           | 0                             | 0                                |
| Reserve)   | 0                            | -36                             | 36                               | 0                             | 0                                |
| Posting of HRA resources from revenue to the Major Repairs Reserve   | 0                            | 9,087                           | 0                                | -9,087                        | 0                                |
| Statutory provision for the repayment of debt (transfer from capital adjustment account)   | 2,687                        | 0                               | 2,645                            | 0                             | 0                                |
| Capital expenditure financed from revenue balances   | 862                          | 0                               | 0                                | 0                             | 0                                |
| <b>Total Adjustments between Revenue and Capital Resources</b>   | <b>8,401</b>                 | <b>12,342</b>                   | <b>-5,461</b>                    | <b>-9,087</b>                 | <b>0</b>                         |
| <b>Adjustments to Capital Resources</b>  |                              |                                 |                                  |                               |                                  |
| Use of the Capital Receipts reserve to finance capital expenditure   | 0                            | 0                               | 3,428                            | 0                             | 0                                |
| Use of the Major Repairs Reserve to finance capital expenditure  | 0                            | 0                               | 0                                | 9,802                         | 0                                |
| Application of capital grants to finance capital expenditure   | 0                            | 0                               | 0                                | 0                             | 7,444                            |
| Deferred Debtors repaid  | 0                            | 0                               | -824                             | 0                             | 0                                |
| <b>Total Adjustments to Capital Resources</b>  | <b>0</b>                     | <b>0</b>                        | <b>2,604</b>                     | <b>9,802</b>                  | <b>7,444</b>                     |
| <b>Total Adjustments 2022/23</b>   | <b>3,939</b>                 | <b>-926</b>                     | <b>-2,857</b>                    | <b>715</b>                    | <b>-2,691</b>                    |

|  | General Fund Balance<br>£000 | Housing Revenue Account<br>£000 | Capital Receipts Reserve<br>£000 | Major Repairs Reserve<br>£000 | Capital Grants Unapplied<br>£000 |
|--|------------------------------|---------------------------------|----------------------------------|-------------------------------|----------------------------------|
| <b>2021/22</b>   |                              |                                 |                                  |                               |                                  |
| <b>Adjustments to the Revenue Resources</b>  |                              |                                 |                                  |                               |                                  |
| <i>Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements</i>   |                              |                                 |                                  |                               |                                  |
| Pension costs (transferred to or from the Pensions Reserve)  | -9,480                       | -1,671                          | 0                                | 0                             | 0                                |
| Financial Instruments (transferred to the Financial Instruments Adjustment Account)  | 758                          | 0                               | 0                                | 0                             | 0                                |
| Council Tax and NNDR (transfers to or from the Collection Fund)  | 8,606                        | 0                               | 0                                | 0                             | 0                                |
| Holiday Pay (transferred to or from the Accumulated Absences Account)  | 15                           | 27                              | 0                                | 0                             | 0                                |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (charged to the Capital Adjustment Account) | -2,092                       | -11,572                         | 0                                | 0                             | -9,801                           |
| <b>Total Adjustment to Revenue Resources</b>   | <b>-2,193</b>                | <b>-13,216</b>                  | <b>0</b>                         | <b>0</b>                      | <b>-9,801</b>                    |
| <b>Adjustment between Revenue and Capital Resources</b>  |                              |                                 |                                  |                               |                                  |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve   | 851                          | 3,370                           | -4,221                           | 0                             | 0                                |
| Admin costs of non-current asset disposals (funded by a contrib'n from the Capital Receipts Reserve)   | 0                            | -46                             | 46                               | 0                             | 0                                |
| Payments to the gov't housing receipts pool (funded by a transfer from the Capital Receipts Reserve)   | 0                            | -382                            | 382                              | 0                             | 0                                |
| Posting of HRA resources from revenue to the Major Repairs Reserve   | 0                            | 8,209                           | 0                                | -8,209                        | 0                                |
| Statutory provision for the repayment of debt (transfer from capital adjustment account)   | 2,624                        | 1,069                           | 0                                | 0                             | 0                                |
| Capital expenditure financed from revenue balances   | 4,491                        | 0                               | 0                                | 0                             | 0                                |
| <b>Total Adjustments between Revenue and Capital Resources</b>   | <b>7,966</b>                 | <b>12,220</b>                   | <b>-3,793</b>                    | <b>-8,209</b>                 | <b>0</b>                         |
| <b>Adjustments to Capital Resources</b>  |                              |                                 |                                  |                               |                                  |
| Use of the Capital Receipts reserve to finance capital expenditure   | 0                            | 0                               | 3,991                            | 0                             | 0                                |
| Use of the Major Repairs Reserve to finance capital expenditure  | 0                            | 0                               | 0                                | 6,782                         | 0                                |
| Application of capital grants to finance capital expenditure   | 0                            | 0                               | 0                                | 0                             | 5,470                            |
| <b>Total Adjustments to Capital Resources</b>  | <b>0</b>                     | <b>0</b>                        | <b>3,991</b>                     | <b>6,782</b>                  | <b>5,470</b>                     |
| <b>Total Adjustments 2021/22</b>   | <b>5,773</b>                 | <b>-996</b>                     | <b>198</b>                       | <b>-1,427</b>                 | <b>-4,331</b>                    |

**Note 9. Movements in Earmarked Reserves**

The tables below show the amounts set aside from the General Fund and HRA balances in capital or revenue earmarked reserves to provide financing for future expenditure plans. It also shows the movement in each major earmarked reserve where amounts have either been posted to the reserve or back to meet General Fund and HRA expenditure in 2022/23.

Reserves indicated with an asterisk (\*) are held for capital purposes.

| <b>Earmarked Reserves</b>                 | <b>Balance at<br/>01/04/2021<br/>£000</b> | <b>Transfers<br/>Out<br/>£000</b> | <b>Transfers<br/>In<br/>£000</b> | <b>Balance at<br/>31/03/2022<br/>£000</b> | <b>Transfers<br/>Out<br/>£000</b> | <b>Transfers<br/>In<br/>£000</b> | <b>Balance at<br/>31/03/2023<br/>£000</b> |
|---|---|-----------------------------------|----------------------------------|---|-----------------------------------|----------------------------------|---|
| Investment Risk Reserve                   | 3,673                                     | -673                              | 151                              | 3,151                                     | -114                              | 1,003                            | 4,040                                     |
| Business Rates Smoothing Reserve          | 5,375                                     | -2,011                            | 1,989                            | 5,353                                     | -3,227                            | 1,397                            | 3,523                                     |
| Capital Financing Reserve *               | 143                                       |                                   | 1,270                            | 1,413                                     | -814                              | 1,172                            | 1,771                                     |
| COVID - S31 Business Rates TIG            | 3,081                                     | -999                              | 416                              | 2,498                                     | -1,602                            |                                  | 896                                       |
| Garden Village                            | 870                                       | -231                              | 340                              | 979                                       | -413                              | 134                              | 700                                       |
| Investment Properties Sinking Fund        | 0   |                                   | 500                              | 500                                       |                                   | 200                              | 700                                       |
| SWP 22-23 Year End Balances               | 0   |                                   |                                  | 0   |                                   | 492                              | 492                                       |
| Strategic Housing Market Area Assessment  | 533                                       | -36                               |                                  | 497                                       | -39                               |                                  | 458                                       |
| Doneworks Heritage Site                   | 2   | -1,093                            | 1,257                            | 166                                       | -157                              | 427                              | 436                                       |
| Rough Sleepers Initiative                 | 126                                       | -126                              | 3                                | 3   | -17                               | 265                              | 251                                       |
| Asset Management - General                | 687                                       | -168                              |                                  | 519                                       | -304                              |                                  | 215                                       |
| LGR Implementation Costs                  | 0   |                                   |                                  | 0   |                                   | 215                              | 215                                       |
| Self Insurance Fund                       | 200                                       |                                   |                                  | 200                                       |                                   |                                  | 200                                       |
| Economic Development & Growth Initiatives | 769                                       | -151                              | 25                               | 643                                       | -486                              |                                  | 157                                       |
| Phosphate Management Strategy             | 0   |                                   |                                  | 0   |                                   | 135                              | 135                                       |
| Steam Coast Trail                         | 126                                       | -8                                |                                  | 118                                       | -24                               | 40                               | 134                                       |
| Local Plan Development and Inspection     | 126                                       |                                   |                                  | 126                                       |                                   |                                  | 126                                       |
| LG Cyber Security Fund Grant              | 0   |                                   |                                  | 0   |                                   | 100                              | 100                                       |
| Blue Anchor Csum 60yr Covenant            | 0   |                                   | 94                               | 94  |                                   |                                  | 94  |
| COVID - Council Tax Hardship Fund         | 134                                       | -50                               |                                  | 84  |                                   |                                  | 84  |
| Flood Project - EA                        | 0   |                                   |                                  | 0   | -60                               | 144                              | 84  |
| Coal Orchard Warranty                     | 0   |                                   |                                  | 0   | -112                              | 185                              | 73  |

|  | Balance at<br>01/04/2021<br>£000 | Transfers<br>Out<br>£000 | Transfers<br>In<br>£000 | Balance at<br>31/03/2022<br>£000 | Transfers<br>Out<br>£000 | Transfers<br>In<br>£000 | Balance at<br>31/03/2023<br>£000 |
|--|----------------------------------|--------------------------|-------------------------|----------------------------------|--------------------------|-------------------------|----------------------------------|
| <b>Earmarked Reserves (Continued)</b>    |                                  |                          |                         |                                  |                          |                         |                                  |
| Flood Project - SRA                      | 0                                |                          |                         | 0                                | -165                     | 200                     | 35                               |
| Carry Forwards                           | 2,112                            | -2,112                   | 2,075                   | 2,075                            | -2,075                   |                         | 0                                |
| Homelessness Prevention                  | 284                              |                          | 400                     | 684                              | -684                     |                         | 0                                |
| New Homes Bonus Reserve                  | 192                              | -62                      | 41                      | 171                              | -171                     |                         | 0                                |
| Transformation / Internal Change Reserve | 191                              | -50                      |                         | 141                              | -141                     |                         | 0                                |
| Budget Volatility and Risk               | 2,400                            | -2,400                   |                         | 0                                |                          |                         | 0                                |
| COVID - S31 Council Tax TIG (income      | 34                               |                          |                         | 34                               | -34                      |                         | 0                                |
| COVID - S31 Business Rates Holiday grant | 11,695                           | -11,118                  | 5,234                   | 5,811                            | -5,811                   |                         | 0                                |
| Commercial Investment Financing Fund     | 0                                | -173                     | 2,173                   | 2,000                            | -2,000                   |                         | 0                                |
| Other Earmarked Reserves                 | 653                              | -284                     | 361                     | 730                              | -306                     | 397                     | 821                              |
| <b>Total General Fund</b>                | <b>33,406</b>                    | <b>-21,745</b>           | <b>16,329</b>           | <b>27,990</b>                    | <b>-18,756</b>           | <b>6,506</b>            | <b>15,740</b>                    |

Page 245

|                                      | Balance at<br>01/04/2021<br>£000 | Transfers<br>Out<br>£000 | Transfers<br>In<br>£000 | Balance at<br>31/03/2022<br>£000 | Transfers<br>Out<br>£000 | Transfers<br>In<br>£000 | Balance at<br>31/03/2023<br>£000 |
|--------------------------------------|----------------------------------|--------------------------|-------------------------|----------------------------------|--------------------------|-------------------------|----------------------------------|
| <b>Earmarked Reserves</b>            |                                  |                          |                         |                                  |                          |                         |                                  |
| <b>Housing Revenue Account (HRA)</b> |                                  |                          |                         |                                  |                          |                         |                                  |
| Hinkley Funded Community Grant       | 0                                |                          |                         | 0                                |                          | 130                     | 130                              |
| Social Housing Development Fund      | 850                              | -909                     | 59                      | 0                                |                          |                         | 0                                |
| Transformation Reserve               | 175                              | -175                     |                         | 0                                |                          |                         | 0                                |
| Other HRA Earmarked Reserves         | 82                               | -71                      | 43                      | 54                               | -20                      | 94                      | 128                              |
| <b>Total HRA</b>                     | <b>1,107</b>                     | <b>-1,155</b>            | <b>102</b>              | <b>54</b>                        | <b>-20</b>               | <b>224</b>              | <b>258</b>                       |

The purpose for which individual reserves with balances in excess of £1 million have been held in either 2021/22 or 2022/23 are as follows:

- Budget Volatility & Risk Reserve – established to provide prudent contingency funds following major fluctuations in income following the impact of the Covid-19 pandemic on unforeseen income streams and expenditure pressures.
- Business Rates Volatility Reserve – to smooth the effect of successful Business Rates appeals and other valuation changes, and to protect against future volatility and accounting timing differences in Business Rates income.
- Capital Funding Reserve – Revenue contributions set aside to provide a means of financing capital expenditure so that future borrowing may be reduced.
- Carry forwards – used as a mechanism to carry forward approved amounts of budgeted spend to the next financial year.
- Commercial Investment Financing Fund – Contains balances set aside to enable reduction in borrowing requirements associated with capital investment in commercial property.
- COVID grants reserves – to identify sums held at year-end that will be paid out or returned to Government.
- Investment Risk Reserve – to manage property investment for yield net income volatility.

**Note 10. Other Operating Expenditure**

The note below details what is included in the 'Other Operating Expenditure' line in the CIES.

| <b>2021/22</b> |  | <b>2022/23</b> |
|----------------|--|----------------|
| <b>£000</b>    |  | <b>£000</b>    |
| 2,508          | Parish Council precepts                                  | 2,678          |
| 382            | Payments to the Government Housing Capital Receipts Pool | 0              |
| 69             | Pension Administration Costs                             | 90             |
| -1,840         | Gains (-) / Losses on the disposal of non-current assets | -998           |
| <b>1,119</b>   | <b>Total</b>   | <b>1,770</b>   |

**Note 11. Financing and Investment Income and Expenditure**

The note below details the 'Financing and Investment Income and Expenditure' line in the CIES.

| <b>2021/22</b> |   | <b>2022/23</b> |
|----------------|---|----------------|
| <b>£000</b>    |   | <b>£000</b>    |
| 2,939          | Interest payable and similar charges  | 3,257          |
| 2,978          | Net interest on the net defined pensions liability / asset (-)                              | 3,276          |
| -787           | Interest receivable and similar income  | -1,298         |
| -3,883         | Income and expenditure in relation to investment properties and changes in their fair value | -3,476         |
| -939           | Expected Credit Losses increase / decrease (-)  | 1,766          |
| 0              | Fair Value Adjustment   | 0              |
| <b>308</b>     | <b>Total</b>  | <b>3,525</b>   |

**Note 12. Taxation and Non-Specific Grant Income**

The note below details the 'Taxation and Non-Specific Grant Income' line in the CIES.

| <b>2021/22</b> |   | <b>2022/23</b> |
|----------------|---|----------------|
| <b>£000</b>    |   | <b>£000</b>    |
| -12,307        | Council tax income                        | -12,949        |
| -8,813         | Non domestic rates income and expenditure | -5,245         |
| -4,656         | Non-ringfenced Government grants          | -2,468         |
| -10,659        | Capital grants and contributions          | -10,955        |
| <b>-36,435</b> | <b>Total</b>                              | <b>-31,617</b> |

More details of grants that the Council has received can be found in Note 32 (Grant Income).

**Note 13. Expenditure and Income Analysed by Nature**

The Council's expenditure and income is analysed as follows:

| <b>2021/22</b>  |   | <b>2022/23</b>  |
|-----------------|---|-----------------|
| <b>£000</b>     |   | <b>£000</b>     |
|                 | <b>Expenditure</b>  |                 |
| 38,366          | Employee Related Expenses                                   | 36,268          |
| 56,936          | Other Services Expenses                                     | 57,986          |
| 20,229          | Depreciation, Amortisation, Impairment and Revenue          | 16,894          |
|                 | Expenditure funded from Capital under Statute               |                 |
| -1,840          | Loss / Gain (-) on the Disposal of Assets                   | -2,034          |
| 5,120           | Interest Payments   | 8,198           |
| 2,508           | Precepts and Levies   | 2,678           |
| 382             | Payments to Housing Capital Receipts Pool                   | 0               |
| <b>121,701</b>  | <b>Total Expenditure</b>                                    | <b>119,990</b>  |
|                 | <b>Income</b>   |                 |
| -41,434         | Fees, Charges and Other Service Income                      | -43,715         |
| -21,120         | Income from Council Tax, Non-Domestic Rates, District Rate  | -18,194         |
|                 | Income  |                 |
| -52,753         | Government Grants and Contributions                         | -47,722         |
| -3,883          | Income and Expenditure in relation to investment properties | -3,476          |
|                 | and changes in their fair value                             |                 |
| -787            | Interest and Investment Income                              | -1,298          |
| <b>-119,977</b> | <b>Total Income</b>   | <b>-114,405</b> |
| <b>1,724</b>    | <b>Surplus (-) or Deficit on the Provision of Services</b>  | <b>5,585</b>    |

**Segmental Income**

Fees, charges and other service income received on a segmental basis is analysed below:

| <b>2021/22</b> |   | <b>2022/23</b> |
|----------------|---|----------------|
| <b>£000</b>    |   | <b>£000</b>    |
| -1,489         | Development and Place                       | -1,935         |
| -10,076        | External Operations & Climate Change        | -11,392        |
| -579           | Housing & Communities                       | -293           |
| -2,087         | Internal Operations                         | -2,016         |
| -169           | Senior Management Team                      | -19            |
| -39            | Financing & Investment Income               | -298           |
| -26,995        | Housing Revenue Account                     | -27,762        |
| <b>-41,434</b> | <b>Income analysed on a segmental Basis</b> | <b>-43,715</b> |



**Note 14. Property, Plant and Equipment (PPE)**

The tables below detail the movements on the Council's assets shown on the Balance Sheet as property plant and equipment.

| 2022/23  | Council Dwellings<br>£000   | Land and Buildings<br>£000 | Vehicles, Plant and Equipment<br>£000 | Community Assets<br>£000 | Surplus Assets<br>£000 | Assets Under Construction<br>£000 | Total<br>£000  |
|--|---|----------------------------|---------------------------------------|--------------------------|------------------------|-----------------------------------|----------------|
| <b>Cost or Valuation</b>   |   |                            |                                       |                          |                        |                                   |                |
| <b>At 1 April 2022</b>   | <b>353,096</b>  | <b>108,070</b>             | <b>10,934</b>                         | <b>7,953</b>             | <b>197</b>             | <b>13,097</b>                     | <b>493,347</b> |
| Additions  | 18,217  | 465                        | 352                                   | 772                      | 0                      | 6,152                             | <b>25,958</b>  |
| Revaluation increases / decreases (-) recognised in the Revaluation reserve                          | -35,552   | -4,284                     | 0                                     | 0                        | -58                    | 0                                 | <b>-39,894</b> |
| Revaluation increases / decreases (-) recognised in the Surplus/Deficit on the Provision of Services | 0   | -1,721                     | 0                                     | 0                        | -5                     | 0                                 | <b>-1,726</b>  |
| Derecognition - Disposals  | -379  | -457                       | -307                                  | 0                        | -4                     | 0                                 | <b>-1,147</b>  |
| Assets reclassified within PPE   |   | -3,421                     | 0                                     | 0                        | -5                     | -1,511                            | <b>-4,937</b>  |
| Assets reclassified (to)/from Inventory  |   | 0                          | 0                                     | 0                        | 0                      | 0                                 | <b>0</b>       |
| Assets reclassified to(-) /from Held for Sale  | 1,861   | 0                          | 0                                     | -93                      | 0                      | 0                                 | <b>1,768</b>   |
| <b>At 31 March 2023</b>  | <b>337,243</b>  | <b>98,652</b>              | <b>10,979</b>                         | <b>8,632</b>             | <b>125</b>             | <b>17,738</b>                     | <b>473,369</b> |
| <b>Accumulated Depreciation &amp; Impairment</b>   |   |                            |                                       |                          |                        |                                   |                |
| <b>At 1 April 2022</b>   | <b>0</b>  | <b>-274</b>                | <b>-5,998</b>                         | <b>-77</b>               | <b>0</b>               | <b>0</b>                          | <b>-6,349</b>  |
| Depreciation charge  | -8,936  | -1,179                     | -1,006                                | 0                        | 0                      | 0                                 | <b>-11,121</b> |
| Depreciation written out to the Revaluation Reserve  | 8,936   | 1,120                      | 0                                     | 0                        | 0                      | 0                                 | <b>10,056</b>  |
| Depreciation written out to Surplus/Deficit on the Provision of Services                             |   | 34                         | 0                                     | 0                        | 0                      | 0                                 | <b>34</b>      |
| Derecognition - Disposals  |   | 2                          | 307                                   | 0                        | 0                      | 0                                 | <b>309</b>     |
| <b>At 31 March 2023</b>  | <b>0</b>  | <b>-297</b>                | <b>-6,697</b>                         | <b>-77</b>               | <b>0</b>               | <b>0</b>                          | <b>-7,071</b>  |
| <b>Net Book Value (Excluding Infrastructure Assets At 31 March 2023)</b>                             | <b>337,243</b>  | <b>98,355</b>              | <b>4,282</b>                          | <b>8,555</b>             | <b>125</b>             | <b>17,738</b>                     | <b>466,298</b> |
| <b>Add Infrastructure Assets</b>   | Infrastructure Assets At Net Book Value Brought Forward At 1st April 2022 |                            |                                       |                          |                        | 9,502                             |                |
|  | Additions in Year   |                            |                                       |                          |                        | 76                                |                |
|  | Assets reclassified within Property, Plant & Equipment                    |                            |                                       |                          |                        | 4,937                             |                |
|  | Depreciation in Year  |                            |                                       |                          |                        | -760                              | 13,755         |
|  |   |                            |                                       |                          |                        |                                   | <b>480,053</b> |

Included in the derecognition – disposals lines within the Vehicles, Plant and Equipment column, is a figure of £198k relating to the writing out of assets disposed of within the HRA during 2021/22, which was omitted from the published statement for 2021/22. Therefore the presentational adjustment has been made within the 2022/23 table above to ensure the correct carrying values are carried forward.

## Somerset West and Taunton Council

| 2021/22  | Council Dwellings<br>£000 | Land and Buildings<br>(Restated)<br>£000 | Vehicles, Plant<br>and Equipment<br>£000 | Community<br>Assets<br>£000 | Surplus<br>Assets<br>£000 | Assets Under<br>Construction<br>£000 | Total<br>£000  |
|--|---------------------------|--|--|-----------------------------|---------------------------|--------------------------------------|----------------|
| <b>Cost or Valuation</b>   |                           |  |  |                             |                           |                                      |                |
| <b>At 1 April 2021</b>   | <b>312,891</b>            | <b>103,706</b>                           | <b>13,940</b>                            | <b>7,953</b>                | <b>177</b>                | <b>9,159</b>                         | <b>447,826</b> |
| Additions  | 12,313                    | 74                                       | 609                                      | 0                           | 0                         | 4,807                                | 17,803         |
| Revaluation increases / decreases (-)<br>recognised in the Revaluation reserve                             | 31,545                    | 4,860                                    | 0  | 0                           | 68                        | 0                                    | 36,473         |
| Revaluation increases / decreases (-)<br>recognised in the Surplus/Deficit on the<br>Provision of Services | 0                         | -1,997                                   | 0  | 0                           | -48                       | 0                                    | -2,045         |
| Derecognition - Disposals  | -852                      | 0  | -3,615                                   | 0                           | 0                         | 0                                    | -4,467         |
| Derecognition - Other  | 0                         | -48                                      | 0  | 0                           | 0                         | 0                                    | -48            |
| Assets reclassified within PPE   | 46                        | 0  | 0  | 0                           | 0                         | 0                                    | 46             |
| Assets reclassified to(-) /from Investment<br>Properties   | 0                         | 10                                       | 0  | 0                           | 0                         | 0                                    | 10             |
| Assets reclassified to(-) /from Inventory  | 0                         | 1,465                                    | 0  | 0                           | 0                         | -869                                 | 596            |
| Assets reclassified to(-) /from Held for Sale  | -2,848                    | 0  | 0  | 0                           | 0                         | 0                                    | -2,848         |
| <b>At 31 March 2022</b>  | <b>353,095</b>            | <b>108,070</b>                           | <b>10,934</b>                            | <b>7,953</b>                | <b>197</b>                | <b>13,097</b>                        | <b>493,346</b> |
| <b>Accumulated Depreciation &amp; Impairment</b>   |                           |  |  |                             |                           |                                      |                |
| <b>At 1 April 2021</b>   | <b>0</b>                  | <b>-402</b>                              | <b>-8,614</b>                            | <b>-77</b>                  | <b>0</b>                  | <b>0</b>                             | <b>-9,093</b>  |
| Depreciation charge  | -8,005                    | -1,150                                   | -999                                     | 0                           | 0                         | 0                                    | -10,154        |
| Depreciation written out to the Revaluation<br>Reserve   | 8,005                     | 1,263                                    | 0  | 0                           | 0                         | 0                                    | 9,268          |
| Depreciation written out to the Surplus/Deficit<br>on the Provision of Services                            | 0                         | 13                                       | 0  | 0                           | 0                         | 0                                    | 13             |
| Derecognition - Disposals  | 0                         | 0  | 3,615                                    | 0                           | 0                         | 0                                    | 3,615          |
| Derecognition - Other  | 0                         | 2  | 0  | 0                           | 0                         | 0                                    | 2              |
| <b>At 31 March 2022</b>  | <b>0</b>                  | <b>-274</b>                              | <b>-5,998</b>                            | <b>-77</b>                  | <b>0</b>                  | <b>0</b>                             | <b>-6,349</b>  |
| <b>Net Book Value At 31 March 2022</b>   | <b>353,095</b>            | <b>107,796</b>                           | <b>4,936</b>                             | <b>7,876</b>                | <b>197</b>                | <b>13,097</b>                        | <b>486,997</b> |
| <b>Add Infrastructure Assets</b>   |                           |  |  |                             |                           |                                      |                |
| Infrastructure Assets At Net Book Value Brought Forward At 1st April 2022                                  |                           |  |  |                             |                           | 9,488                                |                |
| Additions in Year  |                           |  |  |                             |                           | 764                                  |                |
| Depreciation in Year   |                           |  |  |                             |                           | -750                                 | 9,502          |
|  |                           |  |  |                             |                           |                                      | <b>496,499</b> |

Details of the restated values for Other Land and Buildings in 2021/22 are set out for the Balance Sheet, Comprehensive Income and Expenditure Statement and Movement in Reserves Statement in a note of explanation for the prior year adjustment (see note 39).

## Infrastructure Assets

In December 2022 CIPFA published an update to its 2021/22 Code of Practice. The Update to the Code and Specifications for Future Codes for Infrastructure Assets provides amended specifications on the disclosure on gross cost and accumulated depreciation for infrastructure assets. The Update allows local authorities temporary relief from disclosing gross cost and accumulated depreciation until 31 March 2025. Therefore, in accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. As a result the tables, above, that analyse property, plant and equipment by defined categories include infrastructure assets only at net book value.

The Council's rationale for not reporting the gross cost and accumulated depreciation follows the practical considerations adopted by the Code whereby application of the derecognition provisions for those infrastructure assets cannot, in all instances, be fully complied with. This is particularly the case with older infrastructure assets that were either built, developed or adopted prior to when accounting requirements for their recognition were first introduced. Given the uncertainties attached to the original costs of such historical structures, a consistent methodology cannot be applied to faithfully disclosing the values of attached to any derecognition of such assets. The nature of infrastructure assets is such that there would not usually be an open market in which to conduct any exchange or to derive an accurate value. In this respect, the ownership of existing infrastructure assets would remain with SWTC or any subsequent public authority responsible for holding and maintaining them.

## Depreciation

The basis of depreciation is set out in the Accounting Policies.

## Capital commitments

At 31 March 2023, the Council had entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2023/24 and future years to a cost of £44.235m. The major commitments are:

- |  |          |
|--|----------|
| • Blue Anchor Coastal Protection                               | £ 1.846m |
| • Housing - Fire Door Replacement Programme                    | £ 2.400m |
| • Housing - Bathroom Replacement Programme                     | £ 6.000m |
| • Housing - Kitchen Replacement Programme                      | £ 6.000m |
| • Housing - North Taunton Regeneration Programme               | £10.907m |
| • Housing - Roofing Replacement Programme                      | £ 5.954m |
| • Housing - Seaward Way Development                            | £ 9.044m |
| • Housing - Flooring / Lighting Installation To Communal Areas | £ 2.084m |

## Revaluations

The Council carries out a rolling programme of asset valuations to ensure that all property, plant and equipment required to be measured at fair value is revalued at least every five years.

Valuations at 31 March 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.

The significant assumptions applied by the Valuers in estimating the current values of property, plant and equipment are as follows:

- Planning Proposals
  - We have not made formal written enquiries of the Local Authority Planning Departments to ascertain if there are any adverse proposals likely to affect specific properties. We are instructed, however, that for the purposes of this Valuation Certificate, we should assume that there are no planning proposals that are likely to have an effect on the value of the properties unless these were specifically notified to us.
- Construction and State of Repair
  - Structural / Condition surveys have not been undertaken of the properties nor have the service installations been tested.
  - We have not carried out a structural survey nor have we inspected those parts of the properties that are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition. We cannot express an opinion about or advise upon the condition of uninspected parts and this report should not be taken as making any implied representation or statement about such parts.
  - No allowances have been made for rights, obligations or liabilities arising from the Defective Premises Act 1972.
  - Unless we are aware that a specific property has a limited economic life, we have assumed that the assets are at a suitable level of condition for service provision, and that all internal and external repairs and maintenance have been carried out. We have assumed that these repairs do not constitute improvement to the properties and do not have a material effect on asset value.
- Hazardous or Deleterious Materials
  - We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of these properties or has since been incorporated and we are therefore unable to report that the properties are free from risk in this respect. For the purpose of this report we have assumed that such investigation would not disclose the presence of any such material in any adverse condition.
- Contaminated Land
  - Other than as specifically detailed for any property in respect of the latest issues concerning phosphates, we are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the property and which may draw attention to any contamination or possibility of any such contamination. In undertaking our work, we have been instructed to assume that no contaminative or potentially contaminative uses have ever been

carried out on the property. We have not carried out any investigation into past or present uses either of the properties or of any neighbouring land to establish whether there is any potential for contamination from these sites to the subject property and have therefore assumed that none exists.

- Should it however be established subsequently that contamination exists at any of the properties or any neighbouring land or that the properties have been or are being put to a contaminative use this might reduce the values now reported.
- Plant and Machinery
  - Any plant and machinery that has been considered to form part of the property or service installations is included in the valuation. Where there is doubt as to the correct classification, assets installed primarily to provide services to the properties have been valued with the land and buildings and assets primarily serving the commercial or industrial process have been excluded. Any departure from this is stated on the relevant Valuation Statement.
- Lotting
  - Where applicable, properties have been lotted. No allowance or discount has been made for any flooding of the market which might, in practice, happen if several properties were offered for sale simultaneously. The figure reported is the aggregate of the values on separate properties.
- Taxation
  - No allowance has been made for liability for taxation which may arise on disposal, whether actual or notional. Where possible VAT and Capital Gains Tax are specifically excluded, and our valuation does not reflect costs of realisation unless specifically requested by the client. No additions have been made for Stamp Duty Land Tax (SDLT).
- Acquisition and Disposal Costs
  - No notional directly attributable acquisition costs or selling costs have been applied to or deducted from the Current Value and Fair Value figures provided within this report.
  - For indicative purposes only, the Valuer would expect purchaser's cost to be in the region of 0.5% and 5.0% (plus or minus) dependant on the overall value of the asset and property type on an acquisition or disposal respectively.
  - The Valuer has made no allowance for any vendor's costs or taxation (actual or notional) nor has any allowances been made for any capital or annual grants or incentives to which a purchaser may be entitled.
  - The Valuer has not been asked by the client to specifically reflect these costs separately.
  - Guidance on this matter is provided within UKVS 1 Paragraph 1.7 Costs to be excluded of the Red Book:
    - The valuer must not include directly attributable acquisition or disposal costs in the valuation. When asked by the client to reflect costs, these must be stated separately;
    - In determining the figure to enter into the balance sheet (the 'carrying amount'), FRS 15 requires the addition of notional, directly attributable acquisition costs, where material, to the Existing Use Value. Likewise, where

property is surplus to the entity's requirements and valued on the basis of market value, there should be a deduction for expected, directly attributable selling costs, where material. If requested to advise on these costs, the Valuer should report them separately and not amalgamate them with either the Existing Use Value or market value. The valuation should reflect the Valuer's opinion of the consideration that would appear in the hypothetical sale and purchase contract;

- FRS 15 states that directly attributable costs can include stamp duty, import duties and non-refundable purchase taxes, as well as professional fees, the Valuer is alerted to a potential problem with a property that would, or would potentially, be subject to VAT in any transaction but the entity may not be able to reclaim the VAT. The decision whether or not to treat this as a directly attributable acquisition cost should be determined by the entity, together with its auditors. Even if this is the case the Valuer should state clearly in the report what assumptions have been made and the likely impact of VAT in any transaction; and
  - In the case of surplus properties, directly attributable selling costs that are material may need to be itemised separately. If this is the case, they will include not only the transaction costs but also any marketing costs that can be reasonable anticipated.
- Energy Performance Certificates
    - In England and Wales, the Energy Performance of Buildings Directive requiring Energy Performance Certificates (EPC) is relevant.
    - This directive requires all properties to have an Energy Performance Certificate (EPC) covering the residential and commercial sectors. The Certificate is valid for ten years and includes an Energy Efficient Rating of between A and G.
    - Since 26<sup>th</sup> March 2015 the minimum energy efficiency standard (MEES) has been introduced.
    - This minimum standard applies to both domestic and non-domestic property and from 1<sup>st</sup> April 2018 Landlords have been unable to let an F or G rated commercial property on a new or renewed tenancy / lease.
    - From 1<sup>st</sup> April 2020, the regulations apply to all property leases, initially for domestic properties, and then in 2023 non-domestic properties too.
    - Exceptions include leases of less than six months and leases of longer than 99 years as well as listed buildings.
    - For these purposes we have assumed that all properties valued within the portfolio meet the E or higher required rating for letting purposes.

The table below shows the values against the latest valuation dates for each group of assets:

|                             | <b>Council<br/>Dwellings<br/>£000</b> | <b>Other<br/>Land and<br/>Buildings<br/>£000</b> | <b>Vehicles,<br/>Plant and<br/>Equipment<br/>£000</b> | <b>Infrastructure<br/>Assets<br/>£000</b> | <b>Community<br/>Assets<br/>£000</b> | <b>Surplus<br/>Assets<br/>£000</b> | <b>Asset Under<br/>Construction<br/>£000</b> | <b>Total<br/>£000</b> |
|-----------------------------|---------------------------------------|--|---|---|--------------------------------------|------------------------------------|--|-----------------------|
| Valued at Fair Value        | 0                                     | 0  | 0   | 0   | 0                                    | 125                                | 0  | <b>125</b>            |
| Valued at Historic Cost     | 0                                     | 0  | 4,282   | 13,755                                    | 8,555                                | 0                                  | 17,738                                       | <b>44,330</b>         |
| Valued at:                  |                                       |  |   |   |                                      |                                    |  |                       |
| 31 March 2017               | 304                                   | 0  | 0   | 0   | 0                                    | 0                                  | 0  | <b>304</b>            |
| 31 March 2019               | 32                                    | 0  | 0   | 0   | 0                                    | 0                                  | 0  | <b>32</b>             |
| 31 March 2020               | 56                                    | 33   | 0   | 0   | 0                                    | 0                                  | 0  | <b>89</b>             |
| 31 March 2021               | 0                                     | 3,468  | 0   | 0   | 0                                    | 0                                  | 0  | <b>3,468</b>          |
| 31 March 2022               | 0                                     | 10,998   | 0   | 0   | 0                                    | 0                                  | 0  | <b>10,998</b>         |
| 31 March 2023               | 336,851                               | 83,856   | 0   | 0   | 0                                    | 0                                  | 0  | <b>420,707</b>        |
| <b>Total Net Book Value</b> | <b>337,243</b>                        | <b>98,355</b>                                    | <b>4,282</b>  | <b>13,755</b>                             | <b>8,555</b>                         | <b>125</b>                         | <b>17,738</b>                                | <b>480,053</b>        |

**Note 15. Investment Property**

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the CIES.

| <b>2021/22</b><br><b>£000</b>                 | <b>2022/23</b><br><b>£000</b> |
|---|-------------------------------|
| -6,087 Rental income from investment property | -7,661                        |
| 333 Costs Related to investment property      | 499                           |
| <b>-5,754 Total</b>                           | <b>-7,162</b>                 |

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or to carry out repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

| <b>2021/22</b><br><b>£000</b>                            | <b>2022/23</b><br><b>£000</b> |
|--|-------------------------------|
| 50,044 Balance at start of the year                      | 103,064                       |
| 54,901 Additions   | 0                             |
| 0 Disposals  | 0                             |
| -1,871 Net gains / losses(-) from fair value adjustments | -3,686                        |
| <b>Transfers:</b>  |                               |
| -10 To(-) / from Property, Plant & Equipment             | 0                             |
| <b>103,064 Balance at end of the year</b>                | <b>99,378</b>                 |

**Fair Value Measurement of Investment Property**

Details of the Council's investment properties and information about the fair value hierarchy are as follows:

| <b>2021/22</b><br><b>£000</b> | <b>Significant Observable Inputs (Level 2)</b> | <b>2022/23</b><br><b>£000</b> |
|-------------------------------|--|-------------------------------|
| 102,321                       | Commercial Buildings                           | 98,513                        |
| 743                           | Commercial Land                                | 865                           |
| <b>103,064</b>                | <b>Investment Property</b>                     | <b>99,378</b>                 |

**Significant Observable Inputs – Level 2**

The commercial land and buildings located in the Council's area are measured using the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. The approach has been developed using the Council's own data requiring it to factor in assumptions such as the duration and timing of cash inflows and outflows, rent growth, occupancy levels, bad debt levels, maintenance costs, etc.

The Council's commercial land and buildings are, therefore, categorised as Level 2 in the fair value hierarchy as the measurement technique uses significant observable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).



## Highest and Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

## Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

## Note 16. Financial Instruments

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions such as those relating to taxes and government grants do not give rise to financial instruments.

The term 'financial instrument' covers both financial assets and financial liabilities. These range from straightforward trade receivables and trade payables to more complex transactions such as financial guarantees, derivatives and embedded derivatives. The Council's borrowing, and investment transactions are also classified as financial instruments.

## Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The Council's non-derivative financial liabilities held during the year are measured at amortised cost and comprised:

- Long-term loans from the Public Works Loan Board and commercial lenders,
- Short-term loans from other local authorities, and
- Trade payables for goods and services received.

## Financial Assets

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

Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flows) comprising:

- Cash in hand,
- Bank current and deposit accounts with NatWest Bank,
- Loans made to Somerset CCC, Somerset Waste Partnership and others for service purposes, and
- Trade receivables for goods and services delivered.

Fair value through profit and loss (FVTPL) for all other financial assets, comprising:

- Money market funds and other collective investment schemes,
- Fixed-term deposits with central government (Debt Management Office), and
- Property funds managed by fund managers.

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

### Financial Instruments – Balances

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

| 31 March 2022     |                    |   | 31 March 2023     |                    |
|-------------------|--------------------|---|-------------------|--------------------|
| Long Term<br>£000 | Short Term<br>£000 | Financial Liabilities                                   | Long Term<br>£000 | Short Term<br>£000 |
|                   |                    | <b>Loans at amortised cost:</b>                         |                   |                    |
| -105,500          | -75,000            | Principal sum borrowed                                  | -88,500           | -86,000            |
| -183              | -42                | Accrued interest  | -182              | -314               |
| <b>-105,683</b>   | <b>-75,042</b>     | <b>Total Borrowing</b>                                  | <b>-88,682</b>    | <b>-86,314</b>     |
|                   |                    | <b>Liabilities at amortised cost:</b>                   |                   |                    |
| 0                 | -4,570             | Trade payables  | 0                 | -2,329             |
| <b>0</b>          | <b>-4,570</b>      | <b>Included in Creditors</b>                            | <b>0</b>          | <b>-2,329</b>      |
| -13,386           | -35,375            | <i>Liabilities not defined as financial instruments</i> | -12,007           | -12,279            |
| <b>-13,386</b>    | <b>-39,945</b>     | <b>Total Creditors</b>                                  | <b>-12,007</b>    | <b>-14,608</b>     |
| <b>-105,683</b>   | <b>-79,612</b>     | <b>Total Financial Liabilities</b>                      | <b>-88,682</b>    | <b>-88,643</b>     |

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

| 31 March 2022                                  |               |  | 31 March 2023 |               |
|--|---------------|--|---------------|---------------|
| Long Term                                      | Short Term    | Financial Assets                                   | Long Term     | Short Term    |
| £000   | £000          |  | £000          | £000          |
|  | (Restated)    |  |               |               |
| <b>At fair value through profit &amp; loss</b> |               |  |               |               |
| 3  | 20,348        | Principal  | 0             | 15,685        |
| <b>3</b>                                       | <b>20,348</b> | <b>Total Investments</b>                           | <b>0</b>      | <b>15,685</b> |
| <b>At amortised cost</b>                       |               |  |               |               |
|  | 2,661         | Principal  | 0             | 1,691         |
| <b>At fair value through profit &amp; loss</b> |               |  |               |               |
|  | 17,905        | Fair value   |               | 0             |
|  | <b>20,566</b> | <b>Total Cash and Cash Equivalents</b>             |               | <b>1,691</b>  |
| <b>At amortised cost</b>                       |               |  |               |               |
|  | 1,192         | Trade receivables                                  |               | 1,231         |
| 4,502  | 7             | Loans made for service purposes                    | 1,282         | 3,763         |
| <b>4,502</b>                                   | <b>1,199</b>  | <b>Included in Debtors</b>                         | <b>1,282</b>  | <b>4,994</b>  |
| 0  | 19,773        | <i>Assets not defined as financial instruments</i> |               | 9,727         |
| <b>4,502</b>                                   | <b>20,972</b> | <b>Total Debtors</b>                               | <b>1,282</b>  | <b>14,721</b> |
| <b>4,505</b>                                   | <b>42,113</b> | <b>Total Financial Assets</b>                      | <b>1,282</b>  | <b>22,370</b> |

Details of the restated values for Financial Assets in 2021/22 are set out for the Balance Sheet and the Cash Flow Statement in a note of explanation for the prior year adjustment (see note 39).

## Financial Instruments - Gains and Losses

The gains and losses recognised in the CIES in relation to financial instruments consist of the following:

| 2021/22               |                  |                       |               | 2022/23               |                  |                       |               |
|-----------------------|------------------|-----------------------|---------------|-----------------------|------------------|-----------------------|---------------|
| Financial Liabilities | Financial Assets | Fair Value            | Total         | Financial Liabilities | Financial Assets | Fair Value            | Total         |
| Amortised Cost        | Amortised Cost   | through Profit & Loss |               | Amortised Cost        | Amortised Cost   | through Profit & Loss |               |
| £000                  | £000             | £000                  | £000          | £000                  | £000             | £000                  | £000          |
| -2,939                | 0                | 0                     | -2,939        | -3,257                | 0                | 0                     | -3,257        |
| <b>-2,939</b>         | <b>0</b>         | <b>0</b>              | <b>-2,939</b> | <b>-3,257</b>         | <b>0</b>         | <b>0</b>              | <b>-3,257</b> |
| 0                     | 205              | 581                   | 786           | 0                     | 246              | 1,052                 | 1,298         |
| 0                     | 0                | 758                   | 758           | 0                     | 0                | -1,669                | -1,669        |
| <b>0</b>              | <b>205</b>       | <b>1,339</b>          | <b>1,544</b>  | <b>0</b>              | <b>246</b>       | <b>-617</b>           | <b>-371</b>   |
| <b>-2,939</b>         | <b>205</b>       | <b>1,339</b>          | <b>-1,395</b> | <b>-3,257</b>         | <b>246</b>       | <b>-617</b>           | <b>-3,628</b> |
| 0                     | 0                | 0                     | 0             | 0                     | 0                | 0                     | 0             |
| <b>0</b>              | <b>0</b>         | <b>0</b>              | <b>0</b>      |                       |                  |                       |               |
| <b>-2,939</b>         | <b>205</b>       | <b>1,339</b>          | <b>-1,395</b> | <b>-3,257</b>         | <b>246</b>       | <b>-617</b>           | <b>-3,628</b> |

## Financial Instruments – Fair Values

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

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 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,
- No early repayment or impairment is recognised for any financial instrument, and
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount, given the continued low interest rate environment.

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

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



| 31 March 2022    |                        |                 | 31 March 2023                                       |                  |                        |                 |
|------------------|------------------------|-----------------|---|------------------|------------------------|-----------------|
| Fair Value Level | Carrying Amount £000   | Fair Value £000 | Financial Liabilities                               | Fair Value Level | Carrying Amount £000   | Fair Value £000 |
|                  |                        |                 | <b>Financial Liabilities held at Amortised Cost</b> |                  |                        |                 |
| 2                | -92,636                | -90,851         | Long Term Loans from PWLB                           | 2                | -87,639                | -68,619         |
| 2                | -3,038                 | -4,430          | Barclays Loan                                       | 2                | -3,038                 | -3,881          |
| 2                | -85,051                | -84,707         | Local Authority Loans                               | 2                | -84,320                | -84,133         |
|                  | <u>-180,725</u>        | <u>-179,988</u> | <b>Total</b>  |                  | <u>-174,997</u>        | <u>-156,633</u> |
|                  | -4,570                 |                 | Liabilities for which fair value is not disclosed   | *                | <u>-2,329</u>          |                 |
|                  | <u><b>-185,295</b></u> |                 | <b>Total Financial Liabilities</b>                  |                  | <u><b>-177,326</b></u> |                 |
|                  |                        |                 | <b>Recorded on Balance Sheet as:</b>                |                  |                        |                 |
|                  | -4,570                 |                 | Short Term Creditors                                |                  | -2,826                 |                 |
|                  | -75,042                |                 | Short Term Borrowing                                |                  | -88,500                |                 |
|                  | <u>-105,683</u>        |                 | Long Term Borrowing                                 |                  | <u>-86,000</u>         |                 |
|                  | <u><b>-185,295</b></u> |                 | <b>Total Financial Liabilities</b>                  |                  | <u><b>-177,326</b></u> |                 |

| 31 March 2022    |                      |                 | 31 March 2023                                  |                  |                      |                 |
|------------------|----------------------|-----------------|--|------------------|----------------------|-----------------|
| Fair Value Level | Carrying Amount £000 | Fair Value £000 | Financial Assets                               | Fair Value Level | Carrying Amount £000 | Fair Value £000 |
|                  | (Restated)           |                 |  |                  |                      |                 |
|                  |                      |                 | <b>Financial Assets held at Fair Value</b>     |                  |                      |                 |
| 1                | 17,449               | 17,449          | Bond Funds                                     | 1                | 15,686               | 15,797          |
| 1                | 17,905               | 17,905          | Money Market Funds                             | 1                | 0                    | 0               |
|                  |                      |                 | <b>Financial Assets held at Amortised Cost</b> |                  |                      |                 |
| *                | 2,661                | 2,661           | Bank Accounts                                  | *                | 1,691                | 1,691           |
| *                | 2,902                | 2,899           | Term Deposits                                  | *                | 0                    | 0               |
| 2                | 5,324                | 5,430           | Loans made for Service Purposes                | 2                | 5,045                | 5,068           |
|                  | <b>46,241</b>        | <b>46,344</b>   | <b>Total</b>                                   |                  | <b>22,422</b>        | <b>22,556</b>   |
| *                | 1,192                |                 | Assets for which fair value is not disclosed   | *                | 1,231                |                 |
|                  | <b>47,433</b>        |                 | <b>Total Financial Assets</b>                  |                  | <b>23,653</b>        |                 |
|                  |                      |                 | <b>Recorded on Balance Sheet as:</b>           |                  |                      |                 |
|                  | 3                    |                 | Long-Term Investments                          |                  | 0                    |                 |
|                  | 4,502                |                 | Long-Term Debtors                              |                  | 1,282                |                 |
|                  | 20,348               |                 | Short-Term Investments                         |                  | 15,685               |                 |
|                  | 2,014                |                 | Short-Term Debtors                             |                  | 4,995                |                 |
|                  | 20,566               |                 | Cash & Cash Equivalents                        |                  | 1,691                |                 |
|                  | <b>47,433</b>        |                 | <b>Total Financial Assets</b>                  |                  | <b>23,653</b>        |                 |

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

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



Details of the restated values for Financial Assets in 2021/22 are set out for the Balance Sheet and the Cash Flow Statement in a note of explanation for the prior year adjustment (see note 39). The reduction in the value of cash and cash equivalents in 2022/23 is due to fact that balances were utilised to reduce new external borrowing needs in readiness for Somerset West and Taunton Council to become part of the new Unitary Council, Somerset Council on 1 April 2023.

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

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

## Note 17. Nature and Extent of Risks Arising from Financial Instruments

The Council has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with the reporting requirements of The Prudential Code for Capital Finance in Local Authorities (both of which saw substantial revisions in December 2021).

As part of the adoption of the Treasury Management Code, the Council approves a Capital, Investment and Treasury Strategy before the start of each financial year. This comprehensive strategy document includes the setting of parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Capital, Investment and Treasury Strategy includes an Annual Investment Strategy, which complies with the requirements of guidance originating from HM Treasury. This guidance emphasises that priority is to be given to security and liquidity, rather than yield. Hence the Council's financial strategy for treasury management is to improve the net income available through treasury management to fund services, whilst maintaining a prudent balance between security, liquidity and yield.

The Council's treasury management activities potentially expose it to a variety of financial risks including:

- **Credit Risk** - the possibility that other parties might fail to pay amounts due to the Council.
- **Liquidity Risk** - the possibility that the Council might not have funds available to meet its commitments to make payments.
- **Market Risk** - the possibility that financial loss may arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council also recognises the importance of careful management of its investment properties and the aspects of risk these may bring. Over and above those identified above, property market and economic risks include potential volatility in income, financing, and management costs. Whilst income volatility is expected to be low, no investment is risk-free. The risks on commercial property investments are mitigated through a combination of prudent budgeting, governance, reporting and scrutiny, all of which are supported by earmarked investment risk reserves.

### Credit Risk: Treasury Investments

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

A limit of up to £7.0m is placed on the amount of money that can be invested with a single counterparty. The Council also sets a total group investment limit for institutions that are part of the same banking group. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £7.0m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown it is rare for such entities to be unable to meet their commitments. A risk of non-recovery applies to all of the Council's deposits, but there was no evidence at the 31 March 2023 that this was likely to crystallise.

The Council does not hold collateral against any investments.

### Credit Risk Exposure

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity:

| 2021/22           |                    |                   | Credit Rating | 2022/23            |  |
|-------------------|--------------------|-------------------|---------------|--------------------|--|
| Long Term<br>£000 | Short Term<br>£000 | Long Term<br>£000 |               | Short Term<br>£000 |  |
| <b>(Restated)</b> |                    |                   |               |                    |  |
| 0                 | 35,354             | AAA               | 0             | 15,685             |  |
| 0                 | 2,899              | AA                | 0             | 0                  |  |
| 0                 | 1,500              | A                 | 0             | 0                  |  |
| <b>0</b>          | <b>39,753</b>      | <b>Total</b>      | <b>0</b>      | <b>15,685</b>      |  |

Details of the restated values for Financial Assets in 2021/22 are set out for the Balance Sheet and the Cash Flow Statement in a note of explanation for the prior year adjustment (see note 39, pages 94 and 95).

### Trade Receivables

During 2022/23 the Council continued to carefully review historic debtor balances and has written off old irrecoverable debts. The Council has a policy of exploring cost effective ways to ensure debts are fully recovered and thus minimise exposure to credit risk.

The following analysis summarises the Council's trade and lease receivables, by due date. Only those receivables meeting the definition of a financial asset are included.

| 31 March<br>2022 Trade<br>Debtors<br>£000  | 31 March<br>2023 Trade<br>Debtors<br>£000 |
|--|---|
| 1,628 Past due less than 3 months          | 1,155                                     |
| 129 Past due over 3 months up to 12 months | 117                                       |
| 65 Past due over 12 months up to 24 months | 295                                       |
| 196 Past due over 24 months                | 134                                       |
| <b>2,018</b>                               | <b>1,701</b>                              |

### Credit Risk: Loans

To meet the Council's service objectives, it has lent money to local organisations at market rates. The amount recognised on the balance sheet is £4.011m.

The Council manages the credit risk inherent in its loans for service purposes in line with its published Investment Strategy.

Loss allowances on loans for service purposes total £0.038m (£0.043m 2021/22) and have been calculated by reference to 12-month expected credit losses as there is no experience of default on such loans.

## Liquidity Risk

The Council has had varying access to borrowing at favourable rates from the Public Works Loans Board during 2022/23. It has also been able to borrow extensively from other local authorities for short duration, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it might need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. The risk is managed by maintaining a spread of fixed and variable rate loans. The fixed rate loans are implicitly linked to long-term housing assets, and shorter-term variable loans to commercial properties.

The maturity analysis of the principal sums borrowed is as follows:

| 2021/22                  |                    |                               | 2022/23           |                    |
|--------------------------|--------------------|-------------------------------|-------------------|--------------------|
| Long Term<br>£000        | Short Term<br>£000 |                               | Long Term<br>£000 | Short Term<br>£000 |
| <b>Loans by Type</b>     |                    |                               |                   |                    |
| 87,500                   | 5,000              | Public Works Loan Board       | 80,500            | 7,000              |
| 3,000                    | 0                  | Other Financial Institutions  | 3,000             | 0                  |
| 15,000                   | 70,000             | Other Local Authorities       | 5,000             | 79,000             |
| <b>105,500</b>           | <b>75,000</b>      |                               | <b>88,500</b>     | <b>86,000</b>      |
| <b>Loans by Maturity</b> |                    |                               |                   |                    |
|                          | 75,000             | Less than 1 year              |                   | 86,000             |
| 17,000                   |                    | Over 1 but not over 2 years   | 6,000             |                    |
| 34,000                   |                    | Over 2 but not over 5 years   | 35,000            |                    |
| 17,500                   |                    | Over 5 but not over 10 years  | 10,500            |                    |
| 0                        |                    | Over 10 but not over 15 years | 0                 |                    |
| 37,000                   |                    | More than 20 years            | 37,000            |                    |
| <b>105,500</b>           | <b>75,000</b>      |                               | <b>88,500</b>     | <b>86,000</b>      |

## Market Risks:

### Interest Rate Risk

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

- Borrowings at variable rates – the interest expense will rise
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- Investments at variable rates – the interest income credited will rise
- Investments at fixed rates – the fair value of the assets will fall

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the CIES. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

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

If all interest rates had been 1% higher with all other variables held constant, the financial effect would be:

| <b>2022/23</b>   | <b>£000</b> |
|--|-------------|
| Increase in interest payable on variable rate borrowings         | 0           |
| Increase in interest receivable on variable rate investments     | 16          |
| <b>Impact on Surplus or Deficit on the Provision of Services</b> | <b>16</b>   |
| Decrease in fair value of fixed rate borrowings                  | -5,871      |
| Decrease in fair value of fixed rate investment assets           | 0           |

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

### Price Risk

The Council does not generally invest in equity shares and so is not subject to equity price risk.

### Foreign Exchange Risk

The Authority has no financial assets or liabilities denominated in foreign currencies, thus has no exposure to loss arising from movements in exchange rates.

### Note 18. Assets Held for Sale

The table below details the balances of Assets Held for Sale at 31 March. For an asset to be classified as held for sale it must meet the following criteria:

- Be available for sale in its present condition,
- The sale must be highly probable and have Member approval,
- The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value, and
- The sale must be expected to be completed within one year of classification (in some circumstances if it is expected to take longer than a year to complete but still meets the other criteria it may be included as a non-current asset held for sale).

Also included as assets held for sale are Right-To-Buy (RTB) applications where it is highly probable the Council Dwelling will be sold through the RTB process.

Assets Held for Sale are revalued every year at 31 March and are recognised at the lower of carrying value and fair value less costs to sell. The maximum amount at which an asset is carried is the amount at which it was initially recognised as Held for Sale. All valuations were carried out in accordance with standards set out by the Royal Institution of Chartered Surveyors (RICS).

| <b>2021/22</b>  | <b>2021/22</b> |
|---|----------------|
| <b>£000</b>   | <b>£000</b>    |
| <b>3,560 Balance outstanding at start of the year</b> | <b>4,924</b>   |
| Assets newly classified as held for sale:             |                |
| 2,848 Property, Plant and Equipment                   | 0              |
| Assets declassified as held for sale:                 |                |
| 0 Property, Plant and Equipment                       | -1,768         |
| Surplus assets not held for sale:                     |                |
| -1,484 Assets sold                                    | -1,782         |
| <b>4,924 Balance outstanding at year end</b>          | <b>1,374</b>   |

**Note 19. Inventories**

The Council holds Inventories of £0.834m.

| <b>31 March 2022</b> |   | <b>31 March 2023</b> |
|----------------------|---|----------------------|
| <b>£000</b>          |   | <b>£000</b>          |
| 4,138                | Inventory assets relating to Regeneration Schemes | 686                  |
| 202                  | Other Inventories comprising Materials and stock  | 148                  |
| <b>4,340</b>         | <b>Total</b>                                      | <b>834</b>           |

Statement of inventory assets relating to the Coal Orchard Regeneration Scheme

| <b>Coal Orchard Disclosure Statement</b> | <b>Number of Properties Sold</b> | <b>£000</b>   |
|--|----------------------------------|---------------|
| Opening Balance                          | 29                               | 4,138         |
| Disposals                                | -25                              | -3,452        |
| <b>Closing Balance</b>                   | <b>4</b>                         | <b>686</b>    |
| Build Costs                              |                                  | 3,451         |
| Disposal Statement                       |                                  | -4,488        |
| <b>Net Gain On Disposal</b>              |                                  | <b>-1,037</b> |

The council has developed properties in the past, the Coal Orchard Regeneration Scheme, where the purpose was entirely for resale and therefore the stock was classified as inventory, not PPE Assets held for sale. In 2022/23, the majority of this stock was sold as set out on the above tables with a surplus on the disposal generated of £1.037m.

**Note 20. Debtors**

Debtors are amounts owed to the Council but remain unpaid. The table below details the Council's debtors at 31 March 2023. Included in the figures is a credit loss allowance as relevant for the debt types.

**Current Debtors:**

| <b>31 March 2022</b> |                          | <b>31 March 2023</b> |
|----------------------|--------------------------|----------------------|
| <b>£000</b>          |                          | <b>£000</b>          |
| 1,192                | Trade receivables        | 1,231                |
| 807                  | Prepayments              | 623                  |
| 18,973               | Other receivable amounts | 12,867               |
| <b>20,972</b>        | <b>Total</b>             | <b>14,721</b>        |

The substantial reduction in other receivable amounts as at 31<sup>st</sup> March 2023 was primarily due to a decrease in the central government overall share of the collection fund position of £9m at the year end.

**Long-term Debtors:**

Long-term debtors are debtors that are due in over 12 months. The following table identifies these by type:

| <b>31 March 2022</b> |                             | <b>31 March 2023</b> |
|----------------------|-----------------------------|----------------------|
| <b>£000</b>          |                             | <b>£000</b>          |
| 357                  | Sundry Mortgages            | 402                  |
| 14                   | Car/Bike Loans to Employees | 4                    |
| 4,174                | Service Loans               | 914                  |
| -43                  | Expected Credit Losses      | -38                  |
| <b>4,502</b>         | <b>Total</b>                | <b>1,282</b>         |

### Debtors for Local Taxation:

Those debtors for local taxation (Council Tax and non-domestic rates) that have passed their due date, but have not been impaired, can be analysed by age as follows:

| <b>31 March 2022</b> |                       | <b>31 March 2023</b> |
|----------------------|-----------------------|----------------------|
| <b>£000</b>          |                       | <b>£000</b>          |
| 945                  | Less than one year    | 1,311                |
| 405                  | One to two years      | 475                  |
| 390                  | Two to three years    | 279                  |
| 898                  | More than three years | 1,061                |
| <b>2,638</b>         | <b>Total</b>          | <b>3,126</b>         |

### Note 21. Cash and Cash Equivalents

The table below shows how the balance of cash and cash equivalents held by the Council at 31 March is made up. Cash and cash equivalents are highly liquid investments that are readily convertible into known amounts of cash. The details of what is included as cash and cash equivalents is set out in item (iii) of the Accounting Policies.

| <b>31 March 2022</b> |  | <b>31 March 2023</b> |
|----------------------|--|----------------------|
| <b>£000</b>          |  | <b>£000</b>          |
| <b>(Restated)</b>    |  |                      |
| 11                   | Cash held by the Council               | 6                    |
| 1,150                | Bank current accounts                  | 1,685                |
| 1,500                | Call Accounts                          | 0                    |
| 0                    | Debt Management Office                 | 0                    |
| 17,905               | Money Market Fund                      | 0                    |
| <b>20,566</b>        | <b>Total Cash and Cash Equivalents</b> | <b>1,691</b>         |

Details of the restated values for Financial Assets in 2021/22 are set out for the Balance Sheet and the Cash Flow Statement in a note of explanation for the prior year adjustment (see note 39). The balance sheet also shows the restated position as at 1 April 2021, reflecting the change in accounting policy applied. The reduction in the value of cash and cash equivalents in 2022/23 is due to fact that balances were utilised to reduce new external borrowing needs in readiness for Somerset West and Taunton Council to become part of the new Unitary Council, Somerset Council on 1 April 2023.

### Note 22. Creditors

The table below details the Council's creditors as at 31 March. Creditors are amounts owed by the Council at in respect of goods and services received before the end of the financial year.

**Creditors: Short-term Creditors (under one year)**

| <b>31 March 2022</b> |                | <b>31 March 2023</b> |
|----------------------|----------------|----------------------|
| <b>£000</b>          |                | <b>£000</b>          |
| -4,570               | Trade payables | -2,329               |
| -35,101              | Other payables | -10,987              |
| <b>-39,671</b>       | <b>Total</b>   | <b>-13,316</b>       |

**Note 23. Provisions**

|  | <b>NNDR</b>    | <b>Short-Term</b> | <b>Total</b> |
|--|----------------|-------------------|--------------|
|  | <b>Appeals</b> | <b>Other</b>      |              |
|  | <b>£000</b>    | <b>Provisions</b> | <b>£000</b>  |
|  | <b>£000</b>    | <b>£000</b>       | <b>£000</b>  |
| <b>Balance at start of year - 1 April 2022</b> | <b>276</b>     | <b>0</b>          | <b>276</b>   |
| Additional provisions made in year             | 1,001          | 0                 | 1,001        |
| Amounts used in year                           | -276           | 0                 | -276         |
| Unused amounts reversed in year                | 0              | 0                 | 0            |
| <b>Balance at year-end - 31 March 2023</b>     | <b>1,001</b>   | <b>0</b>          | <b>1,001</b> |
| <b>Balance at start of year - 1 April 2021</b> | <b>883</b>     | <b>20</b>         | <b>903</b>   |
| Additional provisions made in year             | 0              | 0                 | 0            |
| Amounts used in year                           | -284           | 0                 | -284         |
| Unused amounts reversed in year                | -323           | -20               | -343         |
| <b>Balance at year-end - 31 March 2022</b>     | <b>276</b>     | <b>0</b>          | <b>276</b>   |



**Note 24. Usable Reserves**

The table below details the Council's usable reserves which can be applied to fund expenditure or reduce local taxation. Further detail can be found with the Movement in Reserves Statement.

| <b>31 March 2022</b> |  | <b>31 March 2023</b> |
|----------------------|--|----------------------|
| <b>£000</b>          |  | <b>£000</b>          |
| 7,592                | General Fund Balance                       | 11,468               |
| 27,990               | General Fund Earmarked Reserves            | 15,740               |
| 3,413                | Housing Revenue Account Balance            | 2,986                |
| 54                   | Housing Revenue Account Earmarked Reserves | 258                  |
| 18,398               | Capital Receipts Reserve                   | 21,255               |
| 8,201                | Major Repairs Reserve                      | 7,485                |
| 18,990               | Capital Grants Unapplied Account           | 21,681               |
| <b>84,639</b>        | <b>Total Usable Reserves</b>               | <b>80,873</b>        |

**Note 25. Unusable Reserves**

The table below details the Council's unusable reserves. These are reserves that cannot be applied to fund expenditure or reduce local taxation – they are not usable resources.

| <b>31 March 2022</b> |   | <b>31 March 2023</b> |
|----------------------|---|----------------------|
| <b>£000</b>          |   | <b>£000</b>          |
| <b>(Restated)</b>    |   |                      |
| 187,794              | Revaluation Reserve                       | 156,638              |
| 177,907              | Capital Adjustment Account                | 179,441              |
| -128,970             | Pensions Reserve                          | -33,053              |
| -7,295               | Collection Fund Adjustment Account        | -901                 |
| -436                 | Accumulated Absences Account              | -457                 |
| 354                  | Financial Instruments Revaluation Reserve | -1,314               |
| <b>229,354</b>       | <b>Total Unusable Reserves</b>            | <b>300,354</b>       |

**Revaluation Reserve**

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost,
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, this is the date which the reserve was created. Accumulated gains arising before this date are consolidated into the balance on the Capital Adjustment Account.

The table below shows the transactions that have gone through the revaluation reserve:

| 31 March 2022  |  | 31 March 2023 |                |
|----------------|--|---------------|----------------|
| £000           |  | £000          | £000           |
| (Restated)     |  |               |                |
| 143,115        | <b>Balance as at 1 April</b>   |               | <b>187,794</b> |
| 51,396         | Upward revaluation of assets   | 2,760         |                |
| -5,801         | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services   | -32,598       |                |
| 45,595         | Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services |               | -29,838        |
| -360           | Difference between fair value depreciation and historical cost depreciation  | -429          |                |
| -556           | Accumulated gains on assets sold or scrapped   | -889          |                |
| -916           | Amount written off to the Capital Adjustment Account   |               | -1,318         |
| <b>187,794</b> | <b>Balance as at 31 March</b>  |               | <b>156,638</b> |

Details of the restated values for the Revaluation Reserve in 2021/22 are set out for the Balance Sheet, Comprehensive Income and Expenditure Statement and Movement in Reserves Statement in a note of explanation for the prior year adjustment (see note 39, pages 95 and 96).

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES. The account is credited with amounts set aside by the Council as finance for the cost of acquisition, construction and subsequent costs.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains and losses on Property, Plant and Equipment before 1 April 2007 - the date that the Revaluation Reserve was created to hold such gains.

Note 8 – Adjustments between Accounting Basis and Funding Basis under Regulations, provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

The Capital Adjustment Account is presented overleaf:

## Capital Adjustment Account

| 31 March 2022  |  | 31 March 2023 |                |
|----------------|--|---------------|----------------|
| £000           |  | £000          | £000           |
| <b>176,029</b> | <b>Balance as at 1 April</b>   |               | <b>177,907</b> |
|                | <i>Reversal of items relating to capital expenditure debited or credited to the CIES</i>                       |               |                |
| -12,433        | Charges for Depreciation and impairment of non current assets  | -11,877       |                |
| -311           | Revaluation losses on Property, Plant and Equipment  | -1,704        |                |
| -311           | Amortisation of intangible assets  | -483          |                |
| -7,129         | Revenue expenditure funded from capital under statute  | -2,826        |                |
| -504           | Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | -6,071        |                |
| -20,688        |  |               | -22,961        |
| -916           | Adjusting amounts written out of the Revaluation Reserve   |               | 1,318          |
| <b>-21,604</b> | <b>Net written out amount of the cost of non current assets consumed in the year</b>                           |               | <b>-21,643</b> |
|                | <i>Capital financing applied in the year:</i>  |               |                |
| 3,991          | Use of the Capital Receipts Reserve to finance new capital expenditure   | 3,654         |                |
| 6,782          | Use of Major Repairs Reserve to finance new capital expenditure  | 9,802         |                |
| 926            | Capital grants and contributions credited to CIES that have been applied to capital financing                  | 615           |                |
| 5,470          | Application of grants to capital financing from the Capital Grants Unapplied Account                           | 6,148         |                |
| 0              | Correction to capital financing entries from previous years  | 1,245         |                |
| 5,095          | Statutory provision for the financing of capital investment charged against the General Fund and HRA balances  | 5,333         |                |
| 4,491          | Capital expenditure charged against the General Fund and HRA balances  | 890           |                |
| 26,755         |  |               | 27,687         |
| -1,871         | Movements in the market value of Investment Properties debited or credited to the CIES                         |               | -3,686         |
| -1,402         | Deferred Debtors repaid  |               | -824           |
| <b>177,907</b> | <b>Balance as at 31 March</b>  |               | <b>179,441</b> |

## Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions.

The Council accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns in any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to the pension fund or eventually pays any pensions for which it is directly responsible.

The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that the funding will have been set aside by the time the benefits come to be paid.

Transactions in the pension reserve are as shown in the table below:

| 2021/22<br>£000   | 2022/23<br>£000 |
|---|-----------------|
| <b>-140,156 Balance as at 1 April</b>                                   | <b>-128,970</b> |
| 22,337 Remeasurement of the net defined benefit (liability)/assets      | 102,658         |
| Reversal of items relating to retirement benefits debited or            |                 |
| -16,763 credited to the Surplus or Deficit on the Provision of Services | -12,697         |
| in the CIES   |                 |
| 5,612 Employer's pension contributions and direct payments to           |                 |
| pensioners payable in the year  | 5,956           |
| <b>-128,970 Balance as at 31 March</b>                                  | <b>-33,053</b>  |

The reduction in the liability is largely due to an increase in the discount rate the Actuary has applied, which has gone 2.6% to 4.8% because of the current economic climate and interest rates.

## Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Business Rates income in the CIES as it falls due from Council Tax payers and business ratepayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

The balance shown on the Collection Fund Adjustment Account represents the Council's share of the Collection Fund surplus or deficit. Both elements of the Collection Fund (i.e. Council Tax and Business Rates) include an adjustment for the ongoing effects that COVID-19 had on the Business Rates and Council Tax collection funds, which allowed the deficits created to be spread over a three-year period. The last year of the spreading adjustment will occur in 2023/24.

| 2021/22             |                        |               | 2022/23  |                        |               |
|---------------------|------------------------|---------------|--|------------------------|---------------|
| Council Tax<br>£000 | Business Rates<br>£000 | Total<br>£000 | Council Tax<br>£000  | Business Rates<br>£000 | Total<br>£000 |
| -58                 | -15,843                | -15,901       | 169  | -7,464                 | -7,295        |
|                     |                        |               | <b>Balance as at 1 April</b>   |                        |               |
|                     |                        |               | Amount by which council tax and non-domestic rates income credited to the CIES is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements |                        |               |
| 227                 | 8,379                  | 8,606         | 380  | 6,014                  | 6,394         |
| <b>169</b>          | <b>-7,464</b>          | <b>-7,295</b> | <b>549</b>   | <b>-1,450</b>          | <b>-901</b>   |
|                     |                        |               | <b>Balance as at 31 March</b>  |                        |               |

### Accumulated Absences Account

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

| 2021/22 |             | 2022/23  |             |
|---------|-------------|--|-------------|
| £000    | £000        | £000   | £000        |
|         | <b>-478</b> |  | <b>-436</b> |
|         |             | <b>Balance as at 1st April</b>   |             |
|         |             | Settlement or cancellation of accrual made at the end of the preceding year  |             |
| 478     |             | 436  |             |
| -436    |             | -457   |             |
|         |             |  |             |
|         | 42          |  | -21         |
|         |             | Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements. |             |
|         | <b>-436</b> |  | <b>-457</b> |
|         |             | <b>Balance as at 31st March</b>  |             |

## Financial Instruments Revaluation Reserve

This is an Unusable Reserve that contains the gains made by the authority arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are either

- a) revalued downwards or impaired and the gains are lost, or
- b) disposed of and the gains are realised

| 2021/22<br>£000                                    | 2022/23<br>£000 |
|--|-----------------|
| <b>-403</b>  | <b>354</b>      |
| <b>Balance as at 1st April</b>                     |                 |
| 1,050  | 0               |
| Upward revaluation of Investments                  |                 |
| -293   | -1,668          |
| Downward revaluation of investment                 |                 |
| <b>354</b>   | <b>-1,314</b>   |
| <b>Balance as at 31st March</b>                    |                 |
| Accumulated gains or losses on assets sold and     |                 |
| 0  | 0               |
| maturing assets written out to the CIES as part of |                 |
| other investment income                            |                 |
| <b>354</b>   | <b>-1,314</b>   |
| <b>Balance as at 31st March</b>                    |                 |

**Note 26. Cash Flow Statement – Operating Activities**

The cash flows for operating activities include the following items:

| <b>2021/22</b>  | <b>2022/23</b> |
|---|----------------|
| <b>£000</b>   | <b>£000</b>    |
| 812 Interest received                                 | 1,333          |
| -2,912 Interest paid                                  | -2,991         |
| <b>-2,100 Net Cash Flow From Operating Activities</b> | <b>-1,658</b>  |

The surplus/deficit on the provision of services has been adjusted for the following non-cash movements:

| <b>2021/22</b>   | <b>2022/23</b> |
|--|----------------|
| <b>£000</b>  | <b>£000</b>    |
| 10,904 Depreciation  | 11,892         |
| 1,887 Impairment and downward valuations                         | 1,695          |
| 311 Amortisation   | 483            |
| 1,871 Movement in fair value of investment property              | 3,686          |
| -397 Increase/ (decrease) in impairment for bad debts            | 69             |
| 7,079 Increase/ (decrease) in creditors                          | -26,084        |
| 15,869 (Increase)/ decrease in debtors                           | 11,166         |
| -28 (Increase)/ decrease in inventories                          | 3,506          |
| 11,151 Movement in pension liability                             | 6,741          |
| 4,003 Increase/ (decrease) in Grants Receipts In Advance         | -361           |
| 2,336 Carrying amount of non-current assets sold or derecognised | 2,620          |
| -627 Increase/ (decrease) in provisions                          | 725            |
| <b>54,359 Adjustments For Non-Cash Movements</b>                 | <b>16,138</b>  |

The surplus or deficit on the provision of services has also been adjusted for the following items that are investing or financing activities (see also Notes 27 and 28 overleaf):

| <b>2021/22</b>   | <b>2022/23</b> |
|--|----------------|
| <b>£000</b>  | <b>£000</b>    |
| -4,221 Proceeds from the sale of property plant and equipment, investment property and intangible assets | -8,142         |
| <b>-4,221 Adjustments For Investing and Financing Activities</b>   | <b>-8,142</b>  |

**Note 27. Cash Flow Statement – Investing Activities**

| <b>2021/22</b>    |  | <b>2022/23</b> |
|-------------------|--|----------------|
| <b>£000</b>       |  | <b>£000</b>    |
| <b>(Restated)</b> |  |                |
| -74,616           | Purchase of Property, Plant and Equipment, Investment Property and intangible assets               | -26,327        |
| -63,128           | Purchase of short-term & long-term investments   | -8,898         |
| 4,221             | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 8,142          |
| 46,034            | Proceeds from short-term and long-term investments   | 11,797         |
| <b>-87,489</b>    | <b>Net cash flows from investing activities</b>  | <b>-15,286</b> |

Details of the restated values for Financial Assets in 2021/22 are set out for the Balance Sheet and the Cash Flow Statement in a note of explanation for the prior year adjustment (see note 39).

**Note 28. Cash Flow Statement – Financing Activities**

| <b>2021/22</b> |   | <b>2022/23</b> |
|----------------|---|----------------|
| <b>£000</b>    |   | <b>£000</b>    |
| 95,000         | Cash receipts of short-term and long-term borrowing | 79,000         |
| -77,000        | Repayment of short-term and long-term borrowing     | -85,000        |
| <b>18,000</b>  | <b>Net cash flows from financing activities</b>     | <b>-6,000</b>  |

**Reconciliation of Liabilities Arising from Financing Activities**

| <b>2021/22</b>       |                       | <b>2022/23</b> |
|----------------------|-----------------------|----------------|
| <b>£000</b>          |                       | <b>£000</b>    |
| <b>As at 1 April</b> |                       |                |
| 105,500              | Long Term Borrowings  | 105,500        |
| 57,000               | Short Term Borrowings | 75,000         |
| <b>162,500</b>       |                       | <b>180,500</b> |
| 18,000               | Financing Cash Flows  | -6,000         |
| <b>180,500</b>       | <b>As at 31 March</b> | <b>174,500</b> |
|                      |                       |                |
| 105,500              | Long Term Borrowings  | 88,500         |
| 75,000               | Short Term Borrowings | 86,000         |
| <b>180,500</b>       | <b>Total</b>          | <b>174,500</b> |



**Note 29. Members' Allowances**

The table below shows the amounts payable to Members of the Council as allowances and expenses during the year. More details of what was paid to our Members is available on the "Councillor allowances" page of Council's website.

| <b>2021/22</b>                         | <b>2022/23</b> |
|--|----------------|
| <b>£000</b>                            | <b>£000</b>    |
| 407 Allowances                         | 423            |
| 5 Expenses                             | 8              |
| <b>412 Allowances paid in the year</b> | <b>431</b>     |

**Note 30. Officers' Remuneration**

The remuneration of those senior officers on the payroll of Somerset West and Taunton Council were as follows:

| Post holder information (Post Title)                 |                | Salary,<br>Fees and<br>Allowances | Expenses<br>Allowances | Total<br>Remuneration<br>excluding<br>pension<br>contributions | Pension<br>Contributions | Total<br>Remuneration | Annualised<br>Salary |
|--|----------------|-----------------------------------|------------------------|--|--------------------------|-----------------------|----------------------|
|  |                | £                                 | £                      | £  | £                        | £                     | £                    |
| Chief Executive                                      | <b>2022/23</b> | <b>128,800</b>                    | <b>566</b>             | <b>129,366</b>   | <b>22,385</b>            | <b>151,751</b>        | <b>128,800</b>       |
|  | 2021/22        | 123,762                           | 0                      | 123,762  | 20,753                   | 144,515               | 126,875              |
| Director Development and Place                       | <b>2022/23</b> | <b>106,216</b>                    | <b>291</b>             | <b>106,507</b>   | <b>18,588</b>            | <b>125,095</b>        | <b>106,216</b>       |
|  | 2021/22        | 107,053                           | 0                      | 107,053  | 18,195                   | 125,248               | 104,291              |
| Director for Housing and Communities                 | <b>2022/23</b> | <b>106,216</b>                    | <b>368</b>             | <b>106,584</b>   | <b>18,588</b>            | <b>125,172</b>        | <b>106,216</b>       |
|  | 2021/22        | 104,291                           | 344                    | 104,635  | 18,251                   | 122,886               | 104,291              |
| Director of External Operations and Climate Change * | <b>2022/23</b> | <b>967</b>                        | <b>0</b>               | <b>967</b>   | <b>155</b>               | <b>1,122</b>          | <b>0</b>             |
|  | 2021/22        | 64,504                            | 205                    | 64,709   | 11,900                   | 76,609                | 104,291              |
| Director of Internal Operations                      | <b>2022/23</b> | <b>106,216</b>                    | <b>0</b>               | <b>106,216</b>   | <b>18,588</b>            | <b>124,804</b>        | <b>106,216</b>       |
|  | 2021/22        | 104,291                           | 0                      | 104,291  | 18,251                   | 122,542               | 104,291              |
| Assistant Director & S151 Officer                    | <b>2022/23</b> | <b>83,583</b>                     | <b>329</b>             | <b>83,912</b>  | <b>14,627</b>            | <b>98,539</b>         | <b>84,350</b>        |
|  | 2021/22        | 73,215                            | 306                    | 73,521   | 12,813                   | 86,334                | 73,215               |
| Governance Manager (Monitoring Officer) **           | <b>2022/23</b> | <b>48,960</b>                     | <b>0</b>               | <b>48,960</b>  | <b>8,568</b>             | <b>57,528</b>         | <b>61,200</b>        |
|  | 2021/22        | 57,511                            | 0                      | 57,511   | 10,064                   | 67,575                | 57,511               |

Notes regarding senior officers:-

\* This was back pay paid to the previous postholder for 2021/22. Please note that this post was vacant for the whole of 2022/23.

\*\* This postholder worked part time during 2022/23.

The table below shows the number of other employees, (excluding the senior employees in the table above) whose remuneration, (excluding employer's pension contributions) was £50,000 or more for the year in bands of £5,000 were:

| 2021/22<br>Number of<br>employees<br>Total | Remuneration Band | 2022/23<br>Number of<br>employees<br>Total |
|--|-------------------|--|
| 35   | £50,000 - £54,999 | 10   |
| 3  | £55,000 - £59,999 | 28   |
| 4  | £60,000 - £64,999 | 3  |
| 6  | £65,000 - £69,999 | 2  |
| 1  | £70,000 - £74,999 | 0  |
| 0  | £75,000 - £79,999 | 9  |
| 1  | £80,000 - £84,999 | 0  |

### Termination Benefits

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

| Exit Package Cost Band<br>(including special<br>payments) | Number of Other<br>Departures Agreed |          | Number of<br>Compulsory<br>Redundancies |          | Total Number of<br>Exit Packages By<br>Cost Band |          | Total Cost of Exit<br>Packages In Each<br>Band |               |
|---|--------------------------------------|----------|---|----------|--|----------|--|---------------|
|   | 2021/22                              | 2022/23  | 2021/22                                 | 2022/23  | 2021/22  | 2022/23  | 2021/22  | 2022/23       |
|   |                                      |          |   |          |  |          | £  | £             |
| £0 - £20,000  | 2                                    | 2        | 0                                       | 0        | 2  | 2        | 25,062   | 2,543         |
| £20,001-£40,000   | 3                                    | 1        | 0                                       | 0        | 3  | 1        | 81,919   | 21,165        |
| £40,001-£60,000   | 1                                    | 0        | 0                                       | 0        | 1  | 0        | 41,478   | 0             |
| £60,001-£80,000   | 0                                    | 1        | 0                                       | 0        | 0  | 1        | 0  | 73,284        |
| <b>Total included in the CIES</b>                         | <b>6</b>                             | <b>4</b> | <b>0</b>                                | <b>0</b> | <b>6</b>   | <b>4</b> | <b>148,459</b>                                 | <b>96,993</b> |

### Note 31. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts:

| 2021/22<br>£000   | 2022/23<br>£000 |
|---|-----------------|
| 74  | 81              |
| Fees payable to external auditors with regards to external audit services carried out by the appointed auditor for the year |                 |
| 26  | 32              |
| Fees paid to external auditors for the certification of grant claims and returns for the year                               |                 |
| <b>100 Total</b>  | <b>113</b>      |

The cost of the basic 2022/23 audit fee was £55k, with additional charges of £26k also being incurred. Fees of £32k relate to the certification of grant claims and include £25k for grant claims relating to Housing Benefit Subsidy and £7k for Capital Receipts Pooling.

**Note 32. Grant Income**

The Council credited the following grants, contributions and donations to the CIES in 2022/23:

| 2021/22<br>£000   |                                      | 2022/23<br>£000 |
|---|--------------------------------------|-----------------|
| <b>Credited to Taxation and Non Specific Grant Income</b> |                                      |                 |
| -6  | Revenue Support Grant                | -7              |
| -1,743  | New Homes Bonus                      | -1,567          |
| -2,907  | Other Non Specific Government Grants | -894            |
| -10,659   | Capital Grants                       | -10,955         |
| <b>-15,315</b>  | <b>Total</b>                         | <b>-13,423</b>  |
| <b>Credited to Services</b>                               |                                      |                 |
| -20,129   | Rent Allowances                      | -18,981         |
| -8,337  | Rent Rebates                         | -8,264          |
| -479  | Housing Benefit Admin                | -506            |
| -3,133  | COVID Grants                         | -21             |
| -5,360  | Other Grants and Contributions       | -6,527          |
| <b>-37,438</b>  | <b>Total</b>                         | <b>-34,299</b>  |
| <b>-52,753</b>  |                                      | <b>-47,722</b>  |

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that may require surplus balances to be returned to the contributing organisation. The balances at the year-end are as follows:

**Note 33. Related Parties**

The Council is required to disclose material transactions with related parties. Related parties occur where either:

- a) entities or individuals have the potential to control or influence the Council, or
- b) entities may be controlled or influenced by the Council or by individuals who are influential within the Council.

Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

There are exemptions to the disclosure requirements. This is particularly the case where common transactions occur that would apply to all (examples include payments of Council Tax, planning fees, service charges, etc), payments in respect of agency arrangements (such as precept payments) and items disclosed elsewhere within the Statement of Accounts (for example pensions transactions). Councillors and Officers may have received support under the government's COVID support schemes during the year; this will only have been declarable if the extent of this support may have been influenced by an individual.

The following related parties have been identified for Somerset West and Taunton Council:

**UK Central Government**

UK Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions

that the Council has with other parties (e.g. Council Tax bills, housing benefits, etc). Grant income is shown in Note 32 within this Statement of Accounts.

### **Somerset County Council (SCC)**

SWT Council undertakes a wide variety of work in conjunction with Somerset County Council. Partnership arrangements, in which SCC participates, are included amongst other entities, below.

### **Other Entities – Partnership Arrangements**

Somerset Building Control Partnership – Led by Sedgemoor District Council, this is operated as a shared service under the direction of a Joint Committee of elected members working through a management board.

Somerset Waste Partnership (SWP) – This is a partnership between the Somerset councils. It has a joint committee governance structure. SWT carries representation on the Board through elected Members. Somerset County Council is the administering authority and accountable body.

Somerset West Private Sector Housing Partnership/ Somerset Independence Plus – Somerset Independence Plus is a Home Improvement Agency model with its service provided by the Somerset West Private Sector Housing Partnership, a partnership between Sedgemoor District Council, and Somerset West and Taunton Council. Somerset Independence Plus is commissioned by Somerset County Council, Mendip District Council, Sedgemoor District Council and Somerset West and Taunton Council. Sedgemoor District Council is the accountable body.

SHAPE Legal Law and Governance Partnership – SHAPE provides legal services to local councils under a partnership arrangement and operates under a service contract. The accountable body is Mendip District Council.

South West Audit Partnership – SWAP is a “not for profit” internal audit partnership. It is wholly owned and controlled by its members who are local public bodies. It is wholly owned and controlled by its members and is a local authority-controlled company for the purposes of Part V of the Local Government and Housing Act 1989. During the year the Governance Manager was a Director and Board member of South West Audit Partnership Limited.

### **Members and Officers**

Elected Members, Statutory Officers, Directors and Assistant Directors are required to disclose whether, or not, transactions may have occurred between Somerset West and Taunton Council and those organisations in which those Members and senior officers, or their immediate families, hold positions of influence. This is because Members and senior officers of the Council have direct control over the Council’s financial and operating policies.

The total of Members’ allowances paid in 2022/23 is shown in Note 29. Details of officers’ remuneration are disclosed in Note 30.

During the year, transactions with related parties that have not been highlighted separately elsewhere within the Statement of Accounts arose as follows:

| Related Party Transactions 2022/23 | Income       | Expenditure  | Debtors<br>Outstanding<br>as at 31st<br>March 2023 | Creditors<br>Outstanding<br>as at 31st<br>March 2023 |
|------------------------------------|--------------|--------------|--|--|
|                                    | £000         | £000         | £000   | £000   |
| Exmoor National Park Authority     |              | 87           |  |  |
| G & L Consltancy Ltd               |              | 13           |  |  |
| Hestercombe House and Garden Trust | 14           |              | 69   |  |
| Mendip District Council            | 56           | 589          | 3  | 8  |
| Minehead Town Council              |              | 33           |  |  |
| North Taunton Partnership          |              | 21           |  |  |
| Sedgemoor District Council         | 234          | 1,402        | 17   | 18   |
| Somerset Community Foundation      |              | 50           |  |  |
| Somerset County Council            | 2,804        | 3,023        | 1,056  | 88   |
| South West Audit Partnership       |              | 167          |  |  |
| West Somerset Advice Bureau        |              | 40           |  |  |
| <b>Total</b>                       | <b>3,108</b> | <b>5,425</b> | <b>1,145</b>                                       | <b>114</b>   |

Where Members and Officers have disclosed related party transactions during 2022/23, the nature of those that are relevant and material are described below:

- Four Members are Members of Exmoor National Park Authority, including one who is a Deputy Chair.
- One Senior Officer's close family member is a owner and director of G&L Consultancy
- One Member is a Trustee Representative for Hestercombe House and Gardens.
- One Member and a member of their family are elected Members of Minehead Town Council.
- One Member is a Trustee of North Taunton Partnership.
- One Member is Director and Trustee for Somerset Community Foundation.
- One Member is a Trustee of West Somerset Advice Bureau.

**Note 34. Capital Expenditure and Capital Financing**

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. The overall Capital Financing Requirement (CFR) will be funded from a combination of future revenue contributions, capital receipts and external funding.

| <b>2021/22</b> |  | <b>2022/23</b> |
|----------------|--|----------------|
| <b>£000</b>    |  | <b>£000</b>    |
| <b>192,920</b> | <b>Opening Capital Financing Requirement</b>   | <b>248,596</b> |
|                | <i>Capital investment</i>  |                |
| 18,567         | Property, Plant and Equipment  | 26,035         |
| 0              | Heritage Assets  | 27             |
| 684            | Loans made for service provision   | 498            |
| 1,147          | Intangible Assets  | 266            |
| 54,902         | Investment Properties  | 0              |
| 7,129          | Revenue Expenditure Funded from Capital under Statute  | 2,826          |
| <b>82,429</b>  |  | <b>29,652</b>  |
|                | <i>Sources of finance</i>  |                |
| -3,991         | Capital receipts   | -3,654         |
| -6,396         | Government Grants and Other Contributions  | -6,763         |
| -6,781         | Major Repairs Allowance  | -9,802         |
|                | <i>Sums set aside from revenue</i>   |                |
| -4,491         | Direct revenue contributions   | -890           |
| -5,094         | Minimum Revenue Provision (MRP / VRP)  | -5,332         |
| <b>-26,753</b> |  | <b>-26,441</b> |
| <b>248,596</b> | <b>Closing Capital Financing Requirement</b>   | <b>251,807</b> |
|                | <b>Explanation of movements in the Capital Financing Requirement in year:</b>                          |                |
| 55,676         | Increase / (Decrease) in underlying need to borrowing (unsupported by Government financial assistance) | 3,211          |
| <b>55,676</b>  | <b>Increase/(decrease) in Capital Financing Requirement</b>  | <b>3,211</b>   |

**Note 35. Leases****Council as Lessor**

**Operating Leases** - As part of its work to support local communities, the Council has granted leases in respect of a number of its properties (principally commercial premises and business units) which are treated as operating leases.

The Council aims to tackle community deprivation and sustainable community deprivation mixed with its commercial awareness. Due to the nature of leases granted by the Council, the gross investment in the lease and the minimum lease payments that will be received over the periods set out in the following table are subject to significant and sometimes unpredictable variables. This might include, for example, property values at rent-review intervals and the subsequent change in lease payments. In practice it is not possible to reliably predict how long a new or

renewing leaseholder maintains their rental commitment. The figures in the table below are therefore a reasoned estimate, assuming that annual lease income remains constant.

| <b>2021/22</b>  |   | <b>2022/23</b> |
|-----------------|---|----------------|
| <b>£000</b>     |   | <b>£000</b>    |
| -8,678          | Not later than one year                           | -8,540         |
| -30,685         | Later than one year and not later than five years | -28,724        |
| -63,060         | Later than five years                             | -62,715        |
| <b>-102,423</b> | <b>Total payments due in future years</b>         | <b>-99,979</b> |

The minimum lease payments above do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

### Council as Lessee

The Council also has property leases with future minimum lease payments of:

| <b>2021/22</b> |   | <b>2022/23</b> |
|----------------|---|----------------|
| <b>£000</b>    |   | <b>£000</b>    |
| 49             | Not later than one year                           | 51             |
| 136            | Later than one year and not later than five years | 119            |
| 1,527          | Later than five years                             | 1,688          |
| <b>1,712</b>   | <b>Total payments due in future years</b>         | <b>1,858</b>   |

The expenditure actually charged to the Comprehensive Income and Expenditure Statement during the year in relation to all the above leases was:

| <b>2021/22</b> |                        | <b>2022/23</b> |
|----------------|------------------------|----------------|
| <b>£000</b>    |                        | <b>£000</b>    |
| <b>83</b>      | Minimum Lease Payments | <b>123</b>     |

## Note 36. Defined Benefit Pensions Schemes

### Participation in Pension Schemes

As part of the terms and conditions of the employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire the Council has a commitment to make the payments that need to be disclosed at the time that the employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme (LGPS) administered locally by Peninsula Pensions on behalf of the Somerset Pension Fund. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with the investment assets.

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and is contracted out of the State Second Pension Scheme and currently provides benefits based on career average revalued salary and



length of service on retirement, with various protections in place for those members in the scheme before the changes took place.

The Somerset Pension Fund is operated under the regulatory framework of the Local Government Pension Scheme and the governance of the Scheme is the responsibility of the Pensions Committee of Somerset County Council. Policy is determined in accordance with the Pension Fund Regulations.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme (i.e. largescale withdrawals from the scheme, changes to inflation, bond yields) and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account (HRA) the amounts required by statute described in the accounting policies (Note 1 above).

The total liability has been adjusted to reflect the current position in relation to implementing changes due to various legal actions i.e. McCloud and Sargeant. Although the cases are not directly related to the Local Government Pension Scheme (LGPS), similar protections were given when the LGPS moved to a new scheme in 2014. The pension fund actuary estimated the impact of this at the last accounting date and therefore it is already included in the starting position. This allowance is therefore incorporated in the roll forward approach and is remeasured at the accounting date along with the normal LGPS liabilities.

#### **Transactions relating to post-employment benefits**

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and the HRA via the Movement in Reserves Statement.

The following transactions shown in the table have been made in the CIES and the General Fund / HRA Balance via the Movement in Reserves Statement during the year.

| 2021/22<br>£000   |   | 2022/23<br>£000 |
|---|---|-----------------|
| <b>Comprehensive Income and Expenditure Statement (CIES)</b>                            |   |                 |
| <b>Cost of Services</b>   |   |                 |
| 13,716  | Current service cost  | 9,331           |
| 69  | Administration expenses   | 90              |
| <b>Financing and Investment Income and Expenditure:</b>                                 |   |                 |
| 2,978   | Net interest expense  | 3,276           |
| 16,763  | <b>Total Post Employment Benefits charged to the Surplus on the Provision of Services</b>   | 12,697          |
| <b>Remeasurement of the net defined liability comprising:</b>                           |   |                 |
| -9,710  | Return on assets (excluding the amount included in the net interest expense)  | 7,480           |
| 0   | Other Actuarial gains and losses on assets  | -1,666          |
| -13,410   | Actuarial gains and losses arising on changes in financial assumptions  | -119,059        |
| 0   | Actuarial gains and losses arising on changes in demographic assumptions  | -24,834         |
| 783   | Experience gain and loss on defined benefit obligation  | 35,421          |
| <b>-22,337</b>  | <b>Total Post Employment Benefit Charged to the Income and Expenditure Statement</b>  | <b>-102,658</b> |
| <b>Movement in Reserves Statement</b>   |   |                 |
| -16,763   | Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code | -12,697         |
| <b>Actual amount charged against the General Fund balance for pensions in the year:</b> |   |                 |
| 5,612   | Employers contributions payable to scheme   | 5,956           |

### Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows:

| 2021/22<br>£000 | Local Government Pension Scheme                              | 2022/23<br>£000 |
|-----------------|--|-----------------|
| -291,388        | Present value of the defined obligation                      | -194,825        |
| 165,697         | Fair value of plan assets                                    | 164,170         |
| -125,691        | Sub-total  | -30,655         |
| -3,279          | Present value of unfunded obligation                         | -2,398          |
| <b>-128,970</b> | <b>Net liability arising from defined benefit obligation</b> | <b>-33,053</b>  |

**Reconciliation of present value of the scheme liabilities (defined benefit obligation):**

| 2021/22<br>£000 | Funded liabilities: Local Government Pension Scheme                      | 2022/23<br>£000 |
|-----------------|--|-----------------|
| <b>-286,888</b> | <b>Opening balances as at 1 April</b>                                    | <b>-294,667</b> |
| -9,464          | Current service cost   | -9,331          |
| -6,213          | Interest cost  | -7,585          |
| -1,288          | Contributions from scheme participants                                   | -1,366          |
|                 | <b>Remeasurement (gains) and losses</b>                                  |                 |
| 0               | Actuarial gains/(losses) arising from changes in demographic assumptions | 24,834          |
| 13,410          | Actuarial gains/(losses) arising from changes in financial assumptions   | 119,059         |
| -9,678          | Liabilities assumed / (extinguished) on settlements                      | 0               |
| -783            | Experience loss/(gain) on defined benefit obligation                     | -35,421         |
| 6,018           | Benefits paid  | 7,034           |
| 219             | Unfunded Pension Payments  | 220             |
| <b>-294,667</b> | <b>Closing balance as at 31 March</b>                                    | <b>-197,223</b> |

**Reconciliation of fair value of the scheme assets:**

| 2021/22<br>£000 | Local Government Pension Scheme   | 2022/23<br>£000 |
|-----------------|---|-----------------|
| <b>146,732</b>  | <b>Opening fair value of scheme assets</b>                                  | <b>165,697</b>  |
| 3,235           | Interest income   | 4,309           |
|                 | <b>Remeasurement (gain/loss):</b>   |                 |
| 9,710           | The return on plan assets, excluding the amount in the net interest expense | -7,480          |
| 0               | Actuarial gains and losses  | 1,666           |
| 5,426           | Settlement prices received / (paid)   | 0               |
| 5,612           | Contributions from employers  | 5,956           |
| 1,288           | Contributions from scheme participants into the scheme                      | 1,366           |
| -6,237          | Benefits paid   | -7,254          |
| -69             | Administration expenses   | -90             |
| <b>165,697</b>  | <b>Closing balance as at 31st March</b>                                     | <b>164,170</b>  |

**Local Government Pension Scheme assets comprised:**

| 2021/22<br>£000 | Fair Value of Scheme Assets | 2022/23<br>£000 |
|-----------------|-----------------------------|-----------------|
|                 | 120,321 Equities            | 122,451         |
|                 | 8,359 Gilts                 | 5,870           |
|                 | 16,033 Other bonds          | 17,058          |
|                 | 13,309 Property             | 13,172          |
|                 | 7,675 Cash                  | 5,619           |
|                 | <b>165,697 Total</b>        | <b>164,170</b>  |

**Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. The Local Government Pension Scheme has been assessed by Barnett Waddingham LLP, an independent firm of actuaries, with estimates for the Council Fund being based on the latest full valuation of the scheme as at 31 March 2022.

| 2021/22 | Local Government Pension Scheme                                   | 2022/23 |
|---------|---|---------|
|         | <b>Long-term expected rate of return on assets in the scheme:</b> |         |
|         | Mortality assumptions:  |         |
|         | Longevity at 65 for current pensioners                            |         |
|         | 23.1 - Men  | 21.4    |
|         | 24.7 - Women  | 23.2    |
|         | Longevity at 65 for future pensioners                             |         |
|         | 24.4 - Men  | 22.7    |
|         | 26.1 - Women  | 24.7    |
|         | 3.20% Rate of inflation - CPI                                     | 2.90%   |
|         | 4.20% Rate of increase in salaries                                | 3.90%   |
|         | 3.20% Rate of increase in pensions                                | 2.90%   |
|         | 2.60% Rate for discounting scheme liabilities                     | 4.80%   |

**Sensitivity Analysis:**

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses overleaf have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women equally. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analyses overleaf did not change from those used in the previous period.

| <b>Sensitivity Analysis 2022/23</b>                             | <b>£000</b>    | <b>£000</b> | <b>£000</b>    |
|---|----------------|-------------|----------------|
| <b>Adjustment to discount rate</b>                              | <b>0.1%</b>    | <b>0.0%</b> | <b>-0.1%</b>   |
| Present Value of total obligation                               | 194,159        | 197,223     | 200,366        |
| Projected service cost  | 3,513          | 3,637       | 3,765          |
| <b>Adjustment to long term salary increase</b>                  | <b>0.1%</b>    | <b>0.0%</b> | <b>-0.1%</b>   |
| Present Value of total obligation                               | 197,459        | 197,223     | 196,989        |
| Projected service cost  | 3,640          | 3,637       | 3,635          |
| <b>Adjustment to pension increases and deferred revaluation</b> | <b>0.1%</b>    | <b>0.0%</b> | <b>-0.1%</b>   |
| Present Value of total obligation                               | 200,185        | 197,223     | 194,334        |
| Projected service cost  | 3,767          | 3,637       | 3,511          |
| <b>Adjustment to life expectancy assumptions</b>                | <b>+1 Year</b> | <b>None</b> | <b>-1 Year</b> |
| Present Value of total obligation                               | 205,629        | 197,223     | 189,198        |
| Projected service cost  | 3,772          | 3,637       | 3,506          |

### Impact on the Council's Cash Flows

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of -£33.053m (-£128.970m 2021/22) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

The deficit on the Local Government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

The total of contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2024 is £3.935m.

### Note 37. Contingent Liabilities

Contingent liabilities are not recognised in the accounting statements. Instead, they are disclosed by way of a note if there is a possible obligation, which may require a payment or transfer of economic benefits. As at 31<sup>st</sup> March 2023, the Council had the following contingent liability relating to the large new build contracts at North Taunton and Minehead. The Council could incur costs to the contractor relating to the late completion of contracts due to delays in its own- or third-party permissions or activities for example failure to provide timely Highway permissions to complete the contract. The costs associated with these claims are hard to measure until they are claimed and costed. The contracts place a responsibility on contractor and client to work to avoid these costs being incurred. No claim has been received to date. The contract also has similar terms in relation to the contractor failing to deliver.

## **Note 38. Contingent Assets**

### **Hinkley Point C**

There are two s106 agreements in place between the Council and NNB Generation Company (HPC) Ltd, one in relation to the site preparation works planning permission granted by West Somerset Council in January 2012 and the other in relation to the development consent order granted by the Secretary of State in March 2013. Thus far, all contributions have been paid on time and in full.

The income which is due to be paid to the Council is largely triggered by 'transition' or anniversaries of 'transition'. The transition from the site preparation works planning permission to the development consent order took place in June 2016.

The Council will receive a minimum of £5.778m (maximum £6.031m) in total from the s106 relating to the development consent order. The payments are due over a number of years with the last one due in 2024. Between now and 2024, the Council is due to receive a minimum of £0.089m.

In addition, a supplementary s106 agreement has been signed between the Council and NNB Generation Ltd in August 2022, which the council is due to receive a minimum of £0.250m between now and June 2025.

These amounts do not include any contributions due to other Councils included in the s106 agreement and are alongside Somerset West and Taunton Council, now part of Somerset Council. These are Sedgemoor District Council and Somerset County Council.

## **Note 39. Prior Year Adjustment**

- As part of the preparation of the 2022/23 Statement of Accounts it was found that a valuation in respect of the Brewhouse Theatre had previously been incorrectly valued as zero. In order to correct this a formal valuation was requested for the period ending 31 March 2022 and 31 March 2023. The Council has therefore restated the prior year for 2021/22 in the Balance Sheet, Comprehensive Income and Expenditure Statement, Cashflow Statement. The value of the restatement is £2.788m. These adjustments also feature within the restated disclosure notes for Property, Plant and Equipment (Note 14, Page 52) and Unusable Reserves - Revaluation Reserve (Note 25, Page 73).
- Due to a change in accounting policy in 2022/23 with regards to cash and cash equivalents, it has been necessary to reclassify monies held as such in 2021/22, to short term investments. The Council has therefore restated the prior year for 2021/22 in the balance sheet. The value of the restatement is £17.449m. These adjustments also feature within the restated disclosure notes for Financial Instruments - Financial Assets (Note 16, Pages 61 and 65), Financial Instruments - Credit Risk (Note 17, Page 67), Cash and Cash Equivalents (Note 21, Page 71) and Cash Flow Statement - Investing Activities (Note 27, Page 80)

| <b>Prior Period Adjustment - Balance Sheet</b> | <b>As Originally Stated 2021/22<br/>£000</b> | <b>As Restated 2021/22<br/>£000</b> | <b>Amount of Restatement<br/>£000</b> |
|--|--|-------------------------------------|---------------------------------------|
| Other Land and Buildings                       | 104,179                                      | 107,796                             | 3,617                                 |
| <b>Long Term Assets</b>                        | <b>602,527</b>                               | <b>606,144</b>                      | <b>3,617</b>                          |
| Short Term Investments                         | 0  | 20,348                              | 20,348                                |
| Cash and Cash Equivalents                      | 40,914                                       | 20,566                              | -20,348                               |
| <b>Current Assets</b>                          | <b>70,150</b>                                | <b>70,150</b>                       | <b>0</b>                              |
| <b>Net Assets</b>                              | <b>310,375</b>                               | <b>313,992</b>                      | <b>3,617</b>                          |
| Unusable Assets                                | 225,737                                      | 229,354                             | 3,617                                 |
| <b>Total Reserves</b>                          | <b>310,375</b>                               | <b>313,992</b>                      | <b>3,617</b>                          |

| <b>Prior Period Adjustment - CIES</b>   | <b>As Originally Stated 2021/22<br/>£000</b> | <b>As Restated 2021/22<br/>£000</b> | <b>Amount of Restatement<br/>£000</b> |
|---|--|-------------------------------------|---------------------------------------|
| Surplus (-) or deficit on revaluation of Property, Plant and Equipment assets | -41,978                                      | -45,595                             | -3,617                                |
| <b>Other Comprehensive Income and Expenditure</b>                             | <b>-64,315</b>                               | <b>-67,932</b>                      | <b>-3,617</b>                         |
| <b>Total Comprehensive Income and Expenditure</b>                             | <b>-62,591</b>                               | <b>-66,208</b>                      | <b>-3,617</b>                         |

| <b>Prior Period Adjustment - Cash Flow Statement</b>                | <b>As Originally Stated 2021/22<br/>£000</b> | <b>As Restated 2021/22<br/>£000</b> | <b>Amount of Restatement<br/>£000</b> |
|---|--|-------------------------------------|---------------------------------------|
| Investing Activities  | -67,141                                      | -87,489                             | -20,348                               |
| <b>Net Increase or Decrease (-) in Cash and Cash Equivalents</b>    | <b>-727</b>                                  | <b>-21,075</b>                      | <b>-20,348</b>                        |
| <b>Cash and Cash Equivalents at the end of the reporting period</b> | <b>40,914</b>                                | <b>20,566</b>                       | <b>-20,348</b>                        |

| Prior Period Adjustment - Movement<br>in Reserves Statement | Unusable<br>Reserves As<br>Originally<br>Stated 2021/22 | Unusable<br>Reserves As<br>Restated<br>2021/22 | Amount of<br>Restatement | Total Reserves<br>As Originally<br>Stated 2021/22 | Total Reserves<br>As Restated<br>2021/22 | Amount of<br>Restatement |
|---|---|--|--------------------------|---|--|--------------------------|
|   | £000  | £000   | £000                     | £000  | £000                                     | £000                     |
| Total Comprehensive Income and<br>Expenditure               | -64,314   | -67,931  | -3,617                   | -62,591   | -66,208                                  | -3,617                   |
| Increase (-) / Decrease in 2021/22                          | -63,531   | -67,148  | -3,617                   | -62,591   | -62,208                                  | 383                      |
| <b>Balance As At 31 March 2022</b>                          | <b>-225,737</b>   | <b>-229,354</b>                                | <b>-3,617</b>            | <b>-310,375</b>                                   | <b>-313,992</b>                          | <b>-3,617</b>            |



## SUPPLEMENTARY FINANCIAL STATEMENTS

## Housing Revenue Account

The Housing Revenue Account (HRA) Income and Expenditure Statement shows the economic cost in year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement of the HRA Statement.

| 2021/22<br>£000   | 2022/23<br>£000      £000 |                     |
|---|---------------------------|---------------------|
| <b>Income</b>   |                           |                     |
| -24,543 Dwelling Rents  |                           | -25,463             |
| -684 Non Dwelling Rents   |                           | -687                |
| -1,444 Charges for Services/Facilities                              |                           | -1,462              |
| -566 Contributions Towards Expenditure                              |                           | -557                |
| <u>-27,237</u>  |                           | <u>-28,169</u>      |
| <b>Expenditure</b>  |                           |                     |
| 3,803 Repairs and Maintenance                                       | 4,256                     |                     |
| 12,064 Supervision and Management                                   | 12,397                    |                     |
| 546 Rents, Rates, Taxes and Other Charges                           | 880                       |                     |
| 9,835 Depreciation and Impairment of Fixed Assets                   | 9,220                     |                     |
| 116 Movement in the Allowance for Bad Debts                         | -119                      |                     |
| <u>26,364</u>   |                           | <u>26,634</u>       |
| <b>-873 Net Income of HRA Services as included in the CIES</b>      |                           | <b>-1,535</b>       |
| 229 HRA Service Share of Corporate and Democratic Core              |                           | 229                 |
| <b>-644 Net (Income)/Expenditure of HRA Services</b>                |                           | <b>-1,306</b>       |
| <b>HRA Share of Operating and Expenditure included in the CIES:</b> |                           |                     |
| 16 Pension Administration Costs                                     |                           | 22                  |
| -989 (Gain) or Loss on Sale of HRA Fixed Assets                     |                           | -735                |
| 2,809 Interest Payable and Similar Charges                          |                           | 2,813               |
| -390 Interest and Investment Income                                 |                           | -330                |
| 715 Pension Interest Cost   |                           | 786                 |
| -217 Capital grants and contributions                               |                           | -99                 |
| <u><b>1,300 (Surplus)/Deficit for the year on HRA Services</b></u>  |                           | <u><b>1,151</b></u> |

## Statement of Movement on the HRA Balance

| 2021/22<br>£000 |  | 2022/23<br>£000 | £000         |
|-----------------|--|-----------------|--------------|
| 2,685           | <b>Balance on the HRA at the end of the previous year</b>  |                 | <b>3,412</b> |
| -1,300          | Surplus / (Deficit) for the year on the HRA Income and Expenditure Account   | -1,151          |              |
| 996             | Adjustments between accounting basis and funding under Statute (see analysis in Notes to the Supplementary Statements) | 928             |              |
| -304            | Net Increase or (Decrease) before transfers to or from   |                 | -223         |
| 1,031           | Transfers (to) or from Reserves  |                 | -203         |
| 727             | Increase or (Decrease) in the Year on the HRA  |                 | -426         |
| <b>3,412</b>    | <b>Balance on the HRA at the end of the current year</b>   |                 | <b>2,986</b> |

## Housing Revenue Account Notes

## HRA Note A. Housing Stock

The Council was responsible for managing 5,653 dwellings during 2022/23. The stock as at 31 March was made up as follows:

| 2021/22<br>number of |                       | 2022/23<br>number of |
|----------------------|-----------------------|----------------------|
| 2,770                | Houses                | 2,749                |
| 844                  | Bungalows             | 842                  |
| 2,058                | Flats and Maisonettes | 2,059                |
| <b>5,672</b>         |                       | <b>5,650</b>         |
| 3                    | Shared Equity         | 3                    |
| <b>5,675</b>         |                       | <b>5,653</b>         |

**HRA Note B. Value of Assets**

The balance sheet values of HRA assets at 31 March 2023 and 31 March 2022 are shown below.

| <b>HRA Non-current assets</b>  | <b>Council Dwellings</b> | <b>Other Land and Buildings</b> | <b>Vehicles, Plant and Equipment</b> | <b>Infrastructure Assets</b> | <b>Total Property, Plant and Equipment</b> | <b>Assets Held For Sale</b> | <b>Intangible Assets</b> | <b>Total</b>   |
|--|--------------------------|---------------------------------|--------------------------------------|------------------------------|--|-----------------------------|--------------------------|----------------|
| <b>Movement in 2022/23</b>   | <b>£000</b>              | <b>£000</b>                     | <b>£000</b>                          | <b>£000</b>                  | <b>£000</b>                                | <b>£000</b>                 | <b>£000</b>              | <b>£000</b>    |
| <b>Cost or Valuation</b>   |                          |                                 |                                      |                              |  |                             |                          |                |
| <b>At 31 March 2022</b>  | <b>353,096</b>           | <b>6,727</b>                    | <b>333</b>                           | <b>1,973</b>                 | <b>362,129</b>                             | <b>4,924</b>                | <b>1,420</b>             | <b>368,473</b> |
| Additions  | 18,217                   | 0                               | 49                                   | 0                            | 18,266                                     | 0                           | 266                      | 18,532         |
| Revaluation increases / (decreases) recognised in the Revaluation Reserve                          | (35,552)                 | 0                               | 0                                    | 0                            | (35,552)                                   | 0                           | 0                        | (35,552)       |
| Revaluation increases / (decreases) recognised in the Surplus/deficit on the Provision of Services | 0                        | 0                               | 0                                    | 0                            | 0  | 0                           | 0                        | 0              |
| Derecognition - Disposals  | (379)                    | (359)                           | (198)                                | 0                            | (936)                                      | (1,782)                     | 0                        | (2,718)        |
| Reclassified within Property, Plant and Equipment  | 0                        | (124)                           | 0                                    | 0                            | (124)                                      | 0                           | 0                        | (124)          |
| Reclassified (to)/from Held From Sale  | 1,861                    | 0                               | 0                                    | 0                            | 1,861                                      | (1,861)                     | 0                        | 0              |
| <b>At 31 March 2023</b>  | <b>337,243</b>           | <b>6,244</b>                    | <b>184</b>                           | <b>1,973</b>                 | <b>345,644</b>                             | <b>1,281</b>                | <b>1,686</b>             | <b>348,611</b> |
| <b>Accumulated Depreciation and Impairment</b>   |                          |                                 |                                      |                              |  |                             |                          |                |
| <b>At 31 March 2022</b>  | <b>0</b>                 | <b>(6)</b>                      | <b>(292)</b>                         | <b>(1,863)</b>               | <b>(2,161)</b>                             | <b>0</b>                    | <b>(814)</b>             | <b>(2,975)</b> |
| Depreciation charge  | (8,936)                  | (71)                            | (26)                                 | (25)                         | (9,058)                                    | 0                           | (133)                    | (9,191)        |
| Depreciation written out to the Revaluation Reserve  | 8,936                    | 0                               | 0                                    | 0                            | 8,936                                      | 0                           | 0                        | 8,936          |
| Derecognition - Disposals  | 0                        | 1                               | 198                                  | 0                            | 199  | 0                           | 0                        | 199            |
| Assets reclassified within Property, Plant & Equipment   | 0                        | 2                               | 0                                    | 0                            | 2  | 0                           | 0                        | 2              |
| <b>At 31 March 2023</b>  | <b>0</b>                 | <b>(74)</b>                     | <b>(120)</b>                         | <b>(1,888)</b>               | <b>(2,082)</b>                             | <b>0</b>                    | <b>(947)</b>             | <b>(3,029)</b> |
| <b>Net Book Value</b>  |                          |                                 |                                      |                              |  |                             |                          |                |
| <b>At 31 March 2023</b>  | <b>337,243</b>           | <b>6,170</b>                    | <b>64</b>                            | <b>85</b>                    | <b>343,562</b>                             | <b>1,281</b>                | <b>739</b>               | <b>345,582</b> |

| <b>HRA Non-current assets</b>  | <b>Council Dwellings</b> | <b>Other Land and Buildings</b> | <b>Vehicles, Plant and Equipment</b> | <b>Infrastructure Assets</b> | <b>Total Property, Plant and Equipment</b> | <b>Assets Held For Sale</b> | <b>Intangible Assets</b> | <b>Total</b>   |
|--|--------------------------|---------------------------------|--------------------------------------|------------------------------|--|-----------------------------|--------------------------|----------------|
| <b>Movement in 2021/22</b>   | <b>£000</b>              | <b>£000</b>                     | <b>£000</b>                          | <b>£000</b>                  | <b>£000</b>                                | <b>£000</b>                 | <b>£000</b>              | <b>£000</b>    |
| <b>Cost or Valuation</b>   |                          |                                 |                                      |                              |  |                             |                          |                |
| <b>At 1 April 2021</b>   | <b>312,891</b>           | <b>8,533</b>                    | <b>333</b>                           | <b>1,973</b>                 | <b>323,730</b>                             | <b>3,560</b>                | <b>1,015</b>             | <b>328,305</b> |
| Additions  | 12,313                   | 20                              | 0                                    | 0                            | 12,333                                     | 0                           | 405                      | 12,738         |
| Revaluation increases / (decreases) recognised in the Revaluation Reserve                          | 31,546                   | 6                               | 0                                    | 0                            | 31,552                                     | 0                           | 0                        | 31,552         |
| Revaluation increases / (decreases) recognised in the Surplus/deficit on the Provision of Services | 0                        | -1,720                          | 0                                    | 0                            | -1,720                                     | 0                           | 0                        | -1,720         |
| Derecognition - Disposals  | -852                     | 0                               | 0                                    | 0                            | -852                                       | -1,484                      | 0                        | -2,336         |
| Derecognition - Other  |                          | -48                             | 0                                    | 0                            | -48  | 0                           | 0                        | -48            |
| Reclassified within Property, Plant and Equipment  | 46                       | -64                             | 0                                    | 0                            | -18  | 0                           | 0                        | -18            |
| Reclassified (to)/from Held From Sale  | -2,848                   | 0                               | 0                                    | 0                            | -2,848                                     | 2,848                       | 0                        | 0              |
| <b>At 31 March 2022</b>  | <b>353,096</b>           | <b>6,727</b>                    | <b>333</b>                           | <b>1,973</b>                 | <b>362,129</b>                             | <b>4,924</b>                | <b>1,420</b>             | <b>368,473</b> |
| <b>Accumulated Depreciation and Impairment</b>   |                          |                                 |                                      |                              |  |                             |                          |                |
| <b>At 1 April 2021</b>   | <b>0</b>                 | <b>-170</b>                     | <b>-265</b>                          | <b>-1,819</b>                | <b>-2,254</b>                              | <b>0</b>                    | <b>-762</b>              | <b>-3,016</b>  |
| Depreciation charge  | -8,005                   | -89                             | -27                                  | -44                          | -8,165                                     | 0                           | -52                      | -8,217         |
| Depreciation written out to the Revaluation Reserve  | 8,005                    | 237                             | 0                                    | 0                            | 8,242                                      | 0                           | 0                        | 8,242          |
| Depreciation written out to the Surplus / Deficit on the Provision of Services                     | 0                        | 13                              | 0                                    | 0                            | 13   | 0                           | 0                        | 13             |
| Derecognition - Disposals  | 0                        | 0                               | 0                                    | 0                            | 0  | 0                           | 0                        | 0              |
| Derecognition - Other  | 0                        | 2                               | 0                                    | 0                            | 2  | 0                           | 0                        | 2              |
| Assets reclassified within PPE   | 0                        | 1                               | 0                                    | 0                            | 1  | 0                           | 0                        | 1              |
| <b>At 31 March 2022</b>  | <b>0</b>                 | <b>-6</b>                       | <b>-292</b>                          | <b>-1,863</b>                | <b>-2,161</b>                              | <b>0</b>                    | <b>-814</b>              | <b>-2,975</b>  |
| <b>Net Book Value</b>  |                          |                                 |                                      |                              |  |                             |                          |                |
| <b>At 31 March 2022</b>  | <b>353,096</b>           | <b>6,721</b>                    | <b>41</b>                            | <b>110</b>                   | <b>359,968</b>                             | <b>4,924</b>                | <b>606</b>               | <b>365,498</b> |

**HRA Note C. Value of Dwellings at 31 March 2023**

The open market value of dwellings within the HRA at 31 March 2023 is £963.5m (31 March 2022 £1,008.8m) compared with the balance sheet value of £337.2m (31 March 2022 £353.1m). The difference of £626.3m (31 March 2022 £655.7m) represents the economic cost to the Government of providing Council housing at less than open market rents.

**HRA Note D. Rent Arrears**

Rent arrears as at the end of the financial year were as follows:

| <b>31 March<br/>£000</b>                   | <b>31 March<br/>£000</b> |
|--|--------------------------|
| 759 Rent Arrears                           | 1,074                    |
| -343 Provision for Bad Debts               | -461                     |
| <b>416 Anticipated Collectable Arrears</b> | <b>613</b>               |

Anticipated Collectable Arrears as a % of Gross Rent Income 2.2% (1.6% in 2021/22)

**HRA Note E. Rent Rebates**

Assistance with rents is available under the Housing Benefits scheme for tenants on low incomes. The rent shown in the HRA is the gross rent before rent rebates are granted.

**HRA Note F. Gross Rent Income**

This is the total rent income due for the year after allowing for voids. During the year 2.51% (1.99% in 2021/22) of available properties were vacant. Average weekly rents were £89.05, an increase of £3.51 (4.10%) over the previous year.

**HRA Note G. Major Repairs Reserve**

The Council is required to maintain a Major Repairs Reserve. The account is credited with depreciation and is used to finance HRA capital expenditure. The depreciation charge for council dwellings is funded by the major repairs allowance, which is included within the HRA subsidy, and reflects the cost of keeping the stock in its current condition.

| <b>2021/22<br/>£000</b>                              | <b>2022/23<br/>£000</b> |
|--|-------------------------|
| <b>6,773 Balance as at 1 April</b>                   | <b>8,201</b>            |
| 8,209 Transfer from Revenue to Major Repairs Reserve | 9,086                   |
| -6,781 Financing of HRA Capital Expenditure          | -9,802                  |
| <b>8,201 Balance as at 31 March</b>                  | <b>7,485</b>            |

**HRA Note H. Total Capital Expenditure, Capital Financing and Capital Receipts**

| <b>2021/22</b><br><b>£000</b>  |                               | <b>2022/23</b><br><b>£000</b> |
|--------------------------------|-------------------------------|-------------------------------|
| <b>HRA Capital Expenditure</b> |                               |                               |
| 12,313                         | Dwellings                     | 18,217                        |
| 395                            | Intangible Assets             | 266                           |
| 0                              | Vehicles, Plant and Equipment | 49                            |
| <b>12,708</b>                  |                               | <b>18,532</b>                 |
| <b>Financed By</b>             |                               |                               |
| 1,164                          | Capital Receipts              | 1,854                         |
| 126                            | Grants and Contributions      | 581                           |
| 6,781                          | Major Repairs Reserve         | 9,802                         |
| 4,637                          | Borrowing                     | 6,295                         |
| <b>12,708</b>                  |                               | <b>18,532</b>                 |

The table below shows the amount of capital receipts received by the HRA:

| <b>2021/22</b><br><b>£000</b> |                              | <b>2022/23</b><br><b>£000</b> |
|-------------------------------|------------------------------|-------------------------------|
| 3,313                         | Dwellings                    | 3,291                         |
| -46                           | Administrative Cost of Sales | -36                           |
| <b>3,267</b>                  |                              | <b>3,255</b>                  |

**HRA Note I. Pension Scheme**

Following advice issued by CIPFA regarding Accounting for Defined Benefit Retirement Benefits in the HRA, Somerset West and Taunton Council has concluded that neither ring-fencing nor resource accounting in the HRA require the HRA to be treated differently from other services on the grounds of proper practice. There is therefore an amount of £807,457 included within management expenditure, which reflects the current service costs of the Pension Scheme, in accordance with IAS 19. These costs are currently notional and do not represent real cash outflows. Within the Housing Revenue Account these costs are negated by a contribution from the pension reserve.

**HRA Note J. Adjustments between Accounting Basis and Funding Basis under Statute**

This note details the adjustments that are made to the surplus/deficit for the year recognised by the Council on the HRA Statement in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

| <b>2021/22</b><br><b>£000</b> |   | <b>2022/23</b><br><b>£000</b> |
|-------------------------------|---|-------------------------------|
| -27                           | Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statute requirements | 13                            |
| -989                          | Reversal of (gain) or loss on sale of HRA non-current assets  | -735                          |
| -687                          | Capital expenditure charged against revenue   | 0                             |
| 1,670                         | HRA share of contributions to or from the Pensions Reserve  | 1,615                         |
| 0                             | Transfer to/(from) Earmarked Reserves   |                               |
| -8,209                        | Transfer to/(from) the Major Repairs Reserve  | -9,087                        |
| 9,238                         | Transfer to/(from) the Capital Adjustment Account   | 9,122                         |
| <b>996</b>                    | <b>Balance on the HRA at the end of the current year</b>  | <b>928</b>                    |

## Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Business Rates.

|  | Business Rates<br>£000 | 2021/22<br>Council Tax<br>£000 | Total<br>£000   |  | Business Rates<br>£000 | 2022/23<br>Council Tax<br>£000 | Total<br>£000   |
|--|------------------------|--------------------------------|-----------------|--|------------------------|--------------------------------|-----------------|
|  | 0                      | -109,384                       | <b>-109,384</b> | <b>Income</b>  | 0                      | -114,346                       | <b>-114,346</b> |
|  | -46,535                | 0                              | <b>-46,535</b>  | Council Tax Receivable                                 | -42,932                | 0                              | <b>-42,932</b>  |
|  | 339                    | 0                              | <b>339</b>      | Business Rates Receivable                              | 358                    | 0                              | <b>358</b>      |
|  | -15,622                | 0                              | <b>-15,622</b>  | Transitional Protection Payments                       |                        |                                |                 |
|  | -2,874                 | 48                             | <b>-2,826</b>   | Apportionment of Previous Year's                       |                        |                                |                 |
|  | 0                      | 9                              | <b>9</b>        | Central Government                                     | -9,583                 | 0                              | <b>-9,583</b>   |
|  | -314                   | 3                              | <b>-311</b>     | Somerset County Council                                | -1,725                 | -475                           | <b>-2,200</b>   |
|  | -12,556                | 8                              | <b>-12,548</b>  | Police and Crime Comm. for Avon & Somerset             | 0                      | -84                            | <b>-84</b>      |
|  | <b>-77,562</b>         | <b>-109,316</b>                | <b>-186,878</b> | Devon & Somerset Fire & Rescue Authority               | -192                   | -32                            | <b>-224</b>     |
|  |                        |                                |                 | Somerset West and Taunton Council                      | -7,667                 | -77                            | <b>-7,744</b>   |
|  |                        |                                |                 | <b>Total Income</b>                                    | <b>-61,741</b>         | <b>-115,014</b>                | <b>-176,755</b> |
|  |                        |                                |                 | <b>Expenditure</b>                                     |                        |                                |                 |
|  | 29,308                 | 0                              | <b>29,308</b>   | Demands and Shares:                                    |                        |                                |                 |
|  | 5,275                  | 75,727                         | <b>81,002</b>   | Central Government                                     | 21,184                 | 0                              | <b>21,184</b>   |
|  | 0                      | 13,495                         | <b>13,495</b>   | Somerset County Council                                | 3,813                  | 78,969                         | <b>82,782</b>   |
|  | 586                    | 5,035                          | <b>5,621</b>    | Police and Crime Comm. for Avon & Somerset             | 0                      | 14,230                         | <b>14,230</b>   |
|  | 23,446                 | 9,490                          | <b>32,936</b>   | Devon & Somerset Fire & Rescue Authority               | 424                    | 5,200                          | <b>5,624</b>    |
|  | 0                      | 2,538                          | <b>2,538</b>    | Somerset West and Taunton Council                      | 16,947                 | 9,893                          | <b>26,840</b>   |
|  | 251                    | 0                              | <b>251</b>      | Parish / Town Councils                                 | 0                      | 2,707                          | <b>2,707</b>    |
|  | -1,519                 | 0                              | <b>-1,519</b>   | Costs of Collection                                    | 251                    | 0                              | <b>251</b>      |
|  | -391                   | 1,026                          | <b>635</b>      | Increase/(Decrease) in Provision for Appeals           | 1,813                  | 0                              | <b>1,813</b>    |
|  | 0                      | 0                              | <b>0</b>        | Increase/(Decrease) Allowance for Bad & Doubtful Debts | 309                    | 679                            | <b>988</b>      |
|  | 549                    | 0                              | <b>549</b>      | Interest on Refunds                                    |                        |                                | <b>0</b>        |
|  | <b>57,505</b>          | <b>107,311</b>                 | <b>164,816</b>  | Disregarded Amounts                                    | 185                    | 0                              | <b>185</b>      |
|  | <b>-20,057</b>         | <b>-2,005</b>                  | <b>-22,062</b>  | <b>Total Expenditure</b>                               | <b>44,926</b>          | <b>111,678</b>                 | <b>156,604</b>  |
|  | 39,578                 | 504                            | <b>40,082</b>   | <b>(Surplus)/Deficit for the year</b>                  | <b>-16,815</b>         | <b>-3,336</b>                  | <b>-20,151</b>  |
|  | <b>19,521</b>          | <b>-1,501</b>                  | <b>18,020</b>   | <b>(Surplus)/Deficit Balance Brought Forward</b>       | <b>19,521</b>          | <b>-1,501</b>                  | <b>18,020</b>   |
|  |                        |                                |                 | <b>(Surplus)/Deficit Balance Carried Forward</b>       | <b>2,706</b>           | <b>-4,837</b>                  | <b>-2,131</b>   |
|  |                        |                                |                 | Attributable to:                                       |                        |                                |                 |
|  | 9,761                  | 0                              | <b>9,761</b>    | Central Government                                     | 1,353                  | 0                              | <b>1,353</b>    |
|  | 1,757                  | -1,069                         | <b>688</b>      | Somerset County Council                                | 244                    | -3,442                         | <b>-3,198</b>   |
|  | 0                      | -195                           | <b>-195</b>     | Police and Crime Comm. for Avon & Somerset             | 0                      | -620                           | <b>-620</b>     |
|  | 195                    | -68                            | <b>127</b>      | Devon and Somerset Fire and Rescue Authority           | 27                     | -226                           | <b>-199</b>     |
|  | 7,808                  | -169                           | <b>7,639</b>    | Somerset West and Taunton Council                      | 1,082                  | -549                           | <b>533</b>      |
|  | <b>19,521</b>          | <b>-1,501</b>                  | <b>18,020</b>   |  | <b>2,706</b>           | <b>-4,837</b>                  | <b>-2,131</b>   |



**Collection Fund Notes****Council Tax**

The Council's tax base for 2022/23, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply), converted to an equivalent number of Band D dwelling, was calculated as follows:

| <b>Band</b>                        | <b>Number of Taxable Dwellings after Discount</b> | <b>Ratio</b> | <b>Band D Equivalent Dwellings</b> |
|------------------------------------|---|--------------|------------------------------------|
| A (Disabled Reduction)             | 12.11   | 5/9          | 6.73                               |
| A                                  | 6,582.93  | 6/9          | 4,388.62                           |
| B                                  | 15,729.54   | 7/9          | 12,234.09                          |
| C                                  | 13,097.85   | 8/9          | 11,642.53                          |
| D                                  | 10,062.97   | 9/9          | 10,062.97                          |
| E                                  | 7,737.05  | 11/9         | 9,456.40                           |
| F                                  | 4,675.15  | 13/9         | 6,753.00                           |
| G                                  | 2,176.13  | 15/9         | 3,626.88                           |
| H                                  | 113.50  | 18/9         | 227.00                             |
|                                    | <b>60,187.23</b>                                  |              | <b>58,398.22</b>                   |
| Less adjustment for Non-Collection |   |              | -1,748.90                          |
| Council Tax Base 2022/23           |   |              | <b>56,649.32</b>                   |

**Income from Business Ratepayers**

The Council collects non-domestic rates ('Business Rates') for its area, which are based on local rateable values multiplied by a uniform rate. The Local Government Act 2012 introduced a Business Rates retention scheme that enables local authorities to retain a proportion of the Business Rates generated in their area. Somerset West and Taunton Council pays 50 per cent to Central Government, 9 per cent to Somerset County Council, 1 per cent to the Devon and Somerset Fire & Rescue Authority and retains 40 per cent itself. The Council pays a levy where its share of retained income exceeds a Baseline set by Government, but if its share of retained income is below the Baseline then the Government will pay the Council a safety net payment.

The total non-domestic rateable value at the 31 March 2023 was £129,961,492 (31 March 2022 was £150,157,648). Both the standard national non-domestic multiplier (£0.512) and the national non-domestic small business multiplier (£0.499) were frozen by Central Government for the 2022/23 financial year.

## Glossary of Terms and Abbreviations

This glossary of terms and abbreviations is designed to aid interpretation of the Council's Statement of Accounts.

### **Accounting Period**

The period of time covered by the Council's accounts, normally a period of 12 months commencing on 1 April. The period may also be referred to as the "financial year of account" or "financial year". The end of the accounting period (31 March) is the Balance Sheet date.

### **Accruals**

The concept that income and expenditure are recognised in the financial records as they are earned or incurred, not as cash is received or paid.

### **Actuary**

An actuary is an expert on pension scheme assets and liabilities. The Local Government Pension Scheme actuary assesses the adequacy of employer contributions to the Pension Fund every three years, and updates for changes to the scheme deficit each year.

### **Amortisation**

The measure of the cost of economic benefits derived from intangible fixed assets that are consumed during the period; this generates transactions to the Income and Expenditure Account over a period of time, reflecting the value of these assets to the Council and is similar to the depreciation charge for tangible fixed assets.

### **Amortised Cost**

Amortised cost is the defined amount at which the financial instrument is measured rather than the payments made under a contract.

### **Appropriations**

Amounts transferred between statutory funds and revenue or capital reserves.

### **Assets Held for Sale**

Assets held for sale are assets that are expected to be sold within the next 12 months and are therefore held primarily as a means of generating a capital receipt.

### **Assets under Construction**

Assets under construction are assets that are currently being developed and are not yet completed. They are shown in the accounts at costs incurred in that year.

### **Billing Authority**

A local authority responsible for the collection of Council Tax and non-domestic rates.

### **Budget Requirement**

The budget requirement is the net revenue expenditure calculated in advance each year by every billing authority and precepting authority for their main services (excluding any ringfenced funds such as HRA and pension funds). It is important for two reasons: as a step in the valuation of Council Tax and as a basis for local authority capping. It is calculated as the estimated gross revenue expenditure minus the estimated revenue income, allowing for movements in reserves.

### **Business Rates**

Business Rates (sometimes referred to as Non-Domestic Rates or NDR) are charged on most non-domestic premises, including commercial properties such as shops, offices, pubs, warehouses and factories. The Council uses the rateable value provided by the Valuation Office Agency to calculate how much businesses should pay. The current arrangements, introduced by the government in April 2013, allows for Business Rates Retention. Thus, whilst 50% of the sums collected by the Council are distributed to Central Government, the remaining prescribed shares are distributed to local authorities for the area (SWT Council 40%, Somerset County Council 9% and 1% to Devon and Somerset Fire Authority).

### **Capital Adjustment Account (CAA)**

The CAA is made up of amounts set aside from revenue resources or capital receipts to pay for spending on non-current assets, or for repaying external loans and certain other capital financing transactions.

### **Capital Charges**

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of their services; for the General Fund, the charges reflect notional depreciation costs only; for the HRA, the charge is set aside in the Major Repairs Reserve.

### **Capital Expenditure**

Expenditure on the purchase or provision of assets, which will be of long-term value to the Council i.e. property, plant and equipment.

### **Capital Receipts**

These are the proceeds from the sale of fixed assets such as land and buildings. Capital receipts can be used to repay any outstanding debt on fixed assets or to finance new capital expenditure, within rules set down by Government. Capital receipts cannot, however, be used to finance revenue expenditure.

### **Cash Equivalents**

Short-term highly liquid investments subject to an insignificant risk of changes in value.

### **Capital Financing Requirement (CFR)**

The CFR reflects the Council's underlying need to finance capital expenditure by borrowing or other long-term liability arrangements.

### **Chartered Institute of Public Finance Accountancy (CIPFA)**

CIPFA is the professional accountancy body covering public finance. It provides the secretariat for the CIPFA/ LASAAC Local Authority Code Board, which has formal responsibility for issuing financial reporting standards for local government accounting in the UK.

### **Collection Fund**

The Collection Fund is a statutory fund set up under the provisions of the Local Government Finance Act 1988. It includes the transactions of the charging authority in relation to Business Rates and Council Tax, and illustrates the way in which the fund balance is distributed to the Government, preceptors and the General Fund.

### **Collection Fund Adjustment Account**

This is an unusable reserve that reconciles differences between statutory requirements as a Billing Authority and proper accounting practice.

### **Community Assets**

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets include parks and historic buildings.

### **Componentisation**

Assets are made up of different components which, by their nature, are required to be depreciated according to their individual economical lives. As a basic example, components in a building might comprise land, building structure, major mechanical and electrical items.

### **Council Tax**

This is a charge paid to the Council by households to pay for local services. The proceeds are paid into the Council's Collection Fund. For the purpose of paying Council Tax, residential properties are given bandings (from A to H) that determine the level of Council Tax due for each property. Band D is regarded as the mid-point, or average property valuation band.

### **Creditors**

Amounts owed by the Council at the Balance Sheet date in respect of goods and services received before the end of the financial year.

### **Debtors**

Amounts owed to the Council but unpaid at the Balance Sheet date (31 March 2022).

### **Depreciation**

This is a charge made to the accounts that represents a measure of the wearing out, consumption or other reduction in the useful life of a fixed asset.

### **Derecognition**

The removal of an asset or liability from the Balance Sheet.

### **Developers' Contributions**

Sometimes referred to as Commuted Sums, these are an amount paid to the Council by a developer to cover the cost of maintaining a piece of land or a facility over a number of years; examples include play areas and communal areas.

### **Earmarked Reserves**

Amounts of money set aside for a specific purpose.

### **Expected Credit Losses (ECL)**

The weighted average of credit losses (i.e. bad debts) with the respective risks of a default occurring in line with those weights. ECL has superseded the term 'bad debt provision.'

### **Fair Value**

This is an accounting measurement of the amount for which an asset could be exchanged, or liability settled between knowledgeable and willing parties in an arm's length transaction.

### **Fair Value Through Profit and Loss (FVTPL)**

At each Balance Sheet date (31 March) any movement in the fair value of relevant assets or liabilities that are re-measured is taken directly to the CIES. Primarily, it describes an accounting treatment for changes in the fair value of derivative instruments (a type of financial contract).

### **Fees and Charges**

Income raised by charging for the use of facilities or services.

### **Finance Lease**

A leasing agreement where the potential risks or rewards of the future resale value are transferred and/ or shared between the parties of a lease contract.

### **Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. For local authorities, which do not issue equity instruments, financial instruments may include bank deposits, cash, investments, debtors (or receivables), long-term debtors, creditors, temporary loans and borrowings.

### **Financial Instruments Revaluation Reserve**

An Unusable Reserve that holds financial instruments' unrealised gains and losses. These amounts will only become available once an asset has either been disposed of or reached maturity (i.e. repaid).

### **General Fund**

The General Fund is the primary account through which the District Council's transactions pass relating to non-HRA activities. The balance at year-end is not earmarked for any specific purpose.

### **General Reserves**

Amounts set aside to cover costs and variances in future years, including working capital and contingencies. [Note. Disaster emergencies may be partly underwritten by the government's Bellwin scheme].

### **Housing Revenue Account (HRA)**

This is a ringfenced account which sets out the expenditure and income arising from the direct

provision of housing by the Council in its role as a housing landlord. Neither the General Fund nor the Housing Revenue Account may subsidise each other.

### **International Financial Reporting Standards (IFRS)**

These are accounting standards issued by the Accounting Standards Board. The Council's accounts conform to IFRS's where they are applicable to local authorities.

### **Impairment**

A reduction in the value of non-current assets caused by physical damage, dilapidation or obsolescence.

### **Infrastructure Assets**

Fixed assets that, by their nature, cannot be sold and therefore expenditure is only recoverable by continued use of that asset. Examples of infrastructure assets are highways and footpaths.

### **Inventories**

Inventories include goods or other assets purchased for resale, consumable stores and raw materials. This includes houses built for sale as part of regeneration schemes.

### **Investments**

These comprise deposits of temporary surplus funds with banks or similar approved institutions. They may be short-term, maturing in less than one-year, or long-term investments held for a period of more than one year after the financial year being reported.

### **Investment Properties**

Properties held by the Council solely to earn rentals, or for capital appreciation, or for both.

### **LGR (Local Government Reorganisation)**

On 1 April 2023 the County Council and four district councils in Somerset will form one single new unitary authority called Somerset Council. LGR represents the processes involved in drawing together all services, operations, governance and business arrangements under the new council.

### **Liquid Resources**

Assets which are readily convertible into known amounts of cash.

### **Loans and Receivables**

These are referred to collectively within the disclosure note relating to financial instruments. In this context, the term "loans" refers to sums invested by the Council that are not quoted in an active market; the term "receivables" refers to short-term trade debtors (that is, amounts due to the Council).

### **Minimum Revenue Provision (MRP)**

This is a charge made to the General Fund or HRA revenue accounts representing the setting aside of prudential sums for the repayment of debt. When a Council has incurred borrowing, there is a statutory requirement to set a prudent level of MRP for the General Fund. Additional sums may be set aside voluntarily.

### **Money Market Funds**

This is a type of liquid investment in high-quality, short-term debt instruments, cash, and cash equivalents, and is designed to reduce uncertainty and control risk.

### **Net Book Value**

The amount at which fixed assets are included in the Balance Sheet, equating to their historical cost or current value less accumulated depreciation.

### **Net Current Replacement Cost**

The cost of replacing or recreating a particular asset in its existing condition for its existing use.

### **Net Realisable Value**

The open market value of an asset in its existing use net of the potential selling costs.

### **Non-current assets**

These assets are intended to be in use for several years. They may be tangible (e.g. a building or vehicle) or intangible (e.g. computer software).

### **Operating Lease**

A type of lease, usually for vehicles or equipment, which is similar to renting. The risks and rewards of ownership of the asset must remain with the lessor (being the owner/ provider of the asset being leased) for a lease to be classified as an operating lease.

### **Precept**

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from Council Taxpayers on their behalf.

### **Precepting Authority**

Those authorities which require Billing Authorities to collect Council Tax and Business Rates on their behalf. In Somerset, the County Council, police and fire authorities are “major precepting authorities” whilst SWT Council is a Billing Authority. Parish, community and town councils are “local precepting authorities”.

### **Provisions**

Sums set aside to meet future expenditure where a specific liability is known to exist but cannot be measured accurately.

### **Public Works Loan Board (PWLB)**

A central government agency, which usually provides long-term loans to local authorities.

### **Rateable Value**

Estimate of the value of a property which is used as a basis for local taxation.

### **Reserves**

Reserves are amounts set aside which do not fall within the definition of provisions and include general reserves (or “balances”), which every authority must maintain as a matter of prudence.

### **Revenue Expenditure and Income**

Costs and income relating to the day-to-day running of services e.g. salaries and wages, supplies and services, transport and fees from service-related income.

### **Revenue Expenditure funded from Capital under Statute (REFCUS)**

Legislation in England and Wales allows for some defined expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year’s Council Tax.

### **Revenue Support Grant (RSG)**

This is the grant which the government pays to the Council to bridge the gap between income raised by the Council Tax and Business Rates and the government’s total assessment of the Council’s need to spend (standard spending assessment). The payment of RSG attempts to ensure that differences in spending needs and resources between authorities are equalised across the country to permit each authority to support a standard level of spending.

### **Tangible Assets**

Anything that has long-term physical existence or is acquired for use in the operations of the organisation and is not specifically held for sale to customers. They are recorded in the Balance Sheet and include, for example, plant, property, and equipment.

### **Useful Life**

The period over which the local authority will derive economic benefits from the use of a fixed asset.

**Work in Progress**

The value of work on an uncompleted project at the Balance Sheet date.

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# Annual Governance Statement(2022/2023)

## 1.0 Introduction

- 1.1 This is the fourth and final Annual Governance Statement for Somerset West and Taunton (SWT) Council with Local Government Restructuring in Somerset leading to the dissolution of the Council on 1 April 2023 with its functions and services transferring to and being delivered by a new unitary Somerset Council from that date onwards.
- 1.2 Everything the Council does is focused around delivering our ambitious vision for Somerset West and Taunton and to ensure that we deliver the best possible services and outcomes for our community whilst providing good value for our stakeholders.
- 1.3 This statement provides an overview of how the Council's governance arrangements operate.
- 1.4 Corporate governance refers to the processes by which organisations are directed, controlled, led, and held to account. It is also about culture and values - the way that Councillors and employees think and act.
- 1.5 The Council's corporate governance arrangements aim to ensure that it does the right things in the right way for the right people in a way that is timely, inclusive, open, honest and accountable.
- 1.6 This Statement describes the extent to which the Council has for the year ending 31st March 2023, complied with its Governance Code and the requirements of the Accounts and Audit Regulations 2015. It also describes how the effectiveness of the governance arrangements have been monitored and evaluated during the year.
- 1.7 The Statement has been prepared in accordance with guidance produced in 2016 by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).
- 1.8 The Statement has also been prepared taking into consideration the contents of the CIPFA Bulletin 14, dated March 2023 – closure of the 2022/23 financial statements which concerns:
  - Accounts closure issues for 2022/23
  - Reporting impacts of high inflation and high interest rates
  - Pension triennial valuation impacts for those with 2021/22

accounts still open

- 1.9 The Statement has been completed prior to the 31 March 2023, so that it can be reviewed and signed off by the Council's Audit and Governance Committee before the dissolution of the Council on 1 April 2023. Any exceptional events or changes to the Statement after this date will be reported to Somerset Council when it considers the SWT Statement of Accounts 2022/23.

## **2.0 Key elements of governance**

- 2.1 Somerset West and Taunton Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It is also responsible for ensuring that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively. It also has a duty to continuously improve the way that it functions, having regard to effectiveness, quality, service availability, fairness, sustainability, efficiency and innovation.
- 2.2 To meet these responsibilities, the Council acknowledges that it has a duty to have in place sound and proper arrangements for the governance of its affairs, including a reliable system of internal control, and for reviewing the effectiveness of those arrangements.
- 2.3 The Governance Framework has been in place at Somerset West and Taunton Council for the year ended 31 March 2023 and will be reviewed up to the date of the approval of the 2022/23 Statement of Accounts. The key elements of the Council's governance framework are highlighted in Appendix A.
- 2.4 The Governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled, and through which it is accountable to, engages with and leads the community. It enables the Council to monitor the achievement of the strategic themes and expected outcomes as set out in our Corporate Strategy.
- 2.5 The Council's Local Code of Corporate Governance was last reviewed and approved by the Audit and Governance Committee on 22 March 2022.

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

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

**3.0 Evidence based opinion**

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

3.2 Corporate Strategy & Business Planning

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

Our four strategic themes are:

Our expected outcomes are:



- 3.2.2 The Corporate Strategy helps us to focus our resources and drive improvement and sets out where we will focus our energies and our increasingly limited resources and how we will measure our success.
- 3.2.3 The Council's Annual Plan for 2022/23 was presented through a video, setting out what the Council aims to deliver by 31 March 2023. The key priorities for the Council in its final year are projects focusing on climate change, regeneration and economic development, delivery of homes and delivery of Taunton Town Council.
- 3.2.4 A video was also produced to highlight achievements from the 2021/22 annual plan. Both videos are publicly available on the Council website.
- 3.2.5 The Corporate Performance Report Quarter 4 and Outturn position for 2021/22 went to the Corporate Scrutiny Committee on 6 July 2022 and then to the Executive on 21 July 2022. Quarterly Performance Reports have gone to both the Corporate Scrutiny Committee and Executive during 2022/23. The Quarter 3 Corporate Performance Report is scheduled to go to the Corporate Scrutiny Committee on 1 March 2023 and Executive on 15 March 2023.
- 3.2.6 There is a Directorate Plan in place for each Directorate and which links to the Corporate Strategy 2020-2024 and Annual Plan 2022/23. The Directorate Plans are regularly reviewed to ensure that they are living documents and pick up and new and emerging priorities. In the 2022/23 financial year the Plans have focused on the preparation for Somerset Unitary Council as well as delivering the Annual Plan and business as usual.
- 3.2.7 All Directors meet regularly with their Assistant Directors, Human Resources Business Partner, and Finance Business Partner to review their directorate plans, budgets, and people.
- 3.3 Evaluating Performance
- 3.3.1 The Council has a Performance Management Framework in place. This was refreshed and signed off in May 2021.
- 3.3.2 There is a Corporate Performance Scorecard in place, as well as a Performance Scorecard for each Directorate.
- 3.3.3 In 2022/23 the Corporate Performance Board meetings were incorporated into Senior Management Team meetings monthly where performance indicators and budget monitoring reports are considered. The corporate risk register and project management overview also go to the Senior Management Team meetings monthly.
- 3.3.4 Each directorate also has its own Performance Board, and this

reviews budget, performance, risks, and projects. The Audit actions are reviewed through the Directorate Performance Boards on a quarterly basis (if appropriate – i.e. if there are any audit actions relating to the directorate). Human Resources data relating to sickness and turnover goes to the Directorate Health and Safety Boards monthly.

3.3.5 Quarterly Performance Reports went before Members in 2022/23. These were taken to the Corporate Scrutiny Committee (Q1 on 07/09/22, Q2 on 07/12/22 and Q3 to go on 01/03/23) and Executive (Q1 on 21/09/22, Q2 on 21/12/22 and Q3 to go on 15/03/23).

### 3.4 Managing Risk

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

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

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

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

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

3.4.5 In 2022/23, the Key Business risk register was reviewed and challenged by Members as part of the Corporate Performance Report that went before the Corporate Scrutiny Committee and Executive on a quarterly basis (as per the dates set out in section 3.3.5). This is to ensure that as far as possible all significant risks have been identified and that the controls manage the risks efficiently, effectively and economically.

### 3.5 Financial Management

- 3.5.1 The Assistant Director - Finance (S151 Officer) is responsible for the proper administration of the Council's financial affairs, as required by Section 151 of the Local Government Act 1972, and our financial management arrangements are compliant with the governance requirements set out in the Chartered Institute of Public Finance and Accountancy's 'Statement on the Role of the Chief Financial Officer in Local Government' (2016).
- 3.5.2 To fund the Corporate Strategy, the Council prepares a Medium-Term Financial Plan. As from 1 April 2023 Somerset West and Taunton Council will cease to exist due to local government reorganisation and the creation of Somerset Council, the MTFP process was undertaken by the Somerset County Council as the continuing Authority and set out for the new authority the Council's strategic approach to the management of its finances and outlines some of the financial issues that we will face over the next three years. This covers how we will use our reserves, our investments, the approach to Council Tax, and how we will deploy our capital. It also looks over the medium term at the cost pressures we are likely to face and how these could be financed.
- 3.5.3 The COVID-19 pandemic led to a significant increase in financial risks and uncertainty, as well as significant additional costs for the Council and its services. More recently, increased financial pressures and operational requirements have arisen through the cost of living crisis and steep rise in energy costs. The Senior Management Team have adapted the financial strategy and budget control regime flexibly through the year to mitigate risk and support the Council's priorities in response. We have managed the impact and maintained the Council's financial resilience through this turbulent time.
- 3.5.4 Our Treasury Management arrangements, where the Council invests and borrows funds to meet its operating requirements, follow professional practice and are subject to regular review. The Capital, Investment and Treasury Strategy for 2022/23 went to the Audit and Governance Committee on 14 March 2022 and Executive on 16 March 2022, before being approved by Full Council on 29 March 2022.
- 3.5.5 The Reserves Strategy enables the Council to meet its statutory requirements and sets out the different types of reserve, how they may be used and the monitoring arrangements.
- 3.5.6 Budget monitoring reports are made monthly to SMT and quarterly to the Leadership Forum and have been taken to Committees on a quarterly basis during 2022/23, setting out explanations for any variances and significant financial risks. These were taken to the Corporate Scrutiny Committee (Q1 on 07/09/22, Q2 on 07/12/22 and Q3 to go on 01/03/23) and Executive (Q1 on 21/09/22, Q2 on 21/12/22

and Q3 to go on 15/03/23). HRA budget monitoring reports were presented to Community Scrutiny Committee (Q1 on 31/08/22, Q2 on 30/11/22, Q3 on 22/02/23) before being considered by the Executive on the above dates.

- 3.5.7 All members and officers are responsible for ensuring that financial implications are considered in the decisions they take.
- 3.5.8 CIPFA issued a new Financial Management Code (the 'FM Code' in December 2019. The Council has operated within the principles of the Code through last year, for example with the S151 Officer being a member of SMT. A full assessment of compliance with the Financial Management Code was taken to the Audit and Governance Committee in September 2021. The self assessment set out that the Council was meeting all areas of compliance, and this continues to be the case.

### 3.6 Climate Emergency

- 3.6.1 The Council declared a Climate Emergency in March 2019 and appointed a Portfolio Holder for Climate Change.
- 3.6.2 The Council's Corporate Strategy includes the priority strategic theme of 'Our Environment and Economy' and has the objective of:

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

- 3.6.3 The Somerset Climate Strategy and Somerset West and Taunton Carbon Neutrality and Climate Resilience Plan were approved by the Council on 26 October 2020.
- 3.6.4 The Somerset Climate Strategy priority areas are:
- The **Energy** we use, the emissions produced from its use and the types of energy we will look to harness in the future
  - Our **Transport** networks – when and where we travel, and the means we choose to make these journeys
  - The **Built Environment** – where and how we live and work, the types of homes we live in, our commercial and industrial buildings and what we want for buildings in the future
  - Our local economy – specifically our **Business, Industry and Supply Chains**
  - Our **Natural Environment** – how we can protect it and utilise it to reduce the harmful effects of Climate Change
  - Our **Farming and Food** – what, where and how we produce our food and crops, vital to the rural economy of Somerset
  - Our **Water** resources – how they are managed to minimise the impacts

- of flooding and drought on our residents, buildings and landscapes
- The management of our **Waste and Resources** – how we handle and treat our waste

3.6.5 The SWT Carbon Neutrality and Climate Resilience Action Plan set out the priority areas of:

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

3.6.6 In October 2020 the Council declared an Ecological Emergency, and in July 2022 the Council approved the Ecological Emergency vision and action plan.

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

3.6.8 The Community Scrutiny Committee received the annual update on the progress of the Carbon Neutrality and Climate Resilience Plan on 25 January 2023. The report included updates on progress against each of the workstreams.

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

### 3.7 Decision Making and Responsibilities

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

3.7.2 From May 2021, the Council resumed holding Committee meetings back in the Chamber at Deane House, because we were unable to legally hold virtual committee meetings after 04/05/21. All Members on the Committee are required to attend in person along with officers playing a key role in the meeting. Members of the public were given



the option of attending the meeting to ask a question or read out a statement, or a member of the Governance Team could read out their question(s)/ statement. Our committee meetings continue to be webcast so that as many people as possible can participate in the democratic process.

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

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

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

3.7.5 The Constitution is updated at least annually to take account of changing circumstances and was last updated in September 2022.

Recent updates to the Constitution have included:

- Approval of the Articles and Terms of Reference for all Committees at the Annual Council meeting
- Scheme of delegation to officers
- Somerset wide Members Code of Conduct
- Somerset wide procedure for dealing with Standards allegations
- Audit and Governance Terms of Reference
- Amendment to the powers of the Chief Executive Officer

3.7.6 The Constitution sets out the functions of key governance officers, including the statutory posts of 'Head of Paid Service' (Chief Executive), 'Monitoring Officer' (Governance Manager) and 'Section 151 Officer' (Assistant Director – Finance and S151 Officer) and explains the role of these officers in ensuring that processes are in place for enabling the Council to meet its statutory obligations and also for providing advice to Members, officers and committees on staff management, financial, legal and ethical governance issues.

### 3.8 Openness and Transparency

3.8.1 Article three of the Council's Constitution sets out citizens' rights in respect of:

- (a) Voting and petitions;

- (b) Information;
- (c) Public Participation; and
- (d) Complaints

3.8.2 One petitions were presented to the Council in 2022/23. The was at the Full Council meeting on 5<sup>th</sup> July 2022.

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

### 3.9 Ethical Behaviour and Conduct

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

3.9.2 In September 2022 the Council approved the Somerset Wide Code of Conduct for Members, which is based on the Local Government Association Model.

3.9.3 The Members Code of Conduct includes the 7 Nolan Principles of Public Life and the requirement to register and disclose interests.

3.9.4 The Monitoring Officer has established and maintains a register of Members Interests. There is also an Officer register of interests which includes details of outside commitments and personal interests.

3.9.5 The Monitoring Officer has established and maintains a register of gifts and hospitality for Members and officers. The annual review of the gifts and hospitality registers will be presented to the Standards Committee on 23 February 2023.

3.9.6 The Standards Committee is responsible for promoting and maintaining high standards of conduct by Councillors. The Standards Committee has met twice in 2022/23 and has considered Committee on Standards in Public Life reports, the Somerset Wide Members Code of Conduct and procedure for dealing with Standards allegations, what the Standards arrangements look like for the new Somerset Council, updates on ethical awareness training, updates on the registers of interest and gifts and hospitality, and the register of complaints for 2022/23.

3.9.7 Three editions of the Member's ethical newsletter have been produced in 2022/23. The newsletters have included information on pre-election period guidance, committee meeting etiquette, promotion of the new Somerset wide Code of Conduct, Member's

personal safety, reminders to update register of interest and gifts and hospitality, case studies outlining examples of poor behaviour and conduct and the implications, and examples of feedback that has been received about SWT meetings.

3.9.8 Ethical awareness training has been carried out in 2022/23. The Monitoring Officer did a Member Briefing session on ethical awareness on 11 January 2023. Sessions have also been taking place for Town and Parish Councillors, with sessions taking place on 26 January, 9 February and 8 March 2023.

### 3.10 Member Training and Development

3.10.1 The Council has a Member Training and Development Policy which was approved by the Executive in April 2021.

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

3.10.3 Member Briefings have taken place to update Members on corporate projects including Local Government Reorganisation, Taunton Garden Town, the Innovation Centre, phosphates, low carbon retrofit our council houses, community governance review for Taunton, town centre health check report, place plan for Wellington and Firepool.

3.10.4 Member Briefings have also taken place covering training relating to safeguarding, information management and ethical awareness.

3.10.5 Where possible and appropriate, Members have received specific training and development for their roles and any positions of special responsibility.

### 3.11 Equality

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

1. Councillors and officers will fully consider the equality implications of all decisions they make.
2. Those with protected characteristics feel empowered to contribute to the democratic process and any Council activity that affects them; their input is used to inform the planning and delivery of services.
3. People with protected characteristics are able to access services in a reasonable and appropriate way.
4. Actions are taken to identify and reduce any inequalities faced by our staff or our potential employees.

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

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

1. Work with Communities to improve the opportunities for integration and cohesion.
2. Improve understanding and reduce the stigma of mental health and Disability within and across communities.
3. Work with the Gypsy and Traveller community to improve relationships and the provision of pitches.
4. Create an Equality Working group for staff in the Public Sector in Somerset (to be revised to 'Review and where necessary improve recruitment practices to make them more inclusive').
5. Improve the consistency of Accessibility standards across the Public Sector for service users including the Accessibility Information Standard.

3.11.3 In terms of equalities, officers are working on:

- The new Somerset Council is already considering its Equality objectives through the work of the Somerset Equalities Officer Group, which has wider participation from partner agencies.
- The Elected Member group has met to be updated on and discuss the Local Government Reorganisation proposals in respect of Equalities.
- The Elected member equalities group has also met to discuss proposals for the new site at Firepool on the Southern Boulevard and make recommendations.
- Equality Impact Assessments for all new or changed areas of the business are being undertaken as they are known and before they come online.

3.11.4 Any new Council policy, proposal or service, or any change to these that affects people must be the subject of an Equality Impact Assessment to ensure that equality issues have been consciously considered throughout the decision-making process.

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

### 3.12 Procurement of goods and services

3.12.1 The Council recognises the value of considering different service delivery options in delivering our Council Plan. The Council's Procurement Strategy was approved by the Executive on 17 March 2021. The effective commissioning and procurement of goods,

works and services is therefore of strategic importance to our operations, while robust contract management helps to provide value for money and ensure that outcomes and outputs are delivered.

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

### 3.13 Whistleblowing

3.13.1 People who work for or with the Council are often the first to realise that there may be something wrong within the Council. However, they may feel unable to express their concerns for various reasons, including the fear of victimisation.

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

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

### 3.14 Anti-Fraud Framework

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

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

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

3.14.3 The Audit and Governance Committee is responsible for approving the Council's Annual Fraud Plan, and for monitoring and reviewing performance against the Plan. It approved the 2022/23 Plan on 13 June 2022.

3.14.4 The Audit and Governance Committee considered the Internal Auditor's Baseline Fraud Maturity Report for 2022 on 12 September 2022. The Report recognised that most of the actions from the 2021 report had been implemented, therefore improving fraud maturity across the organisation.

### 3.15 Audit and Audit Assurances

- 3.15.1 South West Audit Partnership (SWAP) provides the Council's Internal Auditor function with one of its Assistant Directors fulfilling the role of Head of Internal Audit (see 3.16 below).
- 3.15.2 During the 2022/23 financial year, SWAP carried out a number of audits across the Council and given its opinion on the level of assurance as well as risk and priority in terms of taking action to address any recommendations.
- 3.15.3 The Internal Audit Outturn Report for 2022/23 and Internal Audit Annual Audit Opinion for 2022/23 are both going to the Audit and Governance Committee meeting on 13 March 2023.
- 3.15.4 In the 2021/22 Outturn report there were four limited assurance audits relating to Corporate Health and Safety, Procurement Cards, Data Centre Review and Stores. The recommendations from each of these audits have been added to the Audit Recommendation Tracker and this is monitored on a regular basis by the Business Intelligence Team and the Audit and Governance Committee. SWAP has also scheduled follow ups to be completed for each of these audit areas in 2022/23 to provide assurance that control measures have improved.
- 3.15.5 All priority 1 and 2 audit recommendations are included in an Audit Recommendations Tracker, and this is considered at Directorate Boards if appropriate. Reports on priority 1 and 2 audit actions also go to the Audit and Governance Committee on a regular basis and during the 2022/23 financial year they were considered on 12 September 2022 and 12 December 2022 and will also be considered on 13 March 2023.
- 3.15.6 The Corporate Health and Safety Audit was completed in July 2021 giving limited assurance. A follow up audit was completed in August 2022. Since receiving the final Audit Report, the Council improved its Health and Safety arrangements. In the follow up audit, the Internal Auditor recognised that considerable progress had been made with 7 actions now complete, 3 in progress and 1 superseded by Local Government Reorganisation. The actions not yet completed relate to minor areas.
- 3.15.7 The Data Centre Review audit was completed in September 2021 which gave limited assurance and listed 5 priority 1 and 2 recommendations. As at the end of July 2022, all actions had been completed.
- 3.15.8 The audit for Purchasing Cards was completed in April 2022. This was a limited assurance audit with 3 actions listed as priority 1 (fundamental and require immediate attention) and 4 actions listed as priority 2 (important and need to be resolved). As at the 31 December 2022 all Priority 1 and 2 actions had been completed.

- 3.15.9 The audit for Stores was completed in May 2022. This was given limited assurance with 1 Priority 1 action and 4 priority 2 actions. At the Audit and Governance Committee meeting in December 2022 officers confirmed that work was in progress to complete the physical count of stock levels and the introduction of van inventory was expected to be completed by 31 December 2022.
- 3.15.10 To date there has only been one limited assurance audit in 2022/23 relating to Information Security Policy and Awareness. This was completed in September 2022. There audit listed 1 Priority 1 action and two Priority 2 action. The update provided in December clarified that the Council had undertaken activity to address the key findings and that this was in part due to the work on Local Government Reorganisation.
- 3.15.11 During the 2022/23 financial year the Internal Audit team has been involved in supporting the preparation work for Local Government Reorganisation.
- 3.15.12 The Internal Auditor has provided an overall opinion of Reasonable Assurance for 2022/23.
- 3.16 Ensuring that assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact.
- 3.16.1 The Council's Internal Audit function is provided by SWAP. The Assistant Director from SWAP is the equivalent of the Head of Internal Audit (HIA). The HIA role is separate and independent of other roles within the Council. The Internal Audit function is independent of the external audit function.
- 3.16.2 SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note. The Council's Internal Audit function complies with the governance requirements set out in the CIPFA 'Statement on the Role of the Head of Internal Audit in Public Service Organisations' (2010)
- 3.16.3 The HIA:
- Ensures that SWAP's work programme (Audit Plan) is risk-based, is aligned to the Council's strategic objectives and supports the Internal Audit Annual Opinion.
  - Identifies where SWAP assurance will add the most value or do most to facilitate improvement.
  - Produces an evidence based annual internal audit opinion on the overall adequacy and effectiveness of the Council's governance framework including risk management and internal control.
- 3.16.4 The HIA reports to management (SMT) and the Audit and Governance

Committee in his own right, and reporting includes:

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

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

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

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

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

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

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

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

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

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

3.17.3 The Terms of Reference within the Constitution clearly set out the purpose of the Committee in accordance with the CIPFA position statement guidance. The Audit and Governance Committee provide independent



assurance on the adequacy of the Council's governance framework including risk management and internal control. The Committee is also responsible for reviewing and approving the Annual Governance Statement and Annual Report and Accounts. The Committee also monitors the progress of implementing recommendations from auditors.

- 3.17.4 The Committee will raise significant concerns over controls with appropriate senior managers, who are invited to update the Committee. The Committee can report directly to Council.
- 3.17.5 During the 2022/23 financial year the Committee has monitored the Landlord Compliance Safety checks relating to the key areas of asbestos management, electrical safety, fire safety, gas safety, passenger lift and stairlift management, water safety, non-gas heating safety, Radon safety, street lighting, and smoke and Carbon Monoxide alarms. Update reports were taken to the Audit and Governance Committee on 13 June and 12 December 2022.
- 3.17.6 During the 2022/23 financial year the Committee has monitored progress against the Health and Safety Internal Audit Report and recommendations. Updates were provided to the Committee on 13 June, 12 September, and 12 December 2022. The Committee received an update on the performance scorecard and progress in terms of the improvement programme and implementation of the new Health and Safety system.
- 3.18 Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations
- 3.18.1 The Council's Finance Team work closely with the external auditors to ensure that they provide timely support, information, and responses as and when appropriate.
- 3.18.2 Audit findings and recommendations are incorporated into the recommendation tracker and regular progress updates go forward to the Audit and Governance Committee. Any areas of concern are raised with senior managers, and appropriate updates given to the Committee.
- 3.19 Incorporating good governance arrangements in respect of partnerships and other joint working and ensuring that they are reflected across the authority's overall governance structures
- 3.19.1 The Council ensures that there are appropriate governance arrangements in place for any partnerships and joint working arrangements. This includes partnership agreements, client/contractor arrangements and reports going through the democratic process where appropriate.
- 3.19.2 The Council's major contracts include Waste (Somerset Waste Partnership), Leisure (SLM), Street Cleaning and Public Toilets (Idverde), Building Control (Somerset Building Control Partnership), Fleet (SFS), Parking Partnership (SCC) and Legal Services (SHAPE).

3.19.3 Risks relating to major contracts are included in the risk register which has been reviewed by the Corporate Performance Board (and SMT from September 2021) monthly during 2022/23. During 2022/23 those risks scoring 15 or above were reported to the Corporate Scrutiny Committee and Executive as part of the quarterly performance report.

#### **4.0 Reflecting on the challenges from the Coronavirus Pandemic**

- 4.1 This section considers the impact that the Covid-19 Pandemic has had on the Council and its governance arrangements during the 2022/23 financial year.
- 4.2 The Council has taken action to play its part in dealing with the ongoing Coronavirus Pandemic during the 2022/23 financial year.
- 4.3 The MHCLG regulations relating to local authority and police and crime panel meetings only covered the period of meetings held between 4 April 2020 and 6 May 2021. From 7 May 2021, we were required to hold meetings back in the Chamber. A risk assessment was completed to ensure the safety of Members, staff and the public attending the meetings to ensure Covid safety measures were in place. This continues to be reviewed on a regular basis.
- 4.4 The Council has continued to live webcast all of our Committee meetings and then made them available on our website. We have also continued to see an increase in the number of members of the public that have watched via the webcast rather than coming into the Chamber.
- 4.5 We have continued to do Member briefings or training sessions virtually to encourage as many attendees as possible.
- 4.6 Mobile and flexible working has continued to be business as usual for many of our staff. This transition was achieved relatively early on during the first lockdown where all staff who could work from home were equipped to do so within the first few weeks. This involved the roll out of Teams in a very short space of time.
- 4.7 Messages have been issued by the Chief Executive and/or Internal Communications Team on a regular basis. This has ensured that all members of staff have been kept up to date with pertinent information and key messages. Sessions with the Chief Executive have also taken place via Teams.
- 4.8 A weekly newsletter continues to be produced, which has gone out to all District Councillors as well as Town and Parish Councils. This has kept them up to speed with the key information that they need to know. The newsletter has also included information from key partners, such as the County Council, Police and Fire and Rescue Service. It also has signposted people to sources of funding and information to assist during the Pandemic.

- 4.9 Newsletters were also produced for the Business sector and also the Community and Voluntary Sector.
- 4.10 To keep staff and residents safe, our reception areas have reopened but still have some Covid restrictions in place. All key services have remained available through a variety of other channels. Where essential, home visits and business inspections are still carried out under Covid-19 secure protocols.
- 4.11 For our customers we have worked hard to ensure they feel comfortable in using the new ways of accessing our services and website. Dedicated webpages were developed and updated with relevant information to support residents and businesses throughout the pandemic.

#### **The funding and logistical consequences of delivering the local government response**

- 4.12 The Covid-19 pandemic placed substantial strain on local councils and significantly impacted their finances. In response, the Government issued special grants through local councils to support their service delivery and to support local businesses and communities. Whilst the impact of Covid-19 and those targeted streams of Government support have tailed off, the Council's service delivery and responsibilities continue to rely on innovative and tailored adjustments to support people and businesses. So, whilst the special grant funding mechanisms have dropped out of this Council's budget, some ongoing consequences and fall-out from Covid-19 should be expected to remain, which the Council will continue to respond to.

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

- 4.13 The Covid-19 crisis is likely to be long-lasting and far-reaching. The Council focuses on the lasting impact that the crisis and its aftermath will continue to have on income levels, resulting from fundamental changes in social movements, behaviours and preferences.
- 4.14 It could remain difficult for councils to reduce their spending back to pre-crisis levels and income streams will not necessarily bounce back quickly, especially given the new challenges brought about by the local and national economy being in recession.
- 4.15 With the transformation to the new Somerset Unitary Council, the assumptions made for later years in the new council's MTFP continue to reflect the current shape of pressures. At the forefront of this, SWTC has retained contingencies within the Council's reserves to provide additional mitigation for the increased risk.

- 4.16 In overall summary, the Council and its governance framework have remained agile in dealing with the Covid-19 pandemic. This is confirmed by the outcomes from a customer survey at the height of the pandemic in which the public and businesses were very positive about the services provided by the Council.

## **5.0 Local Government Reorganisation in Somerset**

- 5.1 As set out in section 3.4.2, Local Government Reorganisation (LGR) to One Unitary Council for Somerset, was a risk to Somerset West and Taunton (SWT) Council in 2022/23.
- 5.2 The Secretary of State, and Parliament have approved the Statutory Change Order for Somerset, which states that ‘on or after 1 April 2023 the Somerset Council is the sole principal authority for Somerset.’ Somerset County Council is classed as a continuing authority, in that it will become the Unitary Authority on 1 April 2023 and take on the functions, powers and duties of the County Council and District Councils. On 1 April 2023 the district Councils of Somerset West and Taunton, Sedgemoor, Mendip and South Somerset are abolished i.e. wound up and dissolved.
- 5.3 The key risks relating to LGR, and its impact on SWT are:
- Capacity and resources – SWT staff are involved in the preparatory work for the Unitary Authority which has the potential to impact on being able to deliver business as usual and the Council’s priorities.
  - Recruitment and retention – staff may find jobs elsewhere due to the uncertainty around jobs in the new Council. SWT may also find it hard to recruit staff to backfill positions where staff are working on LGR projects.
  - SWT may have to use consultants if recruitment is problematic, and this could have an impact on the Council’s budget.
- 5.4 In terms of managing these risks, SWT has:
- Worked with the Executive to ensure that the Annual Plan for 2022/23 is challenging but realistic in terms of the risks to the Council
  - Directors have reviewed their Directorate Plans to ensure that they are realistic in terms of what can be achieved by their teams
  - The Corporate Performance Board monitors the Council’s performance against the Annual Plan and Performance Indicators
  - SMT monitors the key business risks of the Council. They will also pick up any new or emerging risks relating to service areas across the Council and the impact of LGR work on delivering the Annual Plan.
- 5.5 In terms of managing resources during the transition period the LGR Joint Committee, comprising lead Members for all five Councils, initially agreed a joint (non-binding) Finance and Assets Protocol. This sets out an agreed set of principles through which all five councils will consider and safeguard the interests of the new council and future taxpayers, by not entering new financial commitments above those agreed in approved budgets, or dispose of assets of material value, or spend Council reserves without the consent of the LGR Implementation Team. This protocol was effective from 1 April 2022 and applies to the 2022/23 financial year. The principles apply

to:

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

5.6 The joint Finance and Assets Protocol was superseded on 16 June 2022 by the requirements of a S24 Direction issued by the Secretary of State, which states that SWTC (and the other 3 district Council's in Somerset) may not without the consent of the County Council's executive:

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

5.7 The County Council's Executive approved General Consent criteria enabling disposals or contracts that fall within agreed parameters to proceed. Where the General Consent does not enable this a Specific Consent will be required before a disposal or contract may be lawfully entered.

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

#### LGR Process and Governance

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

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

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

- Must Have – Non-negotiable products that are mandatory for Vesting Day (to be safe and legal)

- Should Have – Important products that are not vital, but will add significant value if delivered on Vesting Day
- Could Have – Nice to have products that will have a small impact if left out.
- Won't Have – products that are not priority for delivery on Vesting Day

5.12 The Workstreams and sub workstreams are, as follows:

| Workstream                   | Sub-workstreams  |
|------------------------------|--|
| Governance                   | Constitution<br>Contract Standing Orders<br>Code of Conduct(s)<br>Governance and Democratic Arrangements<br>Programme Legal advice and support<br>Members Allowances, appointment and training<br>Electoral arrangements and election to new council<br>Taunton Town Council<br>Democratic Services Structure<br>New Operating Model<br>Corporate Planning?<br>Corporate Performance<br>Commercial<br>Information Management                                       |
| People                       | Behaviours and Culture<br>Organisational Development<br>Organisational Design<br>Payroll/HR system<br>Recruitment (including senior recruitment)<br>Terms and Conditions and Policies<br>TUPE and organisational change<br>Wellbeing and Ways of Working<br>Diversity and Inclusion<br>Health and Safety   |
| Property Asset Optimisation  | Asset management plan and Policy<br>Asset rationalisation – customer delivery points<br>Asset rationalisation – depots and operational properties<br>Commercial property management<br>Consolidated management of surplus property and asset disposals<br>Facilities, printing and staff services<br>Land and property management system<br>Office accommodation and strategy and blue-print<br>Property Asset records<br>Valuation function, policies and process |
| Technical Asset Optimisation | Applications Roadmap and Contracts review, integration strategy and systems architecture<br>CAPITA contract plan<br>Consolidated management of Inflight Projects   |

| Workstream                        | Sub-workstreams  |
|-----------------------------------|--|
|                                   | <p>Cyber Security strategy and Framework<br/> End User Hardware and services<br/> GIS system integration including Local Land &amp; Property Gazetteer<br/> Hybrid Meeting / Committee Facilities<br/> ICT compliance and assurance<br/> ICT Disaster Recovery and Business Continuity system<br/> ICT service alignment and improvement including a) Operating Model for ICT function b) ICT traded services, c) Solution and approach agreed for hosted partnerships<br/> ICT Service Management Function – Priority Products<br/> Mobile Telephony<br/> Network &amp; Telephony<br/> Single platform / domain for new unitary &amp; Single Identity Management Solution<br/> Technology adoption and change plan<br/> Technology Strategy and Transition planning</p>   |
| Service Alignment and Improvement | <p>Housing 1 – Housing Landlord Functions<br/> Housing 2 – Operational Housing Services<br/> Housing 3 – Private Sector / Universal Provision<br/> Building Control<br/> Growth 1 – Prosperity &amp; Economic Development<br/> Growth 2 – Planning &amp; Enabling<br/> Infrastructure Delivery &amp; Active Travel<br/> Highways<br/> Traffic Management<br/> Commissioning<br/> Environment &amp; Climate Change – Sub-Group 1 (Climate Change and Water)<br/> Environment &amp; Climate Change – Sub-Group 2 (Waste &amp; Neighbourhood Services)<br/> Environment &amp; Climate Change – Sub-Group 3 (Environmental Health, Licensing and Coastal Services)<br/> Environment &amp; Climate Change – Sub-Group 4 (Sports, Leisure &amp; Countryside)<br/> Culture &amp; Universal Community Services<br/> Community &amp; Family Safety<br/> Business Intelligence<br/> Civil Contingencies &amp; Emergency Planning<br/> Communications</p> |
| Finance                           | <p>LGR Savings<br/> Budget setting and Medium-Term Financial Plan for new authority<br/> Commercial Investment<br/> Implementation costs<br/> Insurance and risk arrangements</p>  |

| Workstream                           | Sub-workstreams   |
|--------------------------------------|---|
|                                      | Existing budgets<br>Finance function<br>Revenues<br>Housing Benefit and subsidy<br>Housing Revenue Account<br>Treasury Management<br>Exchequer<br>Finance Web profile<br>Internal and External Audit<br>Statement of Accounts<br>Fees and Charges<br>Grant support to voluntary sector<br>Reconciliations<br>Community Infrastructure Levy and Section 106's<br>Pensions<br>Capital Programme<br>VAT and Taxation |
| Community, Customer and Partnerships | Digital Leadership and Strategy<br>Website<br>Customer Engagement Platform<br>Telephony<br>Face-to-Face<br>Enhancing Partnerships<br>Local Community Networks<br>Customer Strategy<br>Digital Services<br>Information Governance & Data Management<br>Digital Services<br>Information Governance & Data Management  |

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

5.11 The Elections took place on 5 May 2022, and 110 Councillors have been elected to Somerset County Council (until 1 April 2023)/ Somerset Unitary Council (from 1 April 2023). New Member Induction commenced on 9 May 2022. The Annual Meeting of SCC took place on 25 May 2022 when Cllr Bill Revans became the Leader of the Council. The Executive Councillors cover the areas of:

- Deputy Leader of the Council and Lead Member on Finance and Human Resources
- Lead Member for Children and Families
- Lead Member for Adult Social Care
- Lead Member for Transport and Digital
- Lead Member for Public Health, Equalities and Diversity
- Lead Member for Local Government Reorganisation and Prosperity
- Lead Member for Environment and Climate Change
- Lead Member for Development and Assets
- Lead Member for Communities



5.12 Duncan Sharkey was appointed as the Chief Executive and commencing in post on 3 October 2022. The Tier 2 appointments to Executive Director posts were made in January 2023. The Tier 3 appointments to Service Director positions will be made in March 2023. The structure of the services sitting under each Service Director will be considered post vesting day.

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

- **The LGR Joint Committee** - The purpose of the Board is to ensure that LGR in Somerset is delivered effectively and with appropriate stakeholder engagement and involvement (including elected Members from all 5 Councils). This was in place until the Structural Change Order was approved in March 2022.
- **The Implementation Executive** - This replaces the LGR Joint Committee. The Implementation Executive included the five existing council leaders and four cabinet members of the county council, will maintain oversight of the new council's development until the new administration is appointed following the 5 May Elections. After that date the Executive of the newly elected Council will be responsible for managing the implementation of the transition to the new unitary council for Somerset.
- **The LGR Joint Scrutiny Committee** – This Committee allowed the Constituent Councils to scrutinise the LGR Joint Committee in an effective and timely manner in relation to the preparation for the establishment of the unitary council in Somerset. It ensures that all Councils can play an important role in helping shape the direction of the implementation process but without leading to duplication and delay. Following the approval of the Structural Change Order, this will become a Scrutiny function of the newly elected Council, holding the Implementation Committee to account.
- **Chief Executive Programme Board**, comprising the five councils' Chief Executives, the lead authority's Monitoring Officer and Finance Director and the LGR Programme Director. It drives the programme forward to deliver the agreed outcomes and benefits and provide assurance to the LGR Joint Committee that the programme is on track.
- **The LGR Advisory Board**, comprising eight elected county and district members and representatives from Somerset Association of Local Councils, Somerset Society of Local Council Clerks, health, police, education and voluntary/community sector (Spark Somerset).

## 6.0 Significant governance issues

6.1 At the current time, there are no significant governance issues.

6.2 The system of Governance (including the system of Internal Control) can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, that material errors or irregularities are either prevented or would be detected within a timely period, that value for money is being

secured and that significant risks impacting on the achievement of our objectives have been mitigated. The review highlighted no areas as representing a significant weakness in Governance or Internal Control during 2022/23.

**7.0 Conclusion**

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

**Signed**

.....

Andrew Pritchard  
Chief Executive Officer  
Date:

.....

Cllr Federica Smith-Roberts  
Leader of the Council  
Date:

## APPENDIX A - CORPORATE GOVERNANCE FRAMEWORK

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

### Key Documents: Annual Review/Production:

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

### Key Documents: Ad-hoc Review/Production:

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

### Contributory Processes/ Regulatory Monitoring:

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

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Grant Thornton UK LLP  
2 Glass Wharf  
Bristol  
BS2 0EL

**26 October 2023**

Dear Grant Thornton UK LLP

**Somerset West and Taunton Council**  
**Financial Statements for the year ended 31 March 2023**

This representation letter is provided in connection with the audit of the financial statements of Somerset West and Taunton ("the Council") for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the Council financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

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

**Financial Statements**

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include valuation of land and buildings, investment properties, council dwellings, the net defined benefit pension liability, provisions and accruals. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the Council has been assigned, pledged or mortgaged
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards. We have considered equal pay claims and confirm that these have all been settled with no outstanding balances due as at 31 March 2023.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. The prior period adjustments disclosed in Note 39 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.
- xv. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
  - a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
  - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
  - c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements
- xvi. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.
- xvii. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

- xviii. We have considered the property portfolio of the Council with regard to Reinforced Autoclaved Aerated Concrete (RAAC). Our assessment is that there is no material impact on the valuation of any affected buildings included in the financial statements as at 31 March 2023.

#### **Information Provided**

- xix. We have provided you with:
- a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.
- xx. We have communicated to you all deficiencies in internal control of which management is aware.
- xxi. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xxii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xxiii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
- a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- xxiv. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxv. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxvi. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxvii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

#### **Annual Governance Statement**

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

#### **Narrative Report**

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

#### **Approval**

The approval of this letter of representation was minuted by Somerset Council's Audit Committee, as the successor body to Somerset West and Taunton Council, at its meeting on 26 October 2023.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

**Signed on behalf of the Council**





## **Audit Committee**

Meeting Date – 26th October 2023

---

### **Risk Management update**

Executive Member(s): Liz Leyshon – Lead Member for Resources and Performance

Lead Officer: Jason Vaughan – Executive Director Resources and Corporate Services

Author: Pam Pursley - Risk manager

Contact Details: 01823 359062. Email: pam.pursley@somerset.gov.uk

#### **Summary / Background**

1. Effective risk management ensures the continuity of the Councils operations and has a direct link to the Council's priorities, Business Plan, and the Medium-Term Financial Plan, forms an integral part of the Annual Governance Statement (AGS) and is a major component of the External Auditor's Value for Money Audit. Risk management enables public sector organization to become more reactive to change and make better decisions on how they can operate more effectively in the future, ultimately leading to better outcomes for the people who live, work, or visit Somerset. Risk management is an essential component of good corporate governance.
2. The Account and Audit Regulations 2015 require the Council to have in place effective arrangements for the management of risk. These arrangements are reviewed annually and reported as part of the Annual Governance Statement (AGS).
3. The Audit Committee are the governance group charged with independent assurance of the adequacy of the risk management framework

## **2. For Audit Committees consideration**

2.1 There are no changes this month to the strategic risks reported to Audit Committee on 28<sup>th</sup> September 2023, although there is a high likelihood that one or more strategic risks will see a rise in their current score because of the current financial emergency.

### **2.2 Our achievements since Vesting Day:**

- Produced the new Risk Management Framework.
- Brought together all the former District Council's service level risks.
- Created the new Strategic Risk register.
- Provided training for over 100 members of staff on the new Framework and how it operates in the new authority.
- Established regular meetings with Service Directors to focus on risk in their areas.
- Worked with JC Applications Developments (JCAD) to implement the upgrade to version 5 of the JCAD Core Enterprise Risk Management System which, went live on October 2<sup>nd</sup>.
- Emailed over 150 staff to personally invite them to the training opportunity, submitted articles to Dragons Pen and published same on the former Yammer app. To date, 68 members of staff have signed up for the training. Training on version 5 of JCAD continues throughout October.

### **3. Our Future Workplan**

- Introduce a risk appetite framework to work with the risk assessment process of the RM framework.
- Set up a strategic risk workshop with CLT early 2024
- Review the Corporate Key Performance Indicators and identify Key Risk Indicators to run alongside.

### **Links to Council Plan and Medium-Term Financial Plan**

4. Risk Management is directly linked to all the Council priorities and the work being completed on the Business Plan that will then inform service plans.



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# Strategic Risk Review & Control Measure Update report



## Strategic Risks - SC(Executive Directors)

| Details   | cause   | Consequence  | Current Risk Assessment | Desired Risk Assessment |   |                  |                  |              |            |            |            |   |               |
|---|---|--|-------------------------|-------------------------|---|------------------|------------------|--------------|------------|------------|------------|---|---------------|
| <b>ORG0009</b><br>Strategic Risk 2020 - CSC:<br>Safeguarding Children: We fail to deliver our statutory service delivery duties and legal obligations in relation to vulnerable children.   | Systemic leadership, financial constraints, and management challenges | Possible abuse, injury or loss of life to a vulnerable child through lack of provision of service. Reduced public confidence; emergency measures; increased inspection; personal litigation claims; negative publicity for both the Council and partners; possible financial penalty or service is removed from Council control. | Amber - High Risk       | Amber - High Risk       | <table border="1"> <thead> <tr> <th>Next Review Date</th> <th>Last Review Date</th> <th>Days Overdue</th> <th>Risk Owner</th> </tr> </thead> <tbody> <tr> <td>30/09/2023</td> <td>19/04/2023</td> <td>0</td> <td>Claire Winter</td> </tr> </tbody> </table> | Next Review Date | Last Review Date | Days Overdue | Risk Owner | 30/09/2023 | 19/04/2023 | 0 | Claire Winter |
|   |   |  | Next Review Date        | Last Review Date        |   | Days Overdue     | Risk Owner       |              |            |            |            |   |               |
| 30/09/2023  | 19/04/2023  | 0  | Claire Winter           |                         |   |                  |                  |              |            |            |            |   |               |
| <table border="1"> <tbody> <tr> <td style="background-color: #FF8C00; color: white; text-align: center;"><b>15</b></td> <td style="background-color: #FF8C00; color: white; text-align: center;"><b>15</b></td> </tr> <tr> <td>Impact<br/>5</td> <td>Impact<br/>5</td> </tr> <tr> <td>Likelihood<br/>3</td> <td>Likelihood<br/>3</td> </tr> </tbody> </table> | <b>15</b>   | <b>15</b>  | Impact<br>5             | Impact<br>5             | Likelihood<br>3   | Likelihood<br>3  |                  |              |            |            |            |   |               |
| <b>15</b>   | <b>15</b>   |  |                         |                         |   |                  |                  |              |            |            |            |   |               |
| Impact<br>5   | Impact<br>5   |  |                         |                         |   |                  |                  |              |            |            |            |   |               |
| Likelihood<br>3   | Likelihood<br>3   |  |                         |                         |   |                  |                  |              |            |            |            |   |               |

### Risk Review Update

Review Summary: Regular QPRM meetings continue. QSRM meetings take place with the CEO, DCS and Lead Member for Children's Services on a quarterly basis. An annual conversation takes place with Ofsted to review performance data and practice activity. Updated on 05/10/2022 14:41:33

| Control Measure    | Control Review Update   | Status   | Cost to Date<br>Est. Cost | Days Overdue | Review Date | Control Owner  |
|--------------------|---|--|---------------------------|--------------|-------------|----------------|
| <b>ORG0009/057</b> | Quality, Review and Performance (QPRM) Meetings, led by the DCS, Deputy DCS and Assistant Directors | Review Summary: Regular QPRM meetings continue. QSRM meetings take place with the CEO, DCS and | In Progress (Reactive)    | 0            | 30/09/2023  | Adrienne Parry |

Strategic Risks - SC(Executive Directors)

| Details   | cause   | consequence   | Current Risk Assessment  | Controlled Risk Assessment  |  |                  |                  |              |            |            |            |   |              |
|---|---|---|--|---|--|------------------|------------------|--------------|------------|------------|------------|---|--------------|
| <b>ORG0053</b><br>Strategic Risk 2020 - Resilience: Organisational Resilience: Without the minimum level of capacity and resource, the resilience of the organisation is compromised. | 1. Recruitment & retention, competing with other local authorities and the private sector<br>2. Loss of staff specific to in-house system architecture (Revs & Bens, Housing, SAP etc)<br>3. Competing priorities including LGR transition, transformation projects and high service pressures etc<br>4. Emerging financial pressure in 2023-24<br>5. Assets & Infrastructure e.g. SAP, | Additional pressure on service delivery, fail to realise the staff savings targets. | Red - V. High Risk<br><span style="background-color: red; color: white; padding: 2px;">20</span> | V. Low Risk<br><span style="background-color: green; color: white; padding: 2px;">10</span> | <table border="1"> <thead> <tr> <th>Next Review Date</th> <th>Last Review Date</th> <th>Days Overdue</th> <th>Risk Owner</th> </tr> </thead> <tbody> <tr> <td>07/08/2023</td> <td>12/06/2023</td> <td>0</td> <td>Chris Squire</td> </tr> </tbody> </table> | Next Review Date | Last Review Date | Days Overdue | Risk Owner | 07/08/2023 | 12/06/2023 | 0 | Chris Squire |
|   |   |   | Next Review Date   | Last Review Date  | Days Overdue   | Risk Owner       |                  |              |            |            |            |   |              |
| 07/08/2023  | 12/06/2023  | 0   | Chris Squire   |   |  |                  |                  |              |            |            |            |   |              |
| Impact<br>5<br>Likelihood<br>4  | Impact<br>5<br>Likelihood<br>2  |   |  |   |  |                  |                  |              |            |            |            |   |              |

Risk Review Update

Review Summary: 12/6/2023 - CSquire - Updated on 18/07/2022 13:20:30

| Control Measure  | Control Review Update   | Status                 | Cost to Date<br>Est. Cost | Days Overdue | Review Date | Control Owner   |
|--|---|------------------------|---------------------------|--------------|-------------|-----------------|
| <b>ORG0053/012</b><br>New inhouse Replacement solutions and wider skills training  |   | In Progress (Reactive) |                           | 0            | 15/07/2023  | Craig Wilkins   |
| <b>ORG0053/009</b><br>H&S Create common processes so staff can be interchanged across County.  | Review Summary: Being incorporated into Tech Forge processes as inspections and annual.           | In Progress (Reactive) |                           | 30           | 21/05/2023  | Heidi Boyle     |
| <b>ORG0053/011</b><br>Information Governance Asset register  | Review Summary: Progressing alongside the Rec Mgt workstream with a view to a combined retention. | In Progress (Reactive) |                           | 81           | 31/03/2023  | Rebecca Martin  |
| <b>ORG0053/010</b><br>ICT Increase awareness & understanding SCC around suspicious or unsolicited email with attachments & website file downloads. | Software purchased and running. Tested with SLT and members with a Phish campaign. All user       | In Progress (Reactive) |                           | 477          | 28/02/2022  | Dave Littlewood |

Strategic Risks - SC(Executive Directors)

| Details   | cause   | Consequence  | Current Risk Assessment                                     | Controlled Risk Assessment                                    | Next Review Date | Last Review Date | Days Overdue | Risk Owner   |
|---|---|--|---|---|------------------|------------------|--------------|--------------|
| <b>ORG0056</b><br>Strategic Risk 2021 - Supply Chain: Potential for significant supplier disruption across all services but greatest risk to demand and sustainability of funding in the care provision sector, transport services and Waste. | External influences and uncertainties, e.g. Covid19 pandemic and it's effect on suppliers concurrently with the effects of leaving the EU and the formation of an Integrated Care System & Local Government Reorganisation, rising inflation, workforce shortages | increased costs, reduced staffing, effects on local / national suppliers may impact on our commissioning activity and result in SCC not achieving the outcomes it seeks. | Red - V. High Risk<br><b>16</b><br>Impact 4<br>Likelihood 4 | Yellow - Medium Risk<br><b>12</b><br>Impact 4<br>Likelihood 3 | 05/07/2023       | 05/06/2023       | 0            | Mickey Green |

**Risk Review Update**

Review Summary: Commercial pressures in waste sector in particular have increased. Updated on 15/03/2023 12:14:02

| Control Measure  | Control Review Update  | Status                 | Cost to Date<br>Est. Cost | Days Overdue | Review Date | Control Owner    |
|--|--|------------------------|---------------------------|--------------|-------------|------------------|
| <b>ORG0056/005</b><br>Corporate procedures for contract management   | Review Summary: Recently completed Contract Management Pioneer Programme with DLUHC and      | In Progress (Reactive) |                           | 0            | 02/10/2023  | Claire Griffiths |
| <b>ORG0056/004</b><br>Working closely with children's care suppliers | Review Summary: 14/6/2023 - R Selwyn - Developing a sufficiency strategy for children looked | In Progress (Reactive) |                           | 0            | 15/07/2023  | Richard Selwyn   |
| <b>ORG0056/003</b><br>Working closely with waste contractor market   | Review Summary: 17/4/2023: Contractors are continuing to recruit to 115% of their required   | In Progress (Reactive) |                           | 34           | 17/05/2023  | Michael Cowdell  |

Strategic Risks - SC(Executive Directors)

| Details  | cause   | Consequence  | Current Risk Assessment         | Controlled Risk Assessment       |   |                  |                  |              |            |            |            |   |               |
|--|---|--|---------------------------------|----------------------------------|---|------------------|------------------|--------------|------------|------------|------------|---|---------------|
| <b>ORG0057</b><br>Strategic Risk 2023 - Sustainable MTFP: The forecast costs of services in the form of the 2023/24 Somerset Council budget must match the financial resources available. There is a risk that the current high inflationary pressures | * The councils funding not increasing at the same rate as the increase in costs.<br>* The very high inflationary environment, increasing interest rates, tight labour market, fuel, energy, care provider & external placement costs are adversely impacting upon service costs<br>* The Housing Revenue Account (HRA) and the capital programme.<br>* The income to the council doesn't increase at the same causing a budget gap and potential overspends.<br>* There is a deficit on the High Needs Block (HNB) of £30m as at 31 March 2022 and is projected to significantly increase by the time the DfE statutory override ends on 31 March 2026. At this stage the deficit would be offset | If there was no corrective actions taken then it would result in the Section 151 Officer issuing a section 114 Notice. | Red - V. High Risk<br><b>20</b> | Yellow - Medium Risk<br><b>9</b> | <table border="1"> <thead> <tr> <th>Next Review Date</th> <th>Last Review Date</th> <th>Days Overdue</th> <th>Risk Owner</th> </tr> </thead> <tbody> <tr> <td>31/07/2023</td> <td>18/05/2023</td> <td>0</td> <td>Jason Vaughan</td> </tr> </tbody> </table> | Next Review Date | Last Review Date | Days Overdue | Risk Owner | 31/07/2023 | 18/05/2023 | 0 | Jason Vaughan |
|  |   |  | Next Review Date                | Last Review Date                 | Days Overdue  | Risk Owner       |                  |              |            |            |            |   |               |
| 31/07/2023   | 18/05/2023  | 0  | Jason Vaughan                   |                                  |   |                  |                  |              |            |            |            |   |               |
| Impact<br>5<br>Likelihood<br>4   | Impact<br>3<br>Likelihood<br>3  |  |                                 |                                  |   |                  |                  |              |            |            |            |   |               |

Page 352

**Risk Review Update**  
 Review Summary: 18/5/2023 - JVaughan - Review of this risk to take place before 20th June 2023 Updated on 07/02/2023 11:29:46

| Control Measure   | Control Review Update | Status               | Cost to Date<br>Est. Cost | Days Overdue | Review Date | Control Owner |
|---|-----------------------|----------------------|---------------------------|--------------|-------------|---------------|
| <b>ORG0057/007</b><br>Medium Term Financial Plan (MTFP) - Updated the MTFP for 2024/25 to 2026/27 |                       | Existing (Proactive) |                           |              |             | Nicola Hix    |
| <b>ORG0057/008</b><br>Review of Reserves  |                       | Existing (Proactive) |                           |              |             | Nicola Hix    |
| <b>ORG0057/009</b><br>Review of the High Needs Block  |                       | Existing (Proactive) |                           |              |             | Nicola Hix    |



Strategic Risks - SC(Executive Directors)

| Control Measure                   | Control Review Update | Status                    | Cost to Date<br>Est. Cost | Days Overdue | Review Date | Control Owner |
|-----------------------------------|-----------------------|---------------------------|---------------------------|--------------|-------------|---------------|
| ORG0057/006<br>Financial Strategy |                       | In Progress<br>(Reactive) |                           | 0            | 31/07/2023  | Jason Vaughan |

Strategic Risks - SC(Executive Directors)

| Details  | Cause  | Consequence   | Current Risk Assessment   | Controlled Risk Assessment  |   |                  |                  |              |            |            |            |   |           |
|--|--|---|---|---|---|------------------|------------------|--------------|------------|------------|------------|---|-----------|
| <b>ORG0060</b><br>Strategic Risk 2022 - ASC: ASC fails to meet statutory obligations under the care act in relation to Care Provider market sufficiency and capacity<br><br>Page 354 | Insufficient / vulnerable independent adult social care market supply/capacity to meet rising demand for care and support and population needs | <ul style="list-style-type: none"> <li>Needs and outcomes for individuals are not met in a timely, effective way;</li> <li>Hospital flow significantly affected due to insufficient intermediate care capacity</li> <li>High levels of unmet care need and package of care handbacks; rising levels of care provider business failure or closure;</li> <li>Risk to, and needs of, individuals awaiting care in the community increase;</li> <li>Failure to adequately safeguard adults at risk</li> <li>Increase in out of area/ respite / permanent residential/nursing placements (increased costs; poorer</li> </ul> | Yellow - Medium Risk<br><br><b>12</b><br><br>Impact<br>4<br><br>Likelihood<br>3 | Yellow - Medium Risk<br><br><b>12</b><br><br>Impact<br>4<br><br>Likelihood<br>3 | <table border="1"> <thead> <tr> <th>Next Review Date</th> <th>Last Review Date</th> <th>Days Overdue</th> <th>Risk Owner</th> </tr> </thead> <tbody> <tr> <td>30/06/2023</td> <td>30/05/2023</td> <td>0</td> <td>Niki Shaw</td> </tr> </tbody> </table> | Next Review Date | Last Review Date | Days Overdue | Risk Owner | 30/06/2023 | 30/05/2023 | 0 | Niki Shaw |
|  |  |   | Next Review Date  | Last Review Date  | Days Overdue  | Risk Owner       |                  |              |            |            |            |   |           |
| 30/06/2023   | 30/05/2023   | 0   | Niki Shaw   |   |   |                  |                  |              |            |            |            |   |           |

**Risk Review Update**

Review Summary: Capacity across our external independent adult social care provider market and workforce to meet high levels of need/demand within our communities and local hospitals posed a significant challenge in our ability to source timely care during the pandemic. However, over recent months, we have seen the impact of additional investment and commissioning activity, as well as some pick up in care provider recruitment of new starters, with levels of unmet homecare need significantly falling to their lowest levels since March 2021 (hitting just 4 at the end of April 2023 – OPEL 1 Escalation - and continuing at v low levels). Care Quality Commission data continues to demonstrate good overall quality across active social care settings, with the proportion of Good/Outstanding provision reported at 84.6% in April 2023. In January, Somerset launched a bold new Proud to Care campaign ('My Time To Care') as part of ongoing system efforts to encourage people to consider a career in care which has helped to generate new interest in the sector.

The service has submitted a Market Sustainability Plan nationally and is currently finalising its Market Position Statement ahead of wider promotion, with ongoing work progressing around the re-commissioning of the homecare market to better meet local need and address known gaps.

On 30 March 2023, a key decision was taken by the Lead Member for Adult Social Care regarding Fees and Charges for 2023-24; the uplifts represent a permanent increase of between 8.8% and 57.5% for the 2023/24 fy. This represents a total investment of £24.9m in the social care sector by the Council and has already supported lower level unmet homecare needs.

The service is preparing for new CQC assurance, which will include delivery of duties in relation to market shaping under the Care Act 2014, and has issued a care provider survey during May 2023 to gather feedback from the sector to support local insights. Updated on 03/05/2023 14:03:35

Strategic Risks - SC(Executive Directors)

| Control Measure  | Control Review Update  | Status                    | Cost to Date<br>Est. Cost | Days Overdue | Review Date | Control Owner |
|--|--|---------------------------|---------------------------|--------------|-------------|---------------|
| <b>ORG0060/008</b><br>Refresh Somerset's ASC Market Position Statement for launch in April 2023                                    | Review Summary: James Cawley is leading on the refresh of Somerset's Market Position Statement and | In Progress<br>(Reactive) |                           | 0            | 08/07/2023  | Niki Shaw     |
| <b>ORG0060/009</b><br>Undertake and maintain a detailed self-assessment in relation to how the LA provides support (CQC Assurance) | Review Summary: Initial self-assessment against Theme 2 (Providing Support) category of new CQC    | In Progress<br>(Reactive) |                           | 0            | 08/07/2023  | Niki Shaw     |

Strategic Risks - SC(Executive Directors)

| Details   | Cause   | Consequence   | Current Risk Assessment | Controlled Risk Assessment |   |                  |                  |              |            |            |            |   |               |
|---|---|---|-------------------------|----------------------------|---|------------------|------------------|--------------|------------|------------|------------|---|---------------|
| <b>ORG0063</b><br><b>NEW</b> strategic risk 2023 - Commercial Investments - Inability to achieve forecast income in the MTFP/dividend. Market factors, valuations control around properties, diversity of portfolio, geographical area of investments   | * Rising interests rates<br>* Increased borrowing<br>* Debt | * Increased budget pressures<br>* Debt portfolio<br>* Negative media reporting leading to reputational damage | Red - V. High Risk      | Amber - High Risk          | <table border="1"> <thead> <tr> <th>Next Review Date</th> <th>Last Review Date</th> <th>Days Overdue</th> <th>Risk Owner</th> </tr> </thead> <tbody> <tr> <td>20/06/2023</td> <td>05/06/2023</td> <td>0</td> <td>Jason Vaughan</td> </tr> </tbody> </table> | Next Review Date | Last Review Date | Days Overdue | Risk Owner | 20/06/2023 | 05/06/2023 | 0 | Jason Vaughan |
|   |   |   | Next Review Date        | Last Review Date           |   | Days Overdue     | Risk Owner       |              |            |            |            |   |               |
| 20/06/2023  | 05/06/2023  | 0   | Jason Vaughan           |                            |   |                  |                  |              |            |            |            |   |               |
| <table border="1"> <tr> <td style="background-color: red; color: white; text-align: center;">20</td> <td style="background-color: orange; text-align: center;">15</td> </tr> <tr> <td>Impact</td> <td>Impact</td> </tr> <tr> <td style="text-align: center;">5</td> <td style="text-align: center;">5</td> </tr> <tr> <td>Likelihood</td> <td>Likelihood</td> </tr> <tr> <td style="text-align: center;">4</td> <td style="text-align: center;">3</td> </tr> </table> | 20  | 15  | Impact                  | Impact                     | 5   | 5                | Likelihood       | Likelihood   | 4          | 3          |            |   |               |
| 20  | 15  |   |                         |                            |   |                  |                  |              |            |            |            |   |               |
| Impact  | Impact  |   |                         |                            |   |                  |                  |              |            |            |            |   |               |
| 5   | 5   |   |                         |                            |   |                  |                  |              |            |            |            |   |               |
| Likelihood  | Likelihood  |   |                         |                            |   |                  |                  |              |            |            |            |   |               |
| 4   | 3   |   |                         |                            |   |                  |                  |              |            |            |            |   |               |

**Risk Review Update**  
 Review Summary: will be presented to CLT on 20th June Updated on 02/03/2023 16:25:47

| Control Measure | Control Review Update | Status | Cost to Date<br>Est. Cost | Days Overdue | Review Date | Control Owner |
|-----------------|-----------------------|--------|---------------------------|--------------|-------------|---------------|
|                 |                       |        |                           |              |             |               |

2890  
 356

Strategic Risks - SC(Executive Directors)

| Details  | Cause | consequence | Current Risk Assessment                                     | Controlled Risk Assessment                                   | Next Review Date | Last Review Date | Days Overdue | Risk Owner     |
|--|-------|-------------|---|--|------------------|------------------|--------------|----------------|
| <b>ORG0061</b><br>Strategic Risk 2022 - Climate Change: SC is unable to take sufficient urgent action to mitigate and adapt to the current and future impacts of climate change. |       |             | Red - V. High Risk<br><b>16</b><br>Impact 4<br>Likelihood 4 | Yellow - Medium Risk<br><b>9</b><br>Impact 3<br>Likelihood 3 | 01/05/2023       | 18/01/2023       | 50           | Kirsty Larkins |

**Risk Review Update**

Review Summary: The position as described previously remains. The biggest limiting factor to achieving the ambitious goals to 2030 set out in the strategy will be the availability and prioritisation of funding. Updated on 04/10/2022 17:36:17

| Control Measure  | Control Review Update   | Status                 | Cost to Date Est. Cost | Days Overdue | Review Date | Control Owner     |
|--|---|------------------------|------------------------|--------------|-------------|-------------------|
| <b>ORG0061/001</b><br>Delivery of the outcomes of Climate Emergency Strategy for Transport                         |   | Existing (Proactive)   |                        |              |             | David Carter      |
| <b>ORG0061/002</b><br>Delivery the Climate Emergency Strategy outcomes for Transport                               | Review Summary: Funding for bus priority and mobility hubs in Taunton and Somerton has been         | In Progress (Reactive) |                        | 0            | 06/11/2023  | Mike O'Dowd-Jones |
| <b>ORG0061/010</b><br>Delivery of Climate Emergency Strategy outcomes for the Communications workstream            | Review Summary: 09/03/2023 - Climate Change is identified as one of the Corporate priorities in the | In Progress (Reactive) |                        | 8            | 12/06/2023  | Peter Elliott     |
| <b>ORG0061/005</b><br>Delivery of Climate Emergency Strategy outcomes for the Business and Supply Chain Workstream | Review Summary: Green business support programme outline finalised                                  | In Progress (Reactive) |                        | 12           | 08/06/2023  | Paul Hickson      |
| <b>ORG0061/009</b><br>Delivery of the Climate Emergency Strategy outcomes for the Waste and Resources workstream   | Review Summary: Update being provided to CE programme Board in March 2023 setting out               | In Progress (Reactive) |                        | 13           | 07/06/2023  | Kirsty Larkins    |

Strategic Risks - SC(Executive Directors)

| Control Measure  | Control Review Update   | Status                    | Cost to Date<br>Est. Cost | % Complete | Days Overdue | Review Date | Control Owner   |
|--|---|---------------------------|---------------------------|------------|--------------|-------------|-----------------|
| <b>ORG0061/007</b><br>Delivery of Climate Change Strategy outcomes for Farming and Food workstream               | Review Summary: two meetings of the Somerset Food Strategy steering group have been held            | In Progress<br>(Reactive) |                           | 10         | 38           | 13/05/2023  | Mark Fortune    |
| <b>ORG0061/006</b><br>Delivery of the Climate Emergency Strategy outcomes for the Natural Environment workstream | Review Summary: New Service Manager in place who is reviewing Strategy Outcomes                     | In Progress<br>(Reactive) |                           | 10         | 62           | 19/04/2023  | Jonathan Doyle  |
| <b>ORG0061/008</b><br>Delivery of the Climate Emergency Strategy outcomes for the Water workstream               | Review Summary: New Service Manager in post, is reviewing recruitment and people strategy           | In Progress<br>(Reactive) |                           | 10         | 62           | 19/04/2023  | Jonathan Doyle  |
| <b>ORG0061/003</b><br>Delivery of Climate Emergency Strategy Energy Workstream outcomes                          | Review Summary: Regular discussions continuing to be held between district and County energy leads. | In Progress<br>(Reactive) |                           | 10         | 81           | 31/03/2023  | Oliver Woodhams |
| <b>ORG0061/004</b><br>Delivery of Climate Emergency Strategy outcomes for the Build Environment Workstream       | Review Summary: Good progress has been made through waves 1 and 2 in the PSDS program in the        | In Progress<br>(Reactive) |                           | 10         | 81           | 31/03/2023  | Oliver Woodhams |

Strategic Risks - SC(Executive Directors)

| Details   | cause   | Consequence   | Current Risk Assessment         | Controlled Risk Assessment        |  |                  |                  |              |            |            |            |   |              |
|---|---|---|---------------------------------|-----------------------------------|--|------------------|------------------|--------------|------------|------------|------------|---|--------------|
| <b>ORG0062</b><br>Strategic Risk 2023 - Health and safety management, strategic planning and direction is not embedded across the Council, including Maintained Schools, resulting in a fragmented management system with increased | 1. Corporate service operating for a number of years without a strategic lead<br>2. Inadequate staffing resource resulting in unsustainable demands<br>3. Organisational LGR reprioritisation<br>4. Uncertainty due to intended LGR service restructuring<br>5. Insufficient resource to enable early identification of increasing risk and statutory breaches<br>6. Reduced capacity to proactively and reactively engage with the workforce<br>7. Emerging existence of multiple risk management systems across the organisation<br>8. Limited H&S training to support managers and staff<br>9. Absence of corporate audits | 1. Death or serious harm (RIDDOR Reportable Incidents and Dangerous Occurrence, excluding Over-seven-day incapacitation of a worker) to a service user, pupil, member of the public or a member of staff<br>2. Criminal prosecution and enforcement action under H&S / Fire / Corporate Manslaughter legislation<br>3. Civil Claims and/or personal litigation claims for negligence<br>4. Adverse publicity and damage to reputation for the Council<br>5. Increased audit inspection from enforcing bodies<br>6. Increased costs and financial penalties<br>7. Increased costs associated | Red - V. High Risk<br><b>16</b> | Yellow - Medium Risk<br><b>12</b> | <table border="1"> <thead> <tr> <th>Next Review Date</th> <th>Last Review Date</th> <th>Days Overdue</th> <th>Risk Owner</th> </tr> </thead> <tbody> <tr> <td>07/08/2023</td> <td>12/06/2023</td> <td>0</td> <td>Chris Squire</td> </tr> </tbody> </table> | Next Review Date | Last Review Date | Days Overdue | Risk Owner | 07/08/2023 | 12/06/2023 | 0 | Chris Squire |
|   |   |   | Next Review Date                | Last Review Date                  | Days Overdue   | Risk Owner       |                  |              |            |            |            |   |              |
| 07/08/2023  | 12/06/2023  | 0   | Chris Squire                    |                                   |  |                  |                  |              |            |            |            |   |              |
| Impact<br>4<br>Likelihood<br>4  | Impact<br>4<br>Likelihood<br>3  |   |                                 |                                   |  |                  |                  |              |            |            |            |   |              |

Page 359

**Risk Review Update**

Review Summary: 12/6/2023 - C Squire - new live actions added Updated on 07/02/2023 13:23:43

| Control Measure    | Control Review Update                  | Status                    | Cost to Date<br>Est. Cost | Days Overdue | Review Date | Control Owner   |
|--------------------|--|---------------------------|---------------------------|--------------|-------------|-----------------|
| <b>ORG0062/001</b> | SWAP internal audit into H & S culture | In Progress<br>(Reactive) |                           | 0            | 06/11/2023  | Daniel Thomas   |
| <b>ORG0062/002</b> | work looking at structures, risks etc  | In Progress<br>(Reactive) |                           | 0            | 17/07/2023  | To be confirmed |

Strategic Risks - SC(Executive Directors)

| Details  | Cause      | Consequence | Current Risk Assessment                  | Controlled Risk Assessment               |  |                  |                  |              |            |            |            |   |            |
|--|------------|-------------|--|--|--|------------------|------------------|--------------|------------|------------|------------|---|------------|
| <b>ORG0064</b><br><b>EMERGING:</b> strategic risk 2023 - Housing - details to be completed by C Hall & C Brown |            |             | <b>0</b><br><br>Impact<br><br>Likelihood | <b>0</b><br><br>Impact<br><br>Likelihood | <table border="1"> <thead> <tr> <th>Next Review Date</th> <th>Last Review Date</th> <th>Days Overdue</th> <th>Risk Owner</th> </tr> </thead> <tbody> <tr> <td>07/08/2023</td> <td>23/05/2023</td> <td>0</td> <td>Chris Hall</td> </tr> </tbody> </table> | Next Review Date | Last Review Date | Days Overdue | Risk Owner | 07/08/2023 | 23/05/2023 | 0 | Chris Hall |
|  |            |             |  |  | Next Review Date   | Last Review Date | Days Overdue     | Risk Owner   |            |            |            |   |            |
| 07/08/2023   | 23/05/2023 | 0           | Chris Hall                               |  |  |                  |                  |              |            |            |            |   |            |

**Risk Review Update**  
 Review Summary: 23/05/2023 - C Hall. Will work to identify a strategic housing risk, this is an emerging risk for now Updated on 03/03/2023 11:39:43

| Control Measure | Control Review Update | Status | Cost to Date<br>Est. Cost | % Complete | Days Overdue | Review Date | Control Owner |
|-----------------|-----------------------|--------|---------------------------|------------|--------------|-------------|---------------|
|                 |                       |        |                           |            |              |             |               |

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Strategic Risks - SC(Executive Directors)

| Details  | Cause   | Consequence   | Current Risk Assessment  | Controlled Risk Assessment |  |                  |                  |              |            |            |            |   |              |
|--|---|---|--|----------------------------|--|------------------|------------------|--------------|------------|------------|------------|---|--------------|
| <b>ORG0065</b><br><b>NEW</b> strategic risk 2023 - Inability to recruit and retain staff | Unable to compete with the private sector especially around IT, legal & planning development management | Vacant hard to fill posts effecting the realization of benefits from LGR. Increased budget pressure from hiring agency staff<br>Staff wellbeing | Red - V. High Risk<br><span style="background-color: red; color: white; padding: 2px;">20</span> | 0                          | <table border="1"> <thead> <tr> <th>Next Review Date</th> <th>Last Review Date</th> <th>Days Overdue</th> <th>Risk Owner</th> </tr> </thead> <tbody> <tr> <td>20/06/2023</td> <td>05/06/2023</td> <td>0</td> <td>Chris Squire</td> </tr> </tbody> </table> | Next Review Date | Last Review Date | Days Overdue | Risk Owner | 20/06/2023 | 05/06/2023 | 0 | Chris Squire |
|  |   |   | Next Review Date   | Last Review Date           | Days Overdue   | Risk Owner       |                  |              |            |            |            |   |              |
| 20/06/2023   | 05/06/2023  | 0   | Chris Squire   |                            |  |                  |                  |              |            |            |            |   |              |
| Impact<br>5<br>Likelihood<br>4   | Impact<br>Likelihood  |   |  |                            |  |                  |                  |              |            |            |            |   |              |

**Risk Review Update**

Review Summary: to be presented to CLT 20th June Updated on 03/03/2023 11:44:58

| Control Measure   | Control Review Update | Status                 | Cost to Date<br>Est. Cost | Days Overdue | Review Date | Control Owner |
|---|-----------------------|------------------------|---------------------------|--------------|-------------|---------------|
| <b>ORG0065/001</b><br>Workforce Strategy exercise with services |                       | In Progress (Reactive) |                           | 0            | 03/07/2023  | Chris Squire  |
| <b>ORG0065/002</b><br>Review of pay and grading                 |                       | In Progress (Reactive) |                           | 0            | 03/07/2023  | Chris Squire  |

Strategic Risks - SC(Executive Directors)

| Details  | Cause  | Consequence  | Current Risk Assessment   | Controlled Risk Assessment   |  |                  |                  |              |            |            |            |   |            |
|--|--|--|---|--|--|------------------|------------------|--------------|------------|------------|------------|---|------------|
| <b>ORG0066</b><br><b>NEW</b> Strategic Risk<br>2023 - VCFSE - The continued risk of financial instability of the sector exacerbated by the financial pressure on Somerset Council and the requirements to make savings, lessening opportunity to make long | 1. Currently only one year funding in place to 31/3/24<br>2. Unclear current position or whether funding will continue beyond April 2024 and if so to whom<br>3. Fragility of the sector | 1. Impact on services - potential for increase in Council Tax and Rent arrears if no funding available to support VCFSE sector who provide support and advice to customers<br>2. Areas where VCFSE support the Council may well not get delivered or customers supported<br>3. Potential loss of some VCFSE groups | Yellow - Medium Risk<br><span style="background-color: yellow; padding: 2px;">12</span> | V. Low Risk<br><span style="background-color: green; padding: 2px;">6</span> | <table border="1"> <thead> <tr> <th>Next Review Date</th> <th>Last Review Date</th> <th>Days Overdue</th> <th>Risk Owner</th> </tr> </thead> <tbody> <tr> <td>20/06/2023</td> <td>05/06/2023</td> <td>0</td> <td>Alyn Jones</td> </tr> </tbody> </table> | Next Review Date | Last Review Date | Days Overdue | Risk Owner | 20/06/2023 | 05/06/2023 | 0 | Alyn Jones |
|  |  |  | Next Review Date  | Last Review Date   | Days Overdue   | Risk Owner       |                  |              |            |            |            |   |            |
| 20/06/2023   | 05/06/2023   | 0  | Alyn Jones  |  |  |                  |                  |              |            |            |            |   |            |
| Impact<br>4<br>Likelihood<br>3   | Impact<br>3<br>Likelihood<br>2   |  |   |  |  |                  |                  |              |            |            |            |   |            |

**Risk Review Update**  
 Review Summary: to be presented to CLT 20th June Updated on 23/03/2023 09:17:52

| Control Measure    | Control Review Update   | Status                    | Cost to Date<br>Est. Cost | Days Overdue | Review Date | Control Owner |
|--------------------|---|---------------------------|---------------------------|--------------|-------------|---------------|
| <b>ORG0066/001</b> | VCFSE Core group in place, monitoring spend, build business case for continued VCFSE funding and develop policy | In Progress<br>(Reactive) |                           | 0            | 03/07/2023  | Sara Skirton  |

Page 36/2

Strategic Risks - SC(Executive Directors)

| Details  | Cause   | Consequence  | Current Risk Assessment                  | Controlled Risk Assessment               |  |                  |                  |              |            |            |            |   |              |
|--|---|--|--|--|--|------------------|------------------|--------------|------------|------------|------------|---|--------------|
| <b>ORG0067</b><br><b>EMERGING:</b> strategic risk 2023 - Costal protection & waterborne risks - work on wording and context taking place | The council fails to deliver statutory functions<br>SDC<br>Burnham On Sea jetty<br>Beaches<br>Harbours<br>Ports<br>Water Management<br>Lead Local Flood Authority<br>Costal protection Authority<br>Somerset Rivers Authority | significant harm caused to residents, workers & visitors | <b>0</b><br><br>Impact<br><br>Likelihood | <b>0</b><br><br>Impact<br><br>Likelihood | <table border="1"> <thead> <tr> <th>Next Review Date</th> <th>Last Review Date</th> <th>Days Overdue</th> <th>Risk Owner</th> </tr> </thead> <tbody> <tr> <td>07/08/2023</td> <td>31/05/2023</td> <td>0</td> <td>Sarah Dowden</td> </tr> </tbody> </table> | Next Review Date | Last Review Date | Days Overdue | Risk Owner | 07/08/2023 | 31/05/2023 | 0 | Sarah Dowden |
|  |   |  |  |  | Next Review Date   | Last Review Date | Days Overdue     | Risk Owner   |            |            |            |   |              |
| 07/08/2023   | 31/05/2023  | 0  | Sarah Dowden                             |  |  |                  |                  |              |            |            |            |   |              |

**Risk Review Update**  
 Review Summary: 31/5/2023 - Emerging risk - KLarkins and managers to work on, hence extension to review date Updated on 23/03/2023 09:21:08

| Control Measure    | Control Review Update                  | Status   | Cost to Date<br>Est. Cost | Days Overdue | Review Date | Control Owner  |
|--------------------|--|----------|---------------------------|--------------|-------------|----------------|
| <b>ORG0067/001</b> | Internal Audit to be completed 2023/24 | Proposed |                           |              |             | Kirsty Larkins |

Strategic Risks - SC(Executive Directors)

| Details  | cause   | Consequence | Current Risk Assessment  | Controlled Risk Assessment  |   |                  |                  |              |            |            |            |   |               |
|--|---|-------------|--|---|---|------------------|------------------|--------------|------------|------------|------------|---|---------------|
| <b>ORG0068</b><br><b>NEW</b> strategic risk 2023 - Increase in Fraudulent activity, including; unauthorised release of, amendment to, use of, loss of, and/or loss of access to, corporate/confidential information stored electronically.<br><br>Page 364 | <ul style="list-style-type: none"> <li>* Transition &amp; service alignment</li> <li>* Access to data for fraudulent purposes</li> <li>* Housing - benefit fraud, tenancy fraud</li> <li>* Council Tax / fraudulent claims</li> <li>* Social Care</li> <li>* Finance transactions</li> <li>* Contract &amp; procurement</li> <li>* Recruitment &amp; selection</li> <li>* Pension fraud</li> <li>* Payroll / expenses</li> <li>* Business Rates</li> <li>* Insurance costs</li> <li>* Grants</li> <li>* Blue Badge</li> </ul> |             | Red - V. High Risk<br><span style="background-color: red; color: white; padding: 2px;">20</span> | Yellow - Medium Risk<br><span style="background-color: yellow; padding: 2px;">12</span> | <table border="1"> <thead> <tr> <th>Next Review Date</th> <th>Last Review Date</th> <th>Days Overdue</th> <th>Risk Owner</th> </tr> </thead> <tbody> <tr> <td>20/06/2023</td> <td>05/06/2023</td> <td>0</td> <td>Jason Vaughan</td> </tr> </tbody> </table> | Next Review Date | Last Review Date | Days Overdue | Risk Owner | 20/06/2023 | 05/06/2023 | 0 | Jason Vaughan |
|  |   |             | Next Review Date   | Last Review Date  | Days Overdue  | Risk Owner       |                  |              |            |            |            |   |               |
| 20/06/2023   | 05/06/2023  | 0           | Jason Vaughan  |   |   |                  |                  |              |            |            |            |   |               |
| Impact<br>4<br>Likelihood<br>5   | Impact<br>4<br>Likelihood<br>3  |             |  |   |   |                  |                  |              |            |            |            |   |               |

Risk Review Update

Review Summary: to be presented to CLT 20th June Updated on 23/03/2023 09:32:30

| Control Measure    | Control Review Update  | Status                    | Cost to Date<br>Est. Cost | Days Overdue | Review Date | Control Owner    |
|--------------------|--|---------------------------|---------------------------|--------------|-------------|------------------|
| <b>ORG0068/002</b> | SWAP compiled baseline assessment  | Existing<br>(Proactive)   |                           |              |             | Nicola Hix       |
| <b>ORG0068/003</b> | Additional resource needs to be identified and placed within the Finance structure | In Progress<br>(Reactive) |                           | 0            | 31/07/2023  | Nicola Hix       |
| <b>ORG0068/001</b> | Code of Conduct Training for all staff   | In Progress<br>(Reactive) |                           | 0            | 31/07/2023  | David Clark      |
| <b>ORG0068/004</b> | Review of Fraud Policy and associated documents                                    | In Progress<br>(Reactive) |                           | 0            | 31/07/2023  | Claire Griffiths |

Strategic Risks - SC(Executive Directors)

| Details   | Cause                   | Consequence                    | Current Risk Assessment        | Controlled Risk Assessment |   |                  |                  |              |            |            |  |   |               |
|---|-------------------------|--------------------------------|--------------------------------|----------------------------|---|------------------|------------------|--------------|------------|------------|--|---|---------------|
| <b>ORG0070</b><br><b>NEW</b> Strategic Risk 2023 - Budget Overspend in current year (2023/24) | * Rising interest rates |                                | Red - V. High Risk             | Amber - High Risk          | <table border="1"> <thead> <tr> <th>Next Review Date</th> <th>Last Review Date</th> <th>Days Overdue</th> <th>Risk Owner</th> </tr> </thead> <tbody> <tr> <td>31/07/2023</td> <td></td> <td>0</td> <td>Jason Vaughan</td> </tr> </tbody> </table> | Next Review Date | Last Review Date | Days Overdue | Risk Owner | 31/07/2023 |  | 0 | Jason Vaughan |
|   |                         |                                | Next Review Date               | Last Review Date           |   | Days Overdue     | Risk Owner       |              |            |            |  |   |               |
| 31/07/2023  |                         | 0                              | Jason Vaughan                  |                            |   |                  |                  |              |            |            |  |   |               |
| 20  | 15                      | Impact<br>5<br>Likelihood<br>4 | Impact<br>5<br>Likelihood<br>3 |                            |   |                  |                  |              |            |            |  |   |               |

Risk Review Update

| Control Measure | Control Review Update  | Status                    | Cost to Date<br>Est. Cost | Days Overdue | Review Date | Control Owner |
|-----------------|--|---------------------------|---------------------------|--------------|-------------|---------------|
| ORG0070/001     | Financial Action Plan to address potential overspending in 2022/23 | In Progress<br>(Reactive) |                           | 0            | 31/07/2023  | Jason Vaughan |

Strategic Risks - SC(Executive Directors)

| Details  | Cause  | Consequence   | Current Risk Assessment        | Controlled Risk Assessment |   |                  |                  |              |            |            |  |   |           |
|--|--|---|--------------------------------|----------------------------|---|------------------|------------------|--------------|------------|------------|--|---|-----------|
| <b>ORG0071</b><br><b>NEW</b> Strategic risk 2023: Risk that the Adults Social Care Transformation programme does not achieve its financial targets | Strategic partnership with Newton Europe to implement the next phase of Adult Social Care transformation ineffectively implemented, supported or monitored | Failure to achieve MTFP savings - falls back on Council to bridge the gap<br>Failure to achieve key performance targets and strategic plan ambitions<br>Negatively impacts on external and internal assurance / CQC assessment<br>Reputational damage | Yellow - Medium Risk           | Yellow - Medium Risk       | <table border="1"> <thead> <tr> <th>Next Review Date</th> <th>Last Review Date</th> <th>Days Overdue</th> <th>Risk Owner</th> </tr> </thead> <tbody> <tr> <td>03/07/2023</td> <td></td> <td>0</td> <td>Niki Shaw</td> </tr> </tbody> </table> | Next Review Date | Last Review Date | Days Overdue | Risk Owner | 03/07/2023 |  | 0 | Niki Shaw |
|  |  |   | Next Review Date               | Last Review Date           |   | Days Overdue     | Risk Owner       |              |            |            |  |   |           |
| 03/07/2023   |  | 0   | Niki Shaw                      |                            |   |                  |                  |              |            |            |  |   |           |
| 12   | 9  | Impact<br>4<br>Likelihood<br>3  | Impact<br>3<br>Likelihood<br>3 |                            |   |                  |                  |              |            |            |  |   |           |

Risk Review Update

| Control Measure  | Control Review Update | Status                 | Cost to Date<br>Est. Cost | Days Overdue | Review Date | Control Owner |
|--|-----------------------|------------------------|---------------------------|--------------|-------------|---------------|
| <b>ORG0071/001</b><br>Projected savings to be guaranteed using a 100% contingent commercial fee model        |                       | Existing (Proactive)   |                           |              |             | Niki Shaw     |
| <b>ORG0071/002</b><br>Ensure rigorous approach in place to support tracking of benefits and financial impact |                       | In Progress (Reactive) |                           | 0            | 09/07/2023  | Niki Shaw     |
| <b>ORG0071/003</b><br>Ensure programme sufficiently resourced to deliver the full target benefits value      |                       | In Progress (Reactive) |                           | 0            | 09/07/2023  | Niki Shaw     |

Strategic Risks - SC(Executive Directors)

| Details  | Details 2        | Details 3    | Current Risk Assessment                  | Controlled Risk Assessment               |  |                  |                  |              |            |            |  |   |              |
|--|------------------|--------------|--|--|--|------------------|------------------|--------------|------------|------------|--|---|--------------|
| <b>ORG0072</b><br><b>EMERGING:</b> Equalities Compliance |                  |              | <b>0</b><br><br>Impact<br><br>Likelihood | <b>0</b><br><br>Impact<br><br>Likelihood | <table border="1"> <thead> <tr> <th>Next Review Date</th> <th>Last Review Date</th> <th>Days Overdue</th> <th>Risk Owner</th> </tr> </thead> <tbody> <tr> <td>17/07/2023</td> <td></td> <td>0</td> <td>Chris Squire</td> </tr> </tbody> </table> | Next Review Date | Last Review Date | Days Overdue | Risk Owner | 17/07/2023 |  | 0 | Chris Squire |
| Next Review Date   | Last Review Date | Days Overdue | Risk Owner                               |  |  |                  |                  |              |            |            |  |   |              |
| 17/07/2023   |                  | 0            | Chris Squire                             |  |  |                  |                  |              |            |            |  |   |              |

Risk Review Update

| Control Measure | Control Review Update | Status | Cost to Date<br>Est. Cost | % Complete | Days Overdue | Review Date | Control Owner |
|-----------------|-----------------------|--------|---------------------------|------------|--------------|-------------|---------------|
|                 |                       |        |                           |            |              |             |               |

Page 367

Strategic Risks - SC(Executive Directors)

| Details  | cause            | Consequence                      | Current Risk Assessment          | Controlled Risk Assessment       |  |                  |                  |              |            |            |  |   |              |
|--|------------------|----------------------------------|----------------------------------|----------------------------------|--|------------------|------------------|--------------|------------|------------|--|---|--------------|
| <b>ORG0073</b><br><b>EMERGING:</b> Unauthorised encampments. Impact of the lack of suitable accommodation for Gypsy and Travellers, causing increased unauthorised encampments |                  | increasing costs for the council | <b>0</b><br>Impact<br>Likelihood | <b>0</b><br>Impact<br>Likelihood | <table border="1"> <thead> <tr> <th>Next Review Date</th> <th>Last Review Date</th> <th>Days Overdue</th> <th>Risk Owner</th> </tr> </thead> <tbody> <tr> <td>14/07/2023</td> <td></td> <td>0</td> <td>Sarah Dowden</td> </tr> </tbody> </table> | Next Review Date | Last Review Date | Days Overdue | Risk Owner | 14/07/2023 |  | 0 | Sarah Dowden |
| Next Review Date   | Last Review Date | Days Overdue                     | Risk Owner                       |                                  |  |                  |                  |              |            |            |  |   |              |
| 14/07/2023   |                  | 0                                | Sarah Dowden                     |                                  |  |                  |                  |              |            |            |  |   |              |

Risk Review Update

| Control Measure | Control Review Update | Status | Cost to Date<br>Est. Cost | % Complete | Days Overdue | Review Date | Control Owner |
|-----------------|-----------------------|--------|---------------------------|------------|--------------|-------------|---------------|
|                 |                       |        |                           |            |              |             |               |

Page 368



## Audit Committee

Meeting Date – 26 October 2023



### Forward Work Programme

| Meeting Date      | Item   | Description   | Lead Officer/contact |
|-------------------|--|---|----------------------|
| 26th October 2023 | New Independent Member   | A new Independent Member of the Audit Committee has been appointed  | Jason Vaughan        |
|                   | Internal Audit Progress Report for Somerset Council 2023/24  | Progress report from SWAP on the status of the current Internal Audit Plan, noting any high risks identified since the last report  | SWAP                 |
|                   | External Audit Findings Report for South Somerset District Council 2021/22 and approval of the statement of accounts | To consider the external auditor's report on the planned scope and timing of the statutory audit for South Somerset District Council 2021/22 Statement of Accounts for those charged with governance. | Grant Thornton       |

|  |  |   |                           |
|--|--|---|---------------------------|
|  | External Audit Findings Report for Somerset West & Taunton 2022/23 and approval of the statement of accounts | To consider the external auditor's report on the planned scope and timing of the statutory audit for Somerset West & Taunton Council 2022/23 Statement of Accounts for those charged with governance. | Grant Thornton            |
|  | External Audit Update for Sedgemoor District Council 2021/22   | To receive a verbal report update on the external audit timetable and audit work undertaken, and any outstanding matters on completion of the Statements of Accounts.                                 | Grant Thornton            |
|  | External Audit Report on Value for Money letter to Somerset Council on 2023/24 Financial Stability           | A letter to Somerset Council over the financial challenges and risks that Somerset Council are facing to financial sustainability in the short and medium term.                                       | Grant Thornton            |
|  | Strategic Risk Management Update Report  | To note the ongoing work to continue to develop the risk management function for Somerset Council since the last meeting  | Pam Pursley/Angela Farmer |
|  |  |   |                           |
|  |  |   |                           |

|   |   |  |                |
|---|---|--|----------------|
| <b>25<sup>th</sup><br/>January<br/>2024</b> | Internal Audit Progress Report for Somerset Council 2023/24                                     | Progress report from SWAP on the status of the current Internal Audit Plan, noting any high risks identified since the last report   | SWAP           |
|   | External Audit Findings Report for Somerset Council 2023/24                                     | To receive an update on the external audit timetable and audit work undertaken, and any initial findings   | Grant Thornton |
|   | External Audit Findings Report and Audit Conclusion for Somerset County Council 2022/23         | To consider the external auditor's report on the planned scope and timing of the statutory audit for Somerset County Council 2022/23, and Statements of Accounts for those charged with governance         | Grant Thornton |
|   | External Audit Findings Report and Audit Conclusion for South Somerset District Council 2022/23 | To consider the external auditor's report on the planned scope and timing of the statutory audit for South Somerset District Council 2022/23, and Statements of Accounts for those charged with governance | Grant Thornton |
|   | External Audit Findings Report for Sedgemoor District Council 2022/23                           | To consider the external auditor's report on the planned scope and timing of the statutory audit for Sedgemoor 2022/23 Statement of Accounts for those charged with governance.                            | Grant Thornton |

|   |   |   |                           |
|---|---|---|---------------------------|
|   | External Audit Findings Report and Audit Conclusion for Mendip District Council 2022/23 | To consider the external auditor's report on the planned scope and timing of the statutory audit for Mendip District Council 2022/23 Statement of Accounts for those charged with governance. | Ernst & Young             |
|   | Strategic Risk Management Update Report   | To note the ongoing work to continue to develop the risk management function for Somerset Council since the last meeting  | Pam Pursley/Angela Farmer |
|   | Medium Term Financial Reports 2024/2025   | The review the medium Term Financial Plan Reports for 24/25 including Treasury Management, Non-Treasury Management, Flexible Capital receipts, Capital Strategy, MRP Statement.               | Various                   |
|   |   |   |                           |
|   |   |   |                           |
| <b>28<sup>th</sup><br/>March<br/>2024</b> | Internal Audit Plan and Charter 2024-25   | To review and approve the internal audit plan for 2024-25   | SWAP                      |
|   | Internal Audit Progress Report for Somerset Council 2023/24                             | Progress report from SWAP on the status of the current Internal Audit Plan, noting any high risks identified since the last report  | SWAP                      |

|   |   |  |                           |
|---|---|--|---------------------------|
|   | External Audit Findings Report for Somerset Council 2023/24                                   | To receive an update on the external audit timetable and audit work undertaken, and any initial findings                           | Grant Thornton            |
|   | Strategic Risk Management Update Report   | To note the ongoing work to continue to develop the risk management function for Somerset Council since the last meeting           | Pam Pursley/Angela Farmer |
|   |   |  |                           |
|   |   |  |                           |
| <b>30<sup>th</sup><br/>May<br/>2024</b> | Annual Report to Council  | To approve the Committee's Annual report to Full Council   | Jason Vaughan             |
|   | Anti-Money Laundering, Anti-Fraud and Corruption, Anti-Tax Evasion, and Anti-Bribery Policies | To review the Anti-Money Laundering, Anti-Fraud and Corruption, Anti-Tax Evasion, and Anti-Bribery Policies                        | Donna Parham              |
|   | Internal Audit Progress Report for Somerset Council 2023/24                                   | Progress report from SWAP on the status of the current Internal Audit Plan, noting any high risks identified since the last report | SWAP                      |
|   | External Audit Findings Report for Somerset Council 2023/24                                   | To receive an update on the external audit timetable and audit work undertaken, and any initial findings                           | Grant Thornton            |

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|  | Strategic Risk Management Update Report | To note the ongoing work to continue to develop the risk management function for Somerset Council since the last meeting | Pam Pursley/Angela Farmer |
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