

# SEDGEMOOR DISTRICT COUNCIL DRAFT STATEMENT OF ACCOUNTS 2021/22

## Table of Contents

Narrative Report.....	4
Statement of Responsibilities for the Statement of Accounts.....	23
Core Financial Statements .....	24
Movement in Reserves Statement.....	24
Comprehensive Income and Expenditure Statement.....	25
Balance Sheet.....	26
Cash Flow Statement .....	27
Notes to the Core Financial Statements.....	28
Note 1 Statement of Significant Accounting Policies.....	28
Note 2 Accounting Standards that have been issued but not yet adopted.....	32
Note 3 Critical Judgements in applying Accounting Policies.....	32
Note 4 Assumptions made about future and other major sources of estimation uncertainty .....	32
Note 5 Material Items of Income and Expenditure .....	35
Movement in Reserves Notes.....	38
Note 6 Expenditure and Funding Analysis .....	38
Note 7 Segmental Income .....	41
Note 8 Expenditure and Income Analysed by Nature.....	41
Note 9 Contracts with Service Recipients .....	41
Note 10 Adjustments between accounting basis and funding basis under regulations .....	42
Note 11 Movements in earmarked reserves.....	45
Comprehensive Income and Expenditure Statement Notes .....	46
Note 12 Other operating expenditure .....	46
Note 13 Financing and investment income and expenditure .....	46
Note 14 Taxation and non-specific grant income and expenditure .....	47
Balance Sheet Notes .....	48
Note 15 Property, plant and equipment.....	48
Note 16 Investment properties.....	54
Note 17 Long Term Investments .....	56
Note 18 Short Term Investments.....	56
Note 19 Short term debtors .....	57
Note 20 Cash and cash equivalents .....	57
Note 21 Provisions.....	57
Note 22 Short term borrowing.....	58
Note 23 Short term creditors.....	59
Note 24 Long term borrowing .....	59
Note 25 Capital Grants Receipts in Advance .....	60
Note 26 Pension liability .....	60
Note 27 Usable reserves .....	61
Note 28 Unusable Reserves.....	61
Cashflow Notes.....	66
Note 29 Cash flow statement.....	66
Other Notes.....	66

Note 30 Financial instruments .....	66
Note 31 Nature and extent of risk arising from financial instruments .....	70
Note 32 Leases.....	73
Note 33 Members allowances .....	76
Note 34 Officers remuneration.....	76
Note 35 Termination benefits.....	77
Note 36 External audit costs.....	78
Note 37 Government grants and contributions.....	78
Note 38 Related parties .....	81
Note 39 Capital expenditure and capital financing .....	83
Note 40 Defined benefit pension scheme.....	83
Supplementary Statements .....	91
Housing Revenue Account Comprehensive Income and Expenditure Statement .....	91
Movement in Reserves on the Housing Revenue Account .....	92
Notes to the Housing Revenue Account.....	93
Note 1 Depreciation, impairment & revaluation losses of non current assets .....	93
Note 2 Dwelling Rents .....	93
Note 3 Bad or Doubtful Debts.....	93
Note 4 Adjustments Between Accounting Basis and Funding Basis Under Regulations.....	94
Note 5 ALMO Management Fee Analysis .....	94
Note 7 Housing Stock .....	95
Note 8 Major Repairs Reserve .....	96
Note 9 Capital Expenditure.....	97
Note 10 Disposal of Assets.....	97
Note 11 Rent Arrears .....	97
Collection Fund .....	98
Notes to the Collection Fund Statement.....	99
Note 1 Business Rates (Also Known as Non-Domestic Rates or NDR) .....	100
Note 2 Council Tax Base .....	100
Note 3 Council Tax Amounts .....	100
Note 4 Allocation of Year End Surplus/Deficit .....	101
Note 5 Effect of the Covid-19 reliefs on the Collection Fund.....	101
Group Accounts .....	102
Group Movement in Reserves Statement .....	102
Group Comprehensive Income and Expenditure Statement.....	104
Group Balance Sheet .....	105
Group Cash Flow Statement .....	106
Notes to the Group Accounts.....	107
Note 1 Expenditure and Funding Analysis .....	108
Note 2 Segmental Income .....	111
Note 3 Expenditure and Income Analysed by Nature.....	112
Note 4 Financing and Investment Income and Expenditure.....	112
Note 5 Investment Properties .....	113
Note 6 Long Term Investments .....	114
Note 7 Short Term Debtors.....	114
Note 8 Cash & Cash Equivalents .....	114
Note 9 Short Term Creditors.....	115

Note 10 Usable and Unusable Reserves .....	115
Note 11 Cash Flow Statement.....	116
Note 12 Financial Instruments .....	116
Note 13 Officers Remuneration .....	117
Note 14 Related Parties.....	119
Note 15 Defined Benefit Pension Scheme .....	120
Annual Governance Statement 2021/22 .....	125
Audit Report 2021/22.....	126
Glossary of Terms.....	127

### Introduction to Sedgemoor

Sedgemoor is situated in the South West of England, covering an area of 564 square kilometres. The Bristol Channel forms its northern boundary, the Quantock Hills cover the western part of the district and the Mendip Hills are in the northeast. The M5 motorway passes centrally through the district. It is mainly rural, with 13% of the area designated an Area of Outstanding Natural Beauty and the Moors and Levels being proposed as World Heritage Sites.

The largest settlements are Bridgwater (44,390 population), Burnham-on-Sea/Highbridge (23,950 population), Cheddar (5,530 population) and North Petherton (3,280 population). The area of Sedgemoor covers 54 parishes in total. There are 56,690 households (VOA list 13<sup>th</sup> September 2021) and the population is 123,446 (mid-year estimate 2020), which rises during the holiday season, with 620,000 staying visitors.

The main Council Office is situated in Bridgwater with an operations depot nearby. The Council employs 425 staff (March 2022) – 62% full-time, 26% part time and 12% casual or temporary, who work with 48 elected members.

The Council currently works in partnership with a number of outside bodies in order to deliver the priorities within the Council's Corporate Strategy; these include Somerset Waste Partnership, Avon and Somerset Police, Somerset Building Control Partnership, Somerset County Council, Homes in Sedgemoor Ltd and all Somerset District Councils.

### Introduction from the Section 151 Officer

I am pleased to introduce Sedgemoor District Council's Statement of Accounts for 2021/22. They have been prepared following the Chartered Institute of Public Finance and Accountancy's (CIPFA) code of practice on Local Authority Accounting in the United Kingdom 2021/22. This sets out the principles and practices of accounting required to prepare a Statement of Accounts that gives a true and fair view of the financial position and transactions of the Council. I am the statutory officer responsible for the proper administration of the Council's financial affairs.

The Accounts and Audit Regulations 2015 require local authorities in England to publish a narrative report with the published financial statements. The content of the narrative report should assist in the understanding of the financial statements. It includes comments on the authority's financial performance, financial management and the financial challenges over the financial year and into the medium term. The report is required to give analysis of the development and performance of the authority in the financial year and its position at year end. It will also provide information on both financial and non-financial performance relevant to the authority. It is important that only information that is material in the context of the strategic report is included to ensure key messages are clear and understandable. The Code requires that the narrative report should be fair, balanced, and understandable.

Sedgemoor District Council continues to be an organisation that is customer focused, performance led and delivers good public services, good value for money and effective leadership. This Council continues to use the Corporate Strategy to deliver its priorities through specific programmes. It is committed to continuous improvement in its customer service. Sedgemoor officers are working with the other four Somerset Authorities to deliver the new Unitary by April 2023 and it is essential for Sedgemoor residents that the new Council continues with these priorities to ensure the service is maintained.

## The Future of Local Government in Somerset

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

The Government made the decision that elections would be held on 6 May 2022 for Somerset County Council and 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. The same Councillors will then continue to manage 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.

To implement the Government's decision on the future of local government in Somerset by 1<sup>st</sup> April 2023 there is a significant amount of work required to firstly ensure the new council is safe and legal but also to create a council that continues to provide excellent services to its customers. As part of the business case submitted for a single unitary the ongoing savings to be delivered were £18.5 million with an implementation budget of £16 million. It was agreed that the implementation costs would be split based on an agreed methodology between all five councils and this has been built into the Sedgemoor budget. In addition a specific Sedgemoor LGR budget has been included to ensure there are resources in place to deliver the new council and also ensure there is capacity to continue to deliver business as usual activities. Staff resources are in the main from existing officers as its key to ensuring Sedgemoor residents are represented when discussions are taking place as to how the new council and its services will be delivered.

## The Accounts

The following statements have been prepared to give taxpayers, members of the council, employees, partners and other interested parties clear information about the finances of this Council. The accounts as presented reflect Sedgemoor District Council's financial position for the year ended 31st March 2022. The accounting policies are detailed in notes to the accounts and have been fairly and consistently applied. All appropriate steps have been taken to protect and prevent the Council from fraud and other irregularities.

The main financial statements are divided into 'core' and 'supplementary' statements.

### Core Financial Statements

**The Movement in Reserves Statement** shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'.

**The Comprehensive Income and Expenditure 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.

**The Balance Sheet** shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority.

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

## Supplementary Financial Statements

**The Housing Revenue Account (HRA)** is a record of revenue expenditure and income relating to an authority's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. Consequently, the HRA is a statutory account, ringfenced from the rest of the General Fund, so that rents cannot be subsidised from council tax (or vice versa).

**The Collection Fund statement** 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 council taxpayers and non-domestic rate payers along with the distribution to local authorities and the Government.

**Group accounts** - The Council is required to consolidate into its own accounts (as a single entity) the financial activities of outside organisations such as subsidiaries, joint ventures and associates. The subsidiary companies Homes in Sedgemoor Ltd, Sedgemoor Group Ltd and Aspen Housing & Development Ltd have been consolidated into the group accounts.

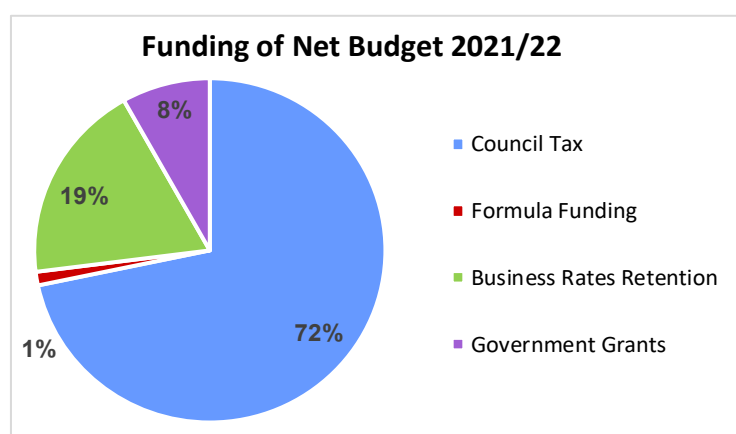
## Financial Performance

### General Fund Revenue

The financial sustainability of the Council is robust with healthy balances to manage delivery of the medium term strategy and sound financial management. These accounts include the resources that have been generated and spent in delivering day to day services during the year. It is important to note that the figures reported include the financial impact of the Covid 19 Pandemic. This section of the narrative report will illustrate the Council's financial performance, how the general fund income and expenditure is split and compares actual spend to budget and explains the variance.

The Council's actual funding for 2021/22 was £13.6m, representing the net cost of General Fund services funded by grants, business rates and council tax as shown in the following table and graph. This income is higher than, last year due to the new business rate reliefs for nursery's and retail businesses which the council has received government funding.

	£'000
Council Tax	9,748
Formula Funding	173
Business Rates Retention	2,561
Government Grants	1,107
<b>Total</b>	<b>13,589</b>



### Revenue Expenditure

The Council raises money from the sources detailed in the Chart above and spends it on a wide range of services in the local community including:

- Housing
- Car Parks & Street Lighting
- CCTV & Crime Reduction
- Housing Benefits
- Leisure & Recreation
- Local Taxation & Collection costs

- Commercial Properties
- Community Services & Grants
- Economic Development
- Environmental & Public Health
- Homelessness and Housing Strategy
- Parks and Closed Churchyards
- Planning
- Local Development Framework
- Building Control
- Refuse & Recycling

## Budgets compared with actuals

The table shows a comparison between budget and actual General Fund income and expenditure (underspends are in brackets.) The figures in this table exclude amounts that are reversed out in the Movement in reserves.

Actual Spend 2020/21		Original Budget 2021/22	Revised Budget 2021/22 at 31st March	Actual Spend 2021/22	Variation
£'000		£'000	£'000	£'000	£'000
<b>Restated</b>					
1,055	Chief Executive	642	1,107	863	(244)
450	Customer Services	247	701	888	187
5,262	Environment & Regulation	6,331	6,685	6,259	(426)
1,385	Finance & Property	532	906	709	(197)
2,890	Housing Health and Wellbeing	3,215	3,639	2,920	(719)
1,699	Inward Investment & Growth	2,215	2,161	1,525	(636)
2,745	Legal & Governance	2,800	2,808	2,839	31
1,619	Drainage Board Levies	1,674	1,674	1,674	0
(1,099)	Central Support	(8)	(3)	(1,327)	(1,324)
<b>16,006</b>	<b>TOTAL</b>	<b>17,648</b>	<b>19,678</b>	<b>16,350</b>	<b>(3,328)</b>
2,635	Parish Precepts	2,916	2,916	2,916	0
(2,190)	Trading Accounts/Investment Properties	(2,890)	(3,138)	(3,088)	50
(1,667)	Net Interest Receivable and similar	(844)	(675)	(1,605)	(930)
<b>14,784</b>	<b>Net Operating Expenditure per the Income and Expenditure Account</b>	<b>16,830</b>	<b>18,781</b>	<b>14,573</b>	<b>(4,208)</b>
(9,731)	Council Tax	(9,748)	(9,748)	(9,748)	0
(3,573)	Formula Funding	(3,725)	(3,725)	(3,725)	0
(14,465)	Business Rates Retention	4,063	261	991	730
(2,140)	Government Grants	(1,063)	(1,107)	(1,107)	0
<b>(15,125)</b>	<b>Deficit/(surplus) for the year on the Income &amp; Expenditure Statement</b>	<b>6,357</b>	<b>4,462</b>	<b>984</b>	<b>(3,478)</b>
11,642	Transfer to/(from) earmarked reserves	(6,675)	(6,755)	(4,519)	2,236
1,738	Transfer to/(from) earmarked reserves - MTFP	(1,577)	(985)	386	1,371
1,745	Direct Revenue Funding, Minimum Revenue Provision, Premiums & Discounts	1,895	3,278	3,149	(129)
<b>0</b>	<b>Transfer (to)/from balances</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>(1,500)</b>	<b>Opening Balances</b>	<b>(1,500)</b>	<b>(1,500)</b>	<b>(1,500)</b>	<b>(1,500)</b>
0	Transfer (to)/from balances	0	0	0	0
<b>(1,500)</b>	<b>Closing Balances</b>	<b>(1,500)</b>	<b>(1,500)</b>	<b>(1,500)</b>	<b>(1,500)</b>

The outturn for the General Fund is a transfer to general balances of £0.4m, an increase of £1.4m compared to the revised budget. The main reason for the variation is increased income exceeding the budget not underspends on expenditure. The income exceeding budget was from Planning fees, Service Level Agreements (SLA's), clean surroundings external work and Bad Debt Provisions released. This figure is before any carry forwards and is therefore reduced by £0.6m being the carry forward requests approved by members of the Executive in July 2022.

Further information on spending on services and income is shown within the Comprehensive Income and Expenditure Statement and associated Notes.

This Council has had a managed use of balances approach to balancing the budget since 2012. This means that apart from the risk assessed minimum balance of £1.5 million in the general fund reserve the remaining balances are allocated to delivering a balanced medium-term budget. They are in place to manage the delivery of key invest to save projects such as the customer access programme and commercial property investments, ensuring they are given the time to be delivered effectively with the increased income and reductions being realistic and achievable in the time scale set.

The MTFP was developed in the knowledge that the single unitary for Somerset will be in place from April 2023 and as such the period of the MTFP was reduced from five years to three. The period of the SDC MTFP goes beyond vesting day (April 2023) and details the estimated financial position for Sedgemoor District Council if it were to remain a separate organisation. The SDC MTFP figures were used along with the other 4 Councils projections in the February report to give an initial funding gap for the New Council for 2023/24 of £28 million. These figures are now being updated with current inflation levels which are significantly higher, increased pay award and income projections based on one Council. The process is currently being developed for all districts and Somerset County Council figures to be amalgamated into a single budget for the new Council from 2023/24 but the initial funding gap is estimated at £44.5 million. In addition to delivering a balanced budget for the new Council the single unitary business case also presented £18.5 million of savings which need to be delivered in the first two years of the new council, this will assist in closing the funding gap. The 2023/24 budget is going to be challenging due to the significant funding gap predictions, the new political leadership and the impact of LGR on resources and capacity.

An allocated reserve as detailed above was set up to ensure that these reserves are in place for the delivery of the medium term budget as planned within the MTFP and Tax Set reports. The year-end balance for the allocated reserve is £9.1m before the adjustment for carry forwards, with the General Fund reserves at £1.5m. The impact on the managed use of balances strategy is an increase in opening balances of approximately £0.7m. This reserve fund is detailed in note 11.

The Council also carries specific reserves which represent funds that have been set aside to support specific spending in future years. The General Fund Earmarked Reserves balance at 31st March 2022 (excluding the MUOB reserve detailed above) is £17.9m. This balance covers a wide variety of known planned spending commitments, including replacement of information technology and Swimming Pool maintenance.

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

The Council's housing stock currently stands at 4,030 dwellings. From the 1st April 2007 the stock has been managed by Homes in Sedgemoor Ltd (HIS), an Arm's Length Management Organisation (ALMO) owned wholly by the District Council. The rental and service charge income and various other functions are part of the retained HRA. All other services are accounted for as part of HIS, which are consolidated into the Council's accounts as part of the group accounts. In 2015/16 the authority started to embark on



the provision of new social housing mainly by way of the purchase of existing properties and in 2016/17 commenced a new build programme which in the first year delivered 18 new homes. The development programme then continued each year thereafter. In 2019/20 there was a net increase in the housing stock meaning stock additions were more than the stock lost through Right to Buy and this happened again in 2020/21. Whilst the increase was marginal at a net increase of five properties over two years this is a milestone achievement for Sedgemoor District Council. However in 2021/22 the RTB demand picked up with dwelling sales being more than the new housing supply resulting in a net loss of 13 properties that year. The plans are to continue the development of new social housing which helps to mitigate the stock lost through the Right to Buy (RTB) providing essential social housing homes in a time when issues with homelessness are increasing.

## **Revenue Expenditure**

The HRA only covers 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 HRA covers revenue expenditure on repairs and maintenance and the housing supervision and management service. Both of these functions are carried out by the ALMO and funded by the management fee. In 2021/22 this totalled £8.1m. Part of the housing capital programme is funded by revenue, with this sum varying from year to year depending on the programme demands and revenue balances.

## **Revenue Income**

The main source of income for the HRA is from rents (both dwelling and non-dwelling) and service charges, accounting for 94% of the total income in 2021/22. Dwelling rents are calculated annually. From April 2015 the Government changed the rent increase to CPI plus 1%, then a further Government change to rents in 2016/17 introduced a four year progressive rent reduction of 1% per annum. In October 2017 the MHCLG issued a statement confirming that social housing rents will be limited to an increase of CPI plus 1% for five years from 2020 and this was applied to the 2020/21 and 2021/22 rents. However, there is no commitment to rent levels after this period so the situation will need to be kept under review. A final point on dwelling rent income is that the authority now has around 130 new units of council owned social housing. This is a mixture of new build units and the purchase of former council housing previously sold through the RTB. This goes some way to replacing the units lost though RTB. The closing housing stock stood at 4,031 homes with the opening stock 4,044, a net loss of 13 homes due to RTB being more than the development programme. The new housing has rents calculated using affordable rent models. This is because the new build housing rents are not constrained in the same way as social rents. Further stock development plans are under consideration at this stage with more new build planned for 2022/23 and onwards.

Service charges are levied according to the various services specific to each property and follow Government rent policy and amount to 7% of total income. The main items of non-dwelling rents are charges for block garages and estate shops.

## Budgets compared with actuals

The table shows a comparison between budgets and actual for HRA income and expenditure (under spends are in brackets). The figures in this table exclude amounts that are reversed out in the Movement in reserves.

<b>Actual Spend 2020/21</b>		<b>Original Budget 2021/22</b>	<b>Revised Budget 2021/22 at 31st March</b>	<b>Actual Spend 2021/22</b>	<b>Variation</b>
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
3,559	Repairs & Maintenance	3,603	3,939	3,887	(52)
5,221	Supervision & Management	5,581	5,847	5,612	(235)
130	Other Expenditure	217	410	394	(16)
<b>8,910</b>	<b>Total Expenditure</b>	<b>9,401</b>	<b>10,196</b>	<b>9,893</b>	<b>(303)</b>
(17,763)	Rents & Service Charges	(17,899)	(18,325)	(18,381)	(56)
(498)	Other Income	(427)	(1,217)	(1,254)	(37)
<b>(18,261)</b>	<b>Total Income</b>	<b>(18,326)</b>	<b>(19,542)</b>	<b>(19,635)</b>	<b>(93)</b>
<b>(9,351)</b>	<b>NET COST OF HRA SERVICES</b>	<b>(8,925)</b>	<b>(9,346)</b>	<b>(9,742)</b>	<b>(396)</b>
295	Corporate & Democratic Core	282	205	193	(12)
1,143	Interest payable and similar charges	1,546	1,379	1,535	156
<b>(7,913)</b>	<b>(SURPLUS)/DEFICIT FOR THE YEAR ON HRA SERVICES</b>	<b>(7,097)</b>	<b>(7,762)</b>	<b>(8,014)</b>	<b>(252)</b>
9,947	Movement in Reserves - Items transferred to/(from) balance sheet	10,912	10,111	10,186	75
<b>2,034</b>	<b>Transfer (to)/from balances</b>	<b>3,815</b>	<b>2,349</b>	<b>2,223</b>	<b>(126)</b>
<b>(13,606)</b>	<b>Opening Balances</b>	<b>(6,112)</b>	<b>(11,572)</b>	<b>(11,572)</b>	<b>0</b>
2,034	Transfer (to)/from balances	3,815	2,349	2,223	(126)
<b>(11,572)</b>	<b>Closing Balances</b>	<b>(2,297)</b>	<b>(9,223)</b>	<b>(9,349)</b>	<b>(126)</b>

To summarise, the account has a reduced deficit for the year at £2.223m compared against the deficit budget prediction of £2.349m, a positive difference of £0.126m.

This can be accounted for mainly by the fact that there are a couple of revenue budget under spends requested as budget carry forwards, as detailed below. Variances across the board make up the balance which is not material.

There is also a revenue budget carry forward for £238,000 for the early stock development work and £30,000 for fire risk assessment works at the HRA shops delayed due to supply chain issues.

HRA capital budget carry forward requests total £1.8m, however these will not impact on revenue balances. Of this £0.9m is for delays on stock development due to contractor and supply chain issues; £0.4m for the HiS sheltered works again because of contractor and supply chain issues and £0.4m for estate sewerage works at Crickham delayed because of contract complexities and the tender process.

Whilst the balances of the HRA are healthy these should be considered in the context of the 30 year HRA business plan which takes into account stock investment requirements and provision for repayment of long term debt, as well as other risks that need to be managed as detailed in the plan.

## Balance Sheet Summary

As at the 31st March 2022, the Authority's net assets amounted to £146 million as shown in the summary. The total reserves of the authority are split into usable and unusable. The table compares the figures with the position last year.

31-Mar-21 £'m		31-Mar-22 £'m
311	Long Term Assets	350
(51)	Net Current Liabilities - Debtors, Stock and Cash less short term creditors	(50)
(156)	Long Term Liabilities and provisions	(154)
<b>104</b>	<b>Net Assets</b>	<b>146</b>
53	Usable Reserves	50
51	Unusable Reserves	96
<b>104</b>	<b>Total Reserves</b>	<b>146</b>

## Capital Account Summary

In addition to the revenue accounts which cover day to day income and expenditure the Council also has a capital programme. This summary shows the income and expenditure on capital projects for both the General Fund and Housing Revenue Account. This section will compare the actual expenditure against the budget for the capital programme. The capital programme was revised during the year to take account of the year end position for 2021/22. The revised budget for the General Fund was £17.6m compared to a capital spend for the year of £14.3m. The HRA revised budget was £17.1m compared to a capital spend for the year of £14.8m.

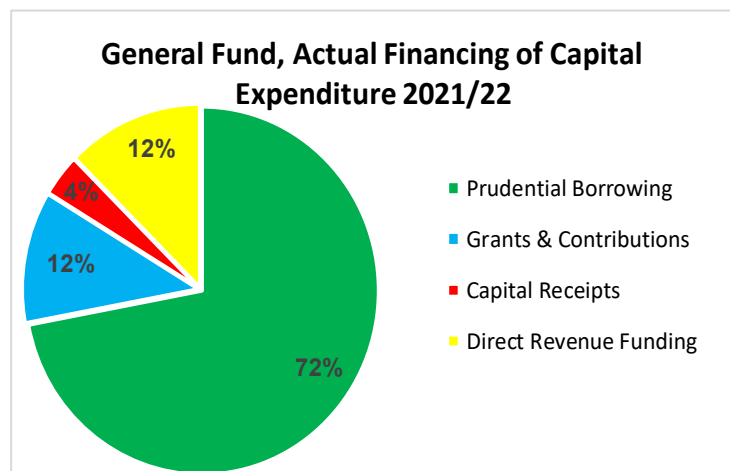
### Funding Capital Expenditure and Budgets compared with Actuals

There are various mechanisms for funding the capital programme. Capital receipts are used where available and the authority has been actively seeking to release surplus assets. Sedgemoor has also had a successful record in attracting external funding into the district to fund capital projects. To support the capital programme the Council has approved borrowing, which has an impact on the revenue budget. The HRA uses funding from the Major Repairs Allowance and capital receipts where available, but also relies on direct revenue funding. In 2021/22 the HRA also attracted some grant funding.

The following tables and graphs provide a summary of General Fund and Housing Revenue Account capital expenditure based on the Council's key priorities of Customers and Efficiency, Housing, Communities & Wellbeing and Growth and Infrastructure. It compares the current year's revised budget with the actual spend (figures in brackets are underspends).

## General Fund Capital

	£'000
Prudential Borrowing	10,275
Grants & Contributions	1,663
Capital Receipts	538
Direct Revenue Funding	1,790
<b>Total</b>	<b>14,266</b>

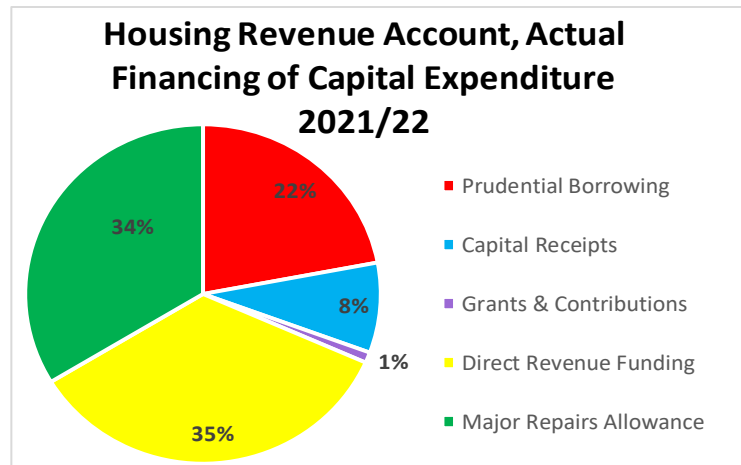


General Fund	Original Budget 2021/22	Revised Budget 2021/22 at 31st March	Actual Spend 2021/22	Variation	Note
Corporate Priority	£'000	£'000	£'000	£'000	
<b>Customers and efficiency</b>					
Asset management - Burnham TIC toilets	0	0	58	58	
Asset management repairs & improvements	500	86	86	0	
Bays pond replacement sluice gates	70	70	0	(70)	1
Berrow beach car park	0	40	40	0	
Brean beach kiosk	0	10	0	(10)	1
Brean beach RNLI grant	0	30	0	(30)	1
Bridgwater House & Colley Lane refurbishment	620	680	635	(45)	1
CAP accommodation	300	341	335	(6)	
CAP firmstep CRM software	0	2	0	(2)	
CAP new revenues and benefits system	260	364	46	(318)	
Car park resurfacing	87	47	46	(1)	
CCTV digitisation	0	35	21	(14)	1
CCTV video management system	0	130	130	0	
Colley Lane disaster recovery room	0	60	28	(32)	
Convert street lighting to LED	51	51	22	(29)	1
IT firewall renewal	0	0	52	52	
IT laptop renewal	0	460	390	(70)	
IT server renewal	0	300	242	(58)	
New recycling containers	279	0	0	0	
Northgate Yard regeneration project	15,173	10,035	9,271	(764)	1
Vehicle replacement	151	322	158	(164)	1
Capital loans	0	596	596	0	
<b>Housing, communities &amp; wellbeing</b>					
Grants - village halls	0	55	17	(38)	1
Housing enabling	0	1,695	395	(1,300)	1
Housing enabling via S106	0	850	850	0	
Housing thermal works grants LADS1	0	823	182	(641)	1
Iselport capital grant	0	375	350	(25)	1
Parks - grant (Esplanade site)	0	50	0	(50)	1
Play area equipment	50	50	50	0	
Wembdon village hall grant	0	0	355	355	
	<b>17,541</b>	<b>17,557</b>	<b>14,355</b>	<b>(3,202)</b>	

**Note 1** Budget carry forwards requested because of project slippage

**Housing Revenue Account Capital**

	£'000
Prudential Borrowing	3,281
Capital Receipts	1,280
Grants & Contributions	150
Direct Revenue Funding	5,171
Major Repairs Allowance	5,015
<b>Total</b>	<b>14,897</b>



Housing Revenue Account	Original Budget 2021/22 £'000	Revised Budget 2021/22 at 31st March £'000	Actual Spend 2021/22 £'000	Variation £'000	Note
<b>New council housing</b>					
New dwellings	10,899	5,455	4,582	(873)	1
<b>Existing housing stock</b>					
Capital works managed by HiS	10,121	10,333	9,884	(449)	1
Disabled adaptations	388	388	303	(85)	2
Housing thermal works grants LADS1a	0	63	68	5	
Bespoke homes	0	112	0	(112)	1
Shared ownership	0	0	2	2	
<b>Other housing</b>					
Sewerage scheme upgrades	750	749	58	(691)	3
	<b>22,158</b>	<b>17,100</b>	<b>14,897</b>	<b>(2,203)</b>	

**Note 1** Budget carry forward required due to project slippage

**Note 2** Budget under spends, budget carry forwards not required.

**Note 3** Only partial budget carry forward requested

## Financial Challenges

Sedgemoor continues to deliver a balanced budget whilst maintaining high performing services. The 2021/22 financial year has again been challenging with the continued impact of the Covid 19 Pandemic, Brexit and uncertainty with the Governments new funding regime.

The current funding regime of Business Rates Retention has had a positive impact for Sedgemoor because under this system Councils gain from growth within their district and with Sedgemoor being a pro-business authority this has had a real financial gain for this Council. For 2021/22 Sedgemoor has continued to be part of the Somerset pool which ensures that the financial rewards for business growth is retained in Somerset. Sedgemoor continued to perform well even in a very difficult year for businesses and the economy, with its positive approach to business growth being translated into increased income through business rates to support Council services.

Sedgemoor has also continued to maximise income from the New Homes Bonus (NHB) with its commitment to the growth and development agenda as well as implementing initiatives to maximise the tax base such as empty homes and mobile homes reviews. Since NHB was introduced by the Government in 2011/12 this Council has received approximately £24 million. Covid 19 did have an immediate impact on house building and will continue to have a longer-term impact on the tax base which will reduce the estimated income from Council Tax in future years. However, the Council still managed to gain additional income through NHB which is positive particularly in the current circumstances. The future of NHB is part of the Local government funding review so its future is uncertain.

The decision from the Secretary of State to create a Unitary Authority from 1<sup>st</sup> April 2023, meant that Sedgemoor delivered its final MTFP report in November 2021. Sedgemoor is in a good financial position which has been supported by the recent Grant Thornton Value for money review with no significant weaknesses identified with regard to Sedgemoor District Councils financial sustainability over the medium term. There will be substantial specific reserves in place to pass on to the new authority which will at least assist in the short term with balancing the new Councils budget.

The financial situation for the HRA is now optimistic with healthy balances, borrowing budgeted to be paid off with the 30 year plan and funding for new development projects in addition to the funding to maintain decent homes standard for existing stock. The four year rent reduction had a significant impact on the viability of the business plan but with the rent formula allowing increases and the borrowing cap removed the 30 year position is positive and longer term provides scope for further initiatives to be considered.

The plan is already supporting the Councils ambition to increase the number of properties as there is a high demand for affordable housing. Clearly with the borrowing cap being removed there is more scope to borrow, however the business case must prove that the additional borrowing is affordable and both the interest and principle needs to be included in the plan to avoid debt within the HRA. The significant increase in inflation and the potential cap on rent increases as this is linked to inflation levels may have an adverse impact on the business plan but this is not clear at this stage.











Due to the formation of the new authority on 1<sup>st</sup> April 2023, work has now started on bringing together the two Housing Revenue Accounts that are currently held by Sedgemoor and Somerset West & Taunton. The requirement is to present a single HRA for vesting day.

## How the Council has performed in 2021/22





Sedgemoor is a customer-focused and performance-led Council that strives to maintain high standards for its customers. Our performance is monitored closely through the Council's Corporate Dashboard which is reported quarterly to Operational Management Team and the Executive Committee. The table

of performance indicators below has been taken from the Corporate Dashboard and are key indicators for this Council. It has been a challenging year with all officers working from home and immediately having to adapt processes to the new way of remote working. As demonstrated by the key performance indicators despite the additional demands the performance has remained high, with the exception of indicator SSP1 where the processes have been difficult working remotely, an action plan is already in place to address these issues and improve performance.

## Key Performance Indicators

Status	Code	Performance Indicator	2021/22 Result	Target
	SSFP1	Pay all undisputed invoices within 30 days of receipt	91.40%	100%
	SSFP3	Process payments the customer makes, with a valid reference, through your bank account, giro payment or on-line payments through our website within one working day onto the relevant service system	100%	100%
	SSCS2	Resolve 65% of calls at first point of contact	74.50%	65%
	SSBE1	Decide new benefit claims within an average of 10 days, or tell you the reasons for any delays	7.58	10
	SSP1	Register valid planning application within 5 working days	64.54%	75%
	SSP3a	Processing of planning applications: Major Applications within 13 weeks	94.44%	65%
	SSP3b	Processing of planning applications: Minor applications within 8 weeks	92.55%	75%
	SSEH3	Respond to all Environmental Health Service requests within 7 working days	96.80%	90%
	SSHR2	Monitor the number of days training that staff undertake (training days per employee) [corporate training]	0.89	-
	SSHR3	Monitor the number of voluntary leavers from the council (% voluntary leavers)	6.27%	-

### Key:

	On target
	Slightly off target (<10%)
	Significantly off target (>10%)
	For information only – no target set

## What has the Council achieved in 2021/22

Sedgemoor District Council's Corporate Strategy has three priority themes, **Customers & Efficiency**, **Growth & Infrastructure**, and **Housing Health & Wellbeing**. Sedgemoor remains committed to addressing the economic challenges that face the residents and businesses in the district, and is a performance led organisation that delivers good public services, good value for money and effective leadership. This section details some of the achievements for the year in terms of what the Council delivered for its taxpayers.

### Customers & Efficiency

- Since April 2020, we have distributed almost 10,000 covid-19 grants totalling almost £70 million.
- The Council assisted over 1,500 people with their new benefit claims and administered over 29,000 changes of circumstance. New claims were processed in an average of 10 days and changes of circumstance in 5 days. This was achieved with the continued increase in workload due to Covid-19 and the additional duties given to benefit departments, including continued administering of the Test and Trace payments.

- Sedgemoor's average Band 'D' Council Tax for 2021/22 of £172.32 ranks 46th amongst all 181 districts nationwide. This figure includes drainage board levies which is approximately £40.85 per band D property.
- Sedgemoor has continued with its commitment to the apprenticeship programme and invested approximately £1.3m in growing its own workforce over the period that this programme has been in place.
- Community groups and individuals across the district benefited from over £50,000 of grant funding, thanks to awards given out by Sedgemoor District Council.
- During 2021/22 we received over 110,000 calls via Sedgemoor Digital, the Council's customer contact centre, over 74% of which were resolved at the first point of contact.

## **Housing, Health & Wellbeing**

- The council provided carbon literacy training for all staff and Members.
- A total of 635 trees were planted across the District in 2021/22 as Town and Parish Councils requested free trees as part of the Council's Tree Fund.
- Sedgemoor entered into a partnership with Somerset West and Taunton Council, pooling resource to deliver on our ambitions with the climate strategy.
- The Department for Levelling Up, Housing & Communities awarded the Council Better Care Funding of £1,092,482. This will enable the Council to continue to provide essential disabled adaptations to people's homes to enable our most vulnerable in society to remain independent.
- Sedgemoor delivered 80 major adaptations which took on average 16 weeks to complete. Spending £80k on low level prevention grants.
- Sedgemoor was awarded £518,700 from BEIS for a LADS 1A bid, £809,500 from BEIS for LADS 1B and £1.5 million for the Home Upgrade Grant (HUG's) to retrofit social housing and owner-occupied housing with essential energy measures such as solid wall insulation and air source heat pumps. The bids will assist a total of 500 households to reduce their fuel bills, make their homes more energy efficient and reduce the risk of fuel poverty. There was also a further bid awarded to Sedgemoor of £1.3million from the Warm Homes Fund to assist with first time gas central heating and provide energy advice across Somerset which assisted over 5,000 households.
- Building affordable homes continues to be a key priority for the authority. We continue to support and sustain the supply of partner delivered affordable housing growth with our affordable housing providers and the wider housing supply chain. After a 35-year period of inactivity, the authority began building a new generation of council homes in 2017. The authority has an active programme – with an investment of circa £28m. This investment will see (which when built) a further 144 new council homes built. We are working the next phase of council builds, with an estimated investment of £31m associated with circa further 170 additional new homes.
- The authority has overseen the delivery of 450+ additional affordable homes since April 2019, exceeding its desired targets for this period. We expect to see a bumper year of affordable housing delivery of 250+ additional affordable homes in the final twelve months (to March 2023) of our four-year affordable housing development cycle – meaning the authority will have significantly exceeded its targets, despite the challenges such as the covid pandemic and inflationary housing supply chain pressures.



- We continue to support the delivery of genuinely affordable homes in our expensive to live rural communities. We continue to provide operational and financial support to a number of rural projects and have committed £485,174 towards rural projects since 2017, principally revenue funds to help us bring forward new housing in partnership with our communities. We have worked (or are actively working) with 10 community groups, from which we anticipate this investment will result in circa 154 new homes.
- The authority has secured £2.5m funds from the EDFe Housing Mitigation Fund, which is supporting the delivery of a £35m portfolio of 236 new homes (824 bedspace) across eleven brownfield sites. Seven projects have been completed, with strong progress made on the final three initiatives at All Saint Terrace (on-site), Bigwood (contracts approved and start on site imminent) and Mount Street (planning approval now secured). We have added a new project in Nether Stowey during 2021-2022.
- The Together Team partnership operating across the areas of East Bridgwater, South Bridgwater and Highbridge and Burnham together with our partners have dealt with 350+ cases over the last year. Helping partners work together to take actions and support residents across the district.
- SDC Community Safety team in partnership with our communities have delivered 3 Pantry's across Sedgemoor in Sydenham, Hamp and Highbridge. Pantry's are community-run projects that buy or collect surplus food to prevent it going to waste, and then make it available to local residents for a weekly fee of £3.50. As the food is 'surplus', due to a seasonal glut or change in branding for example, the Local Pantry does not choose or know what it will be offered, so members will have a 'mystery parcel' each week. There are normally 10-15 items, made up of fresh, chilled and ambient (tinned/dried) foods. The value of the food also varies but it always exceeds the cost. The 3 Pantry's currently provide 150 memberships across Sedgemoor.
- The Community Safety Team with the Economic Development Team have been successful in applying for £1Million from the Town Deal to fund new Town Wardens/Ambassadors for Bridgwater for 4 years. There will be an initial 4 full time officers in year 1 but an additional 2 part time officers in years 2, 3 and 4. Recruitment expected to start July 2022.
- The Housing Team have been successful with a bid to DLUHC and were awarded funding to continue with the work to reduce rough sleeping in Sedgemoor.
- Between 1 January and 31 May 2022 Sedgemoor's Housing Team has prevented 111 households from becoming homeless and 281 households have been relieved of being homeless.
- Supported over 4,500 people across Somerset, helping residents remain independent in their own home, secure in the knowledge that help is at hand if they need it. In 2021/22 Sedgemoor Lifeline handled over 96,000 calls from vulnerable customers with an emergency alarm. The emergency response service attended 744 non-injured fallers, with 100% attended to within 60 minutes.

## **Growth & Infrastructure**

- Sedgemoor District Council is a pro-business, pro-growth authority with a strong economic focus. We have a strong track-record on economic growth and delivery within the District, with the fastest growing household income and the highest GVA per job across the Heart of the South West LEP area.

- Covid-19 Response and Recovery

On the back of the Covid-19 crisis the Council created a new initiative – the Town Centres Taskforce which brings together business and town representatives from across the district to support the high streets and town/village centres.

The Council has delivered a number of interventions via the Reopening of the High Street Safely fund, including safety signage, footfall counters and PR campaigns. The Council supported parish and town councils by improving some of the facilities aimed at tourists. The fund also allowed the Council to develop several strategies that will enable medium term sustainability across a number of locations.

The Council has supported businesses in safe trading and reopening by providing the guidance and information.

- Despite Covid-19 having a significant impact on projects over the last two years, a large number of projects, including infrastructure and development, are in progress:

Gravity – A 616-acre site, Smart Campus which will create in the region of 7,500 new jobs and around 4 million square feet of commercial space. The Enterprise Zone status enables the Council to retain and reinvest business rates income from the site into the local economy. Following the agreement from Council in December 2020 The Gravity Local Development Order was formally adopted in February. The LDO secures a flexible and agile planning process to assist delivery and attract investment. Gravity formed part of a wider West of England Combined Authority’s successful bid to DCMS to deliver 5G Logistics project. Governance arrangements and mechanisms to support the delivery of planning and funding strategies of the Enterprise Zone were recently approved by the Executive on 6<sup>th</sup> July and will be reported to Council on 20<sup>th</sup> July. Substantive occupier interest continues to progress with SCC, SDC, This is Gravity and the LEP engaged with UK Government.

The Northgate leisure development is a £16m Council financed scheme and being marketed as Northgate Yard. The development will deliver a new 7 screen cinema for Scott Cinema and 8 lane bowling alley for AllStars Bowling with 4 food and beverage units available to operators together with a high quality play area and landscaped park known as Brewery Field. The scheme is due to open in October 2022. Landscaping in Brewery Field includes a large number of semimature trees, grassland and wildflower areas and an urban wetland pond and swale system which has been developed in conjunction with the Wildfowl and Wetland Trust.

The Transport and Works Act Order for the Bridgwater Tidal Barrier was granted in January 2022, this is a significant milestone for the scheme. Work is now progressing on the detailed design stage for this complex project. In parallel various site assessments have been undertaken including extensive archaeological investigations. The intention is to deliver some of the early works for the barrier including the western access track that will provide access to the Chilton Trinity side of the river for future barrier construction. Similarly, the control building to be located on Express Park is also being designed and it is anticipated that this will be constructed in 2023/24. Construction on the main barrier is likely to start in 2024.

As part of the wider environmental benefits and opportunities of the project, the Environment Agency and Council are working with the Wildfowl and Wetlands Trust (WWT) on initiatives to create new or improved urban wetlands that benefit biodiversity, education and health and wellbeing. Early projects are already delivering real benefits at the Meads Park in Bridgwater and new sustainable urban drainage system on the brewery Field that includes new wetlands with extensive planting. Other projects will focus on projects in and around the barrier and downstream banks.

June 21 provided confirmation from Government that Bridgwater had been allocated £23.2m of Town Deal funding across the 11 projects contained within the Bridgwater Town Investment Plan.

Since the announcement of the allocation SDC and partners have been developing the final business cases which are sent off to Government for final sign off which enables the drawdown of funding for the individual projects. To date the following projects have been submitted to Government and have been signed off (although we are still waiting for official confirmation): -

- Dunball Junction improvements (a contribution to the total cost of the scheme)
- Bridgwater Tidal Barrier (a contribution to the total cost of the scheme)
- Town Wardens

In total those 3 projects will enable the drawdown of £3.4m pounds worth of investment into the town.

The next 2 projects in the process are Celebration Mile which was submitted to Government in June and Step-Up which is expected to be submitted to Government by the end of July.

Business cases for the remaining projects are in development and are expected to be submitted by the end of the year.

Included within the Town Deal as outlined above is the Celebration Mile. Outside of the Town Deal process significant design and feasibility work continues ahead of the drawdown of capital funding with all 3 of the schemes (Eastover, Clare Street and Angel Crescent) that make up the Celebration Mile element of the Town Deal having progressed to RIBA stage 3 in the over the past year.

Regeneration working groups for Highbridge and Cheddar have continued to meet over the previous 12 months. The work carried out through these working groups has formed part of the production of a £20m Levelling Up Fund bid covering a large swath of the Wells Constituency which is expected to be submitted to Government in the next month. If successful, this will provide significant capital investment into Highbridge and Cheddar and parts of the Levels and Moors across the District.

A second Levelling Up Fund bid is being finalised that will repurpose the former Bridgwater Hospital in the centre of the town creating an Academy for Health and Social Care Training. This will provide resources to a sector that is significantly under resourced whilst bringing back in to use a significant grade 2 listed building. The value of this bid is also £20m and is expected to be submitted to Government in the next month.

- Employment and Skills

Under Construction, in partnership with Somerset West and Taunton, supported Suez with their recruitment and Somerset NHS Trust to raise awareness of their training programme to lead into NHS careers and the Covid Vaccination roll out.

Virtual events with Hinkley Point C Jobs Service and associated contractors continued supporting Blyor with Geo-spatial Apprentices, Somerset Larder, MEH contractors and Somerset Passenger solutions. These virtual events had 581 registrations. The team also made links and attended events with Sedgemoor Pantries and Family Support around the School teams.

In March 22 a Recruitment Fair was delivered within Angel Place Shopping Centre to raise awareness of the current jobs available in the local area and 30 employers attended.

Over the course of the year virtual footfall through Under Construction was 1392 people with actual footfall at 1149. The team provided 8882 Information Advice and Guidance sessions across various platforms, delivered 220 events, supported 150 people back into work and advertised over two thousand jobs.

100 Women First (second iteration of the project): Year 1 of a 3-year delivery programme was forced to deliver online with much of the activity taken place via social media. That said 120 women have been recruited as of June 22. Demand continues to be high and Under Construction continues to support all the women into the 'career of choice'.

Men4Sedgemoor: Funded from the Business Rates Retention Fund (BRR). The programme end date was extended in September 21 due to a slow start building trust and rapport with customers; Somerset has the highest figures for male suicides heightened by the pandemic, and as a result health and wellbeing has been of paramount importance to the programme.

As of March 22: 98 Men signed up to programme, 15 Work outcomes achieved; Supported 5 business start-up outcomes with 1 ongoing, 12 signposted to accredited courses, 10 referred to positive people project, 6 supported with 1:1 counselling, 2 referred to NHS SWAP programme with 1 successful job outcome following attendance at a virtual event. The programme continues to grow and is well on the way to achieving the objectives highlighted in the business case.

Business Start Up: Funded through Comf in response to Covid, this was a six-month project which completed in July 2022. It has been managed by the Employment, Skills and Training Manager, delivered by Somerset Business Agency.

75 people signed up to the project and there were over 222 total engagements. Overall, the project has been a huge success – Somerset Business Agency has developed a trusted route in for people who want to start their own business.

- Hinkley Point C (HPC)

Sedgemoor District Council continues to support the construction of Hinkley Point C with staff in place to assist the implementation of the project whilst seeking to maximise the benefits and minimise the impacts for local communities and businesses. Delays have been experienced in relation to the refurbishment of Combrich Wharf, but Council officers continue to work proactively with EDF to progress the planning requirements associated with the berthing arrangements and AIL bypass track required to enable deliveries at the wharf. This is now anticipated to be complete by the Autumn of 2022 and ready to receive deliveries later in the year. As the project moves towards peak construction in 2023, the workforce uplift (increase from 5,600 to 8,600 workers on site at peak) represents both opportunities and potential challenges. The Council, together with partners, have and will continue working towards maximising local benefits, including enabling our workforce to access HPC job and training opportunities, and securing mitigating measures for our communities as a result of these increased numbers. The S106 supplemental agreement has been approved which secures additional Council resources to support the project and a package of mitigation measures including Strategic Interventions, to ensure that the workforce uplift will not give rise to any materially new or different effects compared to the conclusions set out in the relevant assessments in the original Environmental Statement on the basis of this mitigation.

## Trading Companies

During 2015/16 the Council gained member approval to set up a group of trading companies to allow Sedgemoor to work differently in order to secure additional income to assist in delivering a sustainable budget in the future. A group structure was set up that would in the longer term have financial benefits in terms of tax liabilities. The companies are wholly owned by Sedgemoor District Council and are limited by shares. The holding company is Sedgemoor Group Ltd and currently owns one subsidiary company, Aspen Housing & Development Ltd.

The companies were set up in February 2016 in order to facilitate the purchase of Aspen Court, a privately owned housing scheme with 36 apartments which is operated and managed on a commercial basis. The property has 11 apartments owned by leaseholders and 25 rented out on the open market. The company continues to operate successfully against the estimated budget.

## Pensions

Information provided by the actuaries of the Somerset County Council pension scheme, to which the majority of the Council's employees belong, indicates a net deficit on the Council's share of the fund amounting to £90 million.

This is a real liability, which has resulted from pension entitlement earned by employees. It appears in the Council's Balance Sheet but any immediate impact on levels of Council Tax is neutralised by a matching Pensions Reserve. Funding of the deficit will be met in future years by a combination of increased employer contributions and changes in the value of the Pension Fund. Actuarial valuations are made every year, and these will guide the Council in addressing the amount of the deficit.

## Treasury Management Performance

During 2021/22 Sedgemoor has explored with its treasury management advisors, investment options available in order to maximise return. The income from investments assists in balancing the revenue budget and is part of the plan detailed in the Balancing the Medium Term Budget Table for delivering a sustainable medium term budget. The portfolio now includes £31 million invested in externally managed funds.

As at the balance sheet date, the authority held the following loans and investments:

<b>Loans</b>	<b>£'000</b>
Public Works Loan Board – Housing Revenue Account	53,059
Public Works Loan Board – General Fund	13,000
Non Public Works Loan Board – General Fund	37,000
<b>Total</b>	<b>103,059</b>
<b>Investments</b>	<b>£'000</b>
Externally managed funds	31,000
Variable rate on call & notice accounts	5,757
<b>Total</b>	<b>36,767</b>

## Investment performance

Interest received:	Original Budget £'000	Revised Budget £'000	Actual £'000	Average Rate Earned	Benchmark
Externally managed funds	1,529	1,529	1,523	4.91%	-
Fixed rate term deposits	0	0	0	0.00%	-
Variable rate on call & notice accounts	50	50	11	0.05%	0.05%

## Further Information

For further information about the statements or additional copies of this document contact the Section 151 Officer, Sedgemoor District Council, Bridgwater House, King Square, Bridgwater, Somerset, TA6 3AR, telephone 01278 435426, email [alison.turner@sedgemoor.gov.uk](mailto:alison.turner@sedgemoor.gov.uk) The rights of interested persons to view the accounts are statutorily defined and the dates on which the accounts are available for inspection are advertised on the Council's website.

For 2021/22 the Statement of Accounts inspection period commences on the 1st August 2022. This is in line with the amended statutory deadline as set in The Accounts and Audit (Coronavirus) Amendments Regulations 2022.

These regulations extend the date by which Sedgemoor Councillors need to approve the Statement of Accounts to the 30th September 2022, with sign off by the Section 151 Officer by 31st July 2022.

The accounts will be considered by the Members of the Audit & Standards Committee a date has not been set but it anticipated that this will take place by 30th November 2022.

This would not have been possible without the hard work and commitment of the Finance Team and the support of all council staff and elected members. My thanks go to all of those involved in the process.

Alison Turner CPFA, Strategic Director & Section 151 Officer

### The Authority's Responsibilities

The authority is required to:

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

### The Chief Financial Officer's Responsibilities

The Chief Financial 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).

In preparing this Statement of Accounts, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Local Authority Code.

The Chief Financial 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.

Pages 24 to 126 of this document comprises the Council's Statement of Accounts for 2021/22 prepared in accordance with the statement of my responsibilities set out above.

I hereby certify that it presents a true and fair view of the financial position of Sedgemoor District Council and the group at 31<sup>st</sup> March 2022 and its income and expenditure and cash flows, for the year ended on that date.

*Alison Turner* Alison Turner CPFA 18th July 2022

## Core Financial Statements

### Movement in Reserves Statement

This statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'.

This statement shows how in year movements of the authority'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 Balance movements in the year following those adjustments.

For the year ended 31 March 2022	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2021</b>	<b>32,657</b>	<b>11,572</b>	<b>0</b>	<b>3,432</b>	<b>5,200</b>	<b>52,861</b>	<b>50,697</b>	<b>103,558</b>
<i>see note 28</i>								
<b>Movement in reserves during 2021/22</b>								
Surplus or (deficit) on provision of services	2,077	472	0	0	0	2,549	39,422	41,971
Adjustments between accounting basis and funding basis under regulations - see note	(6,212)	(2,695)	0	775	2,724	(5,408)	5,408	0
<b>Increase/Decrease in year</b>	<b>(4,135)</b>	<b>(2,223)</b>	<b>0</b>	<b>775</b>	<b>2,724</b>	<b>(2,859)</b>	<b>44,830</b>	<b>41,971</b>
<b>Balance at 31 March 2022</b>	<b>28,522</b>	<b>9,349</b>	<b>0</b>	<b>4,207</b>	<b>7,924</b>	<b>50,002</b>	<b>95,527</b>	<b>145,529</b>
For the year ended 31 March 2021	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2020</b>	<b>19,277</b>	<b>13,606</b>	<b>200</b>	<b>2,883</b>	<b>4,114</b>	<b>40,080</b>	<b>47,894</b>	<b>87,974</b>
<i>see note 28</i>								
<b>Movement in reserves during 2020/21</b>								
Surplus or (deficit) on provision of services	1,592	1,625	0	0	0	3,217	12,367	15,584
Adjustments between accounting basis and funding basis under regulations - see note	11,788	(3,659)	(200)	549	1,086	9,564	(9,564)	0
<b>Increase/Decrease in year</b>	<b>13,380</b>	<b>(2,034)</b>	<b>(200)</b>	<b>549</b>	<b>1,086</b>	<b>12,781</b>	<b>2,803</b>	<b>15,584</b>
<b>Balance at 31 March 2021</b>	<b>32,657</b>	<b>11,572</b>	<b>0</b>	<b>3,432</b>	<b>5,200</b>	<b>52,861</b>	<b>50,697</b>	<b>103,558</b>



## Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure 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. Authorities raise taxation and rents 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 Reserves Statement.

Gross Expenditure £'000	2020/21		Net Expenditure £'000		2021/22		Net Expenditure £'000	note
	Restated	Gross Income £'000			Restated	Gross Expenditure £'000		
1,097		0	1,097	Chief Executive	962	(59)	903	
1,602	(1,128)		474	Customer Services	2,081	(1,172)	909	
12,008	(6,438)		5,570	Environment & Regulation	11,240	(4,322)	6,918	
25,093	(21,260)		3,833	Finance & Property	22,946	(20,514)	2,432	
5,343	(2,399)		2,944	Housing, Health & Wellbeing	8,737	(3,998)	4,739	
7,425	(5,726)		1,699	Inward investment & Growth	6,920	(5,395)	1,525	
3,149	(197)		2,952	Legal & Governance	5,215	(425)	4,790	
13,712	(18,130)		(4,418)	Housing Revenue Account	14,895	(19,465)	(4,570)	
<b>69,429</b>	<b>(55,278)</b>		<b>14,151</b>	<b>Cost of Services</b>	<b>72,996</b>	<b>(55,350)</b>	<b>17,646</b>	
			3,769	Other Operating Expenditure			5,750	12
			1,001	Financing and Investment income & expenditure			(2,626)	13
			(22,138)	Taxation and non-specific grant income & expenditure			(23,319)	14
			<b>(3,217)</b>	<b>(Surplus)/deficit on the provision of services</b>			<b>(2,549)</b>	
			(27,343)	(Surplus) or deficit on revaluation of non current assets			(24,212)	
			14,976	Remeasurement of the net defined benefit liability/(asset)			(15,210)	
			<b>(12,367)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(39,422)</b>	
			<b>(15,584)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(41,971)</b>	

Some of the figures in this statement have been affected by the covid-19 funding so will show large variances to the previous year. See note 5 – **material items of income and expenditure** for details.

## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority 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 that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the authority 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'.

<b>31-Mar-21</b>		<b>31-Mar-22</b>	<b>note</b>
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
224,665	Property, Plant & Equipment	263,252	15
521	Heritage Assets	521	
42,415	Investment properties	42,142	16
126	Intangible assets	112	
42,711	Long Term Investments	43,824	17
348	Long term debtors	34	
<u>310,786</u>	<b>Long term assets</b>	<u>349,885</u>	
660	Short Term Investments	685	18
0	Assets Held for Sale	0	
16	Inventories	26	
21,965	Short Term Debtors	13,311	19
5,699	Cash & cash equivalents	4,685	20
<u>28,340</u>	<b>Current assets</b>	<u>18,707</u>	
(1,223)	Short Term Provisions	(1,584)	21
(40,414)	Short Term Borrowing	(32,007)	22
(38,169)	Short Term Creditors	(35,239)	23
<u>(79,806)</u>	<b>Current liabilities</b>	<u>(68,830)</u>	
(61,059)	Long Term Borrowing	(71,353)	24
(2,243)	Capital Grants Receipts in Advance	(1,979)	25
(92,460)	Other Long Term Liabilities	(80,900)	26
<u>(155,762)</u>	<b>Long Term Liabilities</b>	<u>(154,232)</u>	
<u><b>103,558</b></u>	<b>NET ASSETS</b>	<u><b>145,530</b></u>	
52,861	Usable Reserves	50,003	27
50,697	Unusable Reserves	95,527	28
<u><b>103,558</b></u>	<b>TOTAL RESERVES</b>	<u><b>145,530</b></u>	

*Alison Turner* Strategic Director & Section 151 Officer

18<sup>th</sup> July 2022

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority 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 authority 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 authority.

2020/21 £'000		2021/22 £'000
<b>(3,217)</b>	Net (surplus) or deficit on the provision of services	<b>(2,549)</b>
	<b><i>Adjustments to net surplus or deficit on the provision of services for non cash movements</i></b>	
(5,529)	Depreciation	(5,607)
(6,650)	Impairment and downward valuations	(1,301)
(11)	Amortisation	(14)
(229)	(Increase)/decrease in impairment for bad debts	400
(21,556)	(Increase)/decrease in creditors	4,359
3,003	Increase/(decrease) in debtors	348
7	Increase/(decrease) in inventories (stock)	10
(1,770)	Movement in pension liability	(3,650)
(3,134)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(5,427)
(5,083)	Other non-cash items charged to the net surplus or deficit on the provision of services.	8,411
<b>(40,952)</b>	<b>Total Adjustments to net surplus or deficit on the provision of services for non cash movements</b>	<b>(2,471)</b>
	<b><i>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities</i></b>	
2,274	Proceeds from the sale of property plant and equipment, investment property and intangible assets.	2,867
<b>2,274</b>	<b>Total Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>	<b>2,867</b>
<b>(41,895)</b>	<b>Net Cashflow from Operating Activities</b>	<b>(2,153)</b>
26,059	Purchase of Property, Plant & Equipment, investment property and intangible assets	25,731
929	Purchase of short term & long term investments	596
419	Other payments for investing activities	2,464
(2,274)	Proceeds from the sale of Property Plant & Equipment, investment property and intangible assets	(2,867)
(482)	Proceeds from long & short term investments	(845)
(3,141)	Capital grants received	(4,272)
<b>21,510</b>	<b>Total cashflow from Investing Activities</b>	<b>20,807</b>
(43,000)	Cash receipts of short- and long-term borrowing	(52,000)
41,916	Repayments of short- and long-term borrowing	50,000
1,268	Net (increase)/decrease in Council Tax	(3,569)
25,025	Net (increase)/decrease in National Non Domestic Rates (NNDR)	(12,071)
<b>25,209</b>	<b>Total cashflow from Financing Activities</b>	<b>(17,640)</b>
4,824	Net (increase)/decrease in cash and cash equivalents	1,014
(10,523)	Cash & Cash equivalents at the beginning of the reporting period	(5,699)
<b>(5,699)</b>	Cash & Cash equivalents at the end of the reporting period	<b>(4,685)</b>

### Note 1 Statement of Significant Accounting Policies

#### GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31st March 2022. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and the Service Reporting Code of Practice 2021/22, supported by International Financing Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2011 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 accounts are prepared on a going concern basis.

#### ACCRUALS OF EXPENDITURE & INCOME

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Revenue from the provision of services is recognised when the council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority;
- 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.

#### CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Services, support services and trading accounts are debited with the following amounts to record the cost of holding 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;

- Amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. 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 in the General Fund Balance (MRP or loans fund principal), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## **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 sick leave, and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render services to the Authority. An accrual is made for the cost of holiday entitlements earned by the employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the 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 benefits are charged to revenue in the financial year in which the holiday absence occurs.

## **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
- 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 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.

## **FAIR VALUE MEASUREMENT**

The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority 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 authority 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 authority'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 or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability

## **INTERESTS IN COMPANIES**

The Authority wholly owns three companies, which are classified as subsidiaries of the Authority and have been consolidated into the Group Accounts as follows: Homes in Sedgemoor Ltd, Sedgemoor Group Ltd & Aspen Housing & Development Ltd

## **INVENTORIES AND LONG TERM CONTRACTS**

Stocks are valued at last known price and represent goods and materials chargeable to revenue, which have not been consumed by the accounting date. Costs are carried forward to be charged in the accounting period in which they are consumed. The Code requires that inventories be shown at the lower of cost and net realisable value. The potential difference between these values for the Authority's purpose is considered immaterial.

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.

## **OVERHEADS AND SUPPORT SERVICES**

The cost of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the *CIPFA Service Reporting Code of Practice 2020/21 (SeRCOP)*. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation; and
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP.

## **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 practises 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 of the prior period.

## **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 a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority 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.

## **REVENUE RECOGNITION**

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net worth. Revenue is recognised when it is probable that future economic benefits will flow to the Council and these benefits can be measured reliably.

IFRS 15 (Revenue from Contracts with Customers) is applied in accounting for revenue arising from the following transactions and events:

- the sale of goods
- the rendering of services
- interest, royalties and dividends.
- non-exchange transactions (i.e. Council tax)
- where previously a liability had been recognised (i.e. creditor) on satisfying the revenue recognition criteria

The amount of revenue arising on a transaction is usually determined by agreement between the Council and the buyer or user of the asset. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Council.

## **VALUE ADDED TAX**

The Authority does not include VAT as part of income or expenditure, except where it is irrecoverable from Her Majesty's Revenue and Customs.



## Note 2 Accounting Standards that have been issued but not yet adopted

The standards introduced by the 2022/23 Code where disclosures are required in the 2021/22 financial statements in accordance with the requirements of paragraph 3.3.4.3 of the Code are:

- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:
  - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
  - IAS 37 (Onerous contracts) – clarifies the intention of the standard
  - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
  - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

It is not anticipated that these standards will have a material impact on the authority's 2021/22 financial statements.

## Note 3 Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The Council received significant amounts of funding for distribution for use to support the Covid-19 lockdown and recovery and the current cost of living crisis. The terms of such grants meant some could be considered service or general funding with wider judgement required on whether the Authority was acting as agent or principal.
- The authority has reviewed its relationship with other entities and concludes that Homes in Sedgemoor Ltd, Sedgemoor Group Ltd and Aspen Housing & Development Ltd fall under group accounts criteria.

## Note 4 Assumptions made about 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. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31<sup>st</sup> March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
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	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would



	<p>projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied</p> <p>Assumptions refer to market rates as at the balance sheet date. COVID-19 has caused volatility in these markets, so there is greater uncertainty on the short term liability but given the duration of the pensions liability this is not expected to have an impact in the long term.</p> <p><b>Pension PPE Uncertainty</b></p> <p>Due to the economic uncertainty caused by the restrictions imposed by central governments in response to the pandemic the independent valuers used by pooled property funds at Somerset pension fund, of which Sedgemoor District Council is an admitted body, have included a material uncertainty in their 31st of March 2022 valuations. Somerset pension funds property fund valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICs red book global.</p> <p>A corresponding material uncertainty is disclosed in the council's financial statements as the council's share of property funds is material.</p>	<p>result in a decrease in the pension liability of £4.9m. However, the assumptions interact in complex ways.</p> <p>Similarly if the authority share of pension fund assets was overstated by 1% this would result in an increase to the net pension liability of £5.3m.</p>
Revaluation	<p>Assets are carried in the balance sheet using the following measurement bases:</p> <ul style="list-style-type: none"> <li>• Infrastructure, community assets and assets under construction – depreciated historical cost</li> <li>• Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH) based on beacon properties</li> <li>• Operational property plant and equipment – current value</li> <li>• All other assets – fair value</li> </ul> <p>Where there is no market-based evidence of fair value because of the specialist</p>	<p>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. If the value of the Council's operational properties were to reduce by 10%, this would result in a charge to the Comprehensive Income and Expenditure Statement of up to £22m.</p> <p>An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the</p>

	<p>nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.</p> <p>Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.</p> <p><b>PPE Valuation Uncertainty</b></p> <p>The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement.</p> <p>The valuation, at the balance sheet date has therefore been reported on the basis of “material valuation uncertainty” as it has been prepared under extraordinary circumstances.</p> <p>At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, comparison to historical market data is less reliable.</p>	<p>Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement</p>
<p>Fair value measurements</p>	<p>Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the authority’s valuation officer and/or external valuer).</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the authority’s assets and liabilities is disclosed in the relevant notes below.</p>	<p>The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and surplus assets).</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets.</p>

## Note 5 Material Items of Income and Expenditure

When 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.

### Purchases of Investment property

There were two material transactions in 2020/21 and none in 2021/22.

2020/21 £'000		2021/22 £'000
7,720	The Leggar Retail Park, Bridgwater	0
2,518	The Clink Retail Park, Bridgwater	0
<b>10,238</b>		<b>0</b>

### Covid 19 Emergency Funding

#### Business Rates and Grants

As part of the COVID-19 response, the government announced a package of measures to help businesses and Councils deal with the Covid pandemic. The government gave certain retail businesses help by providing extended retail relief on their business rates bills that meant that hundreds of businesses in the district paid no business rates in 2020/21. Again in 2021/22 there was business rates reliefs to help certain businesses but not full relief. The government compensated local authorities for the cost of these reliefs.

In addition, a range of grant schemes to support businesses was announced to be administered by local billing authorities. Billing authorities are responsible for paying over the grants to the businesses and are then reimbursed by government using a grant under Section 31 of the Local Government Act 2003. Some of the schemes are fully reimbursed, others are a set allocation.

The eligibility criteria for these schemes were set out in government guidance and billing authorities were required to use their business rates system to identify the properties that meet the eligibility criteria. These grants are not Collection Fund transactions.

The effect of these reliefs on the accounts is material and seen across all of the core statements.

Business Grants where the authority acted as principal have the following effect on the CIES:

CIES Income £'000	CIES Expenditure £'000	Balance Sheet £'000		CIES Income £'000	CIES Expenditure £'000	Balance Sheet £'000
Inward Investment & Growth						
(3,558)	1,839	0	Additional Restrictions Support Grant	2,800	(2,800)	0
(1,567)	1,567	0	Local Authority Discretionary Grant Fund	0	0	0
(765)	280	0	Local Restrictions Support Grant (OPEN) V2 2nd Dec onwards	23	(23)	0
2,204	0	(2,204)	Receipt in Advance moved to Balance Sheet	0	0	0
<b>(3,686)</b>	<b>3,686</b>	<b>(2,204)</b>	<b>Total</b>	<b>2,823</b>	<b>(2,823)</b>	<b>0</b>

## Business Grants

Business Grants where the authority acted as agent do not affect the Comprehensive Income and Expenditure Statement (CIES) but are shown on the balance sheet as a Creditor:

Grant Income £'000	Grants Paid Out £'000	Creditor on B/S £'000		Creditor on B/S BF £'000	Grant Income £'000	Grant Repaid £'000	Grants Paid Out £'000	Creditor on B/S £'000
6,471	(4,772)	<b>1,699</b>	Closed Business Lockdown Payment	1,699	0	(1,562)	(137)	<b>0</b>
77	(74)	<b>3</b>	Christmas Support Payment for Wet led Pubs	3	0	(3)	0	<b>0</b>
2,158	(1,859)	<b>299</b>	Local restrictions support grant (closed) addendum	299	0	(241)	(58)	<b>0</b>
6,627	(4,829)	<b>1,798</b>	Local restrictions support grant (closed) Addendum 5th Jan onwards	1,798	0	(788)	(220)	<b>790</b>
618	(143)	<b>475</b>	Local restrictions support grant (closed) V2 2nd Dec Onwards	475	0	(469)	(6)	<b>0</b>
0	(2)	<b>(2)</b>	Local Restrictions Support Grant (Sector)	(2)	2	0	0	<b>0</b>
10,000	(10,000)	<b>0</b>	Retail, Hospitality and Leisure Grants	0	0	0	0	<b>0</b>
16,850	(16,850)	<b>0</b>	Small Business Grant Fund	0	0	(10)	10	<b>0</b>
0	0	<b>0</b>	Restart Grant	0	7,989	0	(7,989)	<b>0</b>
0	0	<b>0</b>	Omicron Hospitality and Leisure Grant	0	2,160	0	(1,425)	<b>735</b>
<b>42,801</b>	<b>(38,529)</b>	<b>4,272</b>	<b>Total BEIS Business Grants</b>	<b>4,272</b>	<b>10,151</b>	<b>(3,073)</b>	<b>(9,825)</b>	<b>1,525</b>

Other Covid-19 Emergency funding received is reflected in the CIES as follows:

CIES Income £'000		CIES Income £'000
(2,480)	Environment	(1,178)
(1,035)	Finance & Property	(672)
(604)	Taxation & Non Specific Income	(44)
<b>(4,119)</b>	<b>Total</b>	<b>(1,894)</b>

## Business Rates

The government have put in place a package of measures to help businesses and the Council deal with the Covid pandemic. The government gave nursery relief and extended retail relief on business rates bills which meant that hundreds of businesses in the district didn't have to pay business rates in 2020/21. Again in 2021/22 there were business rates reliefs for nursery's and retail, the difference this year was that it was not full relief

Sedgemoor Grant - The government compensated local authorities for the cost of these new reliefs through Section 31 grant payments.

Preceptors Grant - To help the council with cashflow the government paid all of the grant for the new business rates reliefs up front, this is treated as a receipt in advance.

Deficit - Due to the introduction of the new reliefs, we have collected less cash than we were due to pay out to the preceptors, therefore this has had the effect of making the collection fund go into deficit for 2020/21, this happened again in 2021/22 as the new reliefs were announced after the estimates for business rates had been sent to the government via the NNDR1 return..

The effects on the core statements are as follows:

Sedgemoor		Preceptors		Sedgemoor			Preceptors		
Grant	Deficit	Grant	Deficit	Grant	Deficit	PY Deficit	Grant	Deficit	
20/21	20/21	20/21	20/21	21/22	21/22	21/22	21/22	21/22	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Movement in Reserves Statement</b>									
(7,795)	9,280	0	0	Surplus/deficit on provision of services Income	(3,382)	(4,665)	7,795	0	0
0	(9,280)	0	0	Adjustments between accounting basis and funding basis	0	4,665	0	0	0
7,795	0	0	0	To/(from) Business Rate	3,382	0	(7,795)	0	0
<b>Comprehensive Income &amp; Expenditure Statement</b>									
(7,795)	9,280	0	0	Taxation & Non specific grant income	(3,382)	(4,665)	7,795	0	0
<b>Balance Sheet</b>									
0	0	0	10,882	Debtor - Business Rates Preceptor	0	0	0	0	3,649
0	0	11,693	0	Creditor - Business Rates - Preceptors Section 31 grant	0	0	0	5,365	0
0	9,280	0	0	Reserves - Collection Fund Adjustment Account	0	(4,665)	0	0	0
(7,795)	0	0	0	To/(from) Business Rate Reserve	(3,382)	0	7,795	0	0

#### The effect on the cashflow of Business Grants and Business Rates

Business Grants	Business Rates		Business Grants	Business Rates
£'000	£'000		£'000	£'000
Movement in Creditors - Increase/(decrease)				
4,272	0	BEIS - Business Grants (Agent)	(2,747)	0
2,204	0	BEIS - Business Grants (Principal)	(2,204)	0
0	11,693	Business Rates - Preceptors Section 31 grant	0	(6,388)
Net decrease in National Non Domestic Rates (NNDR)				
0	22,918	Collection fund deficit	0	(12,071)

BEIS = Department for Business, Energy & Industrial Strategy

## Movement in Reserves Notes

### Note 6 Expenditure and 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 directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

For the year ended 31 March 2022	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000
Chief Executive	903	0	903
Customer Services	888	21	909
Environment & Regulation	6,259	659	6,918
Finance & Property	2,425	7	2,432
Housing, Health & Wellbeing	2,920	1,819	4,739
Inward Investment & Growth	1,525	0	1,525
Legal & Governance	2,951	1,839	4,790
Central Support	(1,327)	1,327	0
Housing Revenue Account	(9,585)	5,015	(4,570)
<b>Net cost of services</b>	<b>6,959</b>	<b>10,687</b>	<b>17,646</b>
Other income and expenditure	(601)	(19,594)	(20,195)
<b>Surplus or deficit</b>	<b>6,358</b>	<b>(8,907)</b>	<b>(2,549)</b>
Opening General Fund and HRA Balance at 31 March	(44,229)		
(Surplus)/Deficit on General Fund and HRA Balance in Year	6,358		
Closing General Fund and HRA Balance at 31 March *	<b>(37,871)</b>		

For the year ended 31 March 2021	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
Restated	£'000	£'000	£'000
Chief Executive	1,097	0	1,097
Customer Services	449	25	474
Environment & Regulation	5,261	309	5,570
Finance & Property	3,086	747	3,833
Housing, Health & Wellbeing	2,890	54	2,944
Legal & Governance	1,628	0	1,628
Inward Investment & Growth	2,989	34	3,023
Central Support	(1,098)	1,098	0
Housing Revenue Account	(9,293)	4,875	(4,418)
<b>Net cost of services</b>	<b>7,009</b>	<b>7,142</b>	<b>14,151</b>
Other income and expenditure	(18,355)	987	(17,368)
<b>Surplus or deficit</b>	<b>(11,346)</b>	<b>8,129</b>	<b>(3,217)</b>
Opening General Fund and HRA Balance at 31 March	(32,883)		
(Surplus)/Deficit on General Fund and HRA Balance in Year	(11,346)		
Closing General Fund and HRA Balance at 31 March *	<b>(44,229)</b>		

*\*for a split of this balance between the General Fund and the HRA – see the Movement Reserves Statement.*

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

<b>For the year ended 31 March 2022</b>	<b>Adjustments for Capital Purposes (1) £'000</b>	<b>Net change for the Pensions (2) £'000</b>	<b>Other Differences (3) £'000</b>	<b>Total Adjustments £'000</b>
Chief Executive	0	0	0	0
Customer Services	21	0	0	21
Environment & Regulation	659	0	0	659
Finance & Property	7	0	0	7
Housing, Health & Wellbeing	1,819	0	0	1,819
Inward Investment & Growth	0	0	0	0
Legal & Governance	0	1,839	0	1,839
Corporate Support	1,327	0	0	1,327
Housing Revenue Account	5,015	0	0	5,015
<b>Net cost of services</b>	<b>8,848</b>	<b>1,839</b>	<b>0</b>	<b>10,687</b>
Other income and expenditure	(14,786)	1,811	(6,619)	(19,594)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit</b>	<b>(5,938)</b>	<b>3,650</b>	<b>(6,619)</b>	<b>(8,907)</b>

<b>For the year ended 31 March 2021</b>	<b>Adjustments for Capital Purposes (1) £'000</b>	<b>Net change for the Pensions (2) £'000</b>	<b>Other Differences (3) £'000</b>	<b>Total Adjustments £'000</b>
Chief Executive	0	0	0	0
Customer Services	25	0	0	25
Environment & Regulation	309	0	0	309
Finance & Property	657	0	90	747
Housing, Health & Wellbeing	54	0	0	54
Legal & Governance	0	0	0	0
Inward Investment & Growth	0	34	0	34
Corporate Support	1,098	0	0	1,098
Housing Revenue Account	4,875	0	0	4,875
<b>Net cost of services</b>	<b>7,018</b>	<b>34</b>	<b>90</b>	<b>7,142</b>
Other income and expenditure	(6,837)	1,736	6,088	987
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit</b>	<b>181</b>	<b>1,770</b>	<b>6,178</b>	<b>8,129</b>

### Adjustments for Capital Purposes

1) 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.

#### **Net Change for the Pensions Adjustments**

2) 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.

#### **Other Differences**

3) 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 a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.



## Note 7 Segmental Income

Income received on a segmental basis is analysed below:

2020/21 Income from Services £'000 Restated		2021/22 Income from Services £'000
0	Chief Executive	(59)
(1,128)	Customer Services	(1,172)
(6,438)	Environment & Regulation	(4,322)
(21,260)	Finance & Property	(20,514)
(2,399)	Housing, Health & Wellbeing	(3,998)
(5,726)	Legal & Governance	(5,395)
(197)	Inward Investment & Growth	(425)
(18,130)	Housing Revenue Account	(19,465)
<b>(55,278)</b>	<b>Net cost of services</b>	<b>(55,350)</b>

## Note 8 Expenditure and Income Analysed by Nature

The Authority's expenditure and Income is analysed as follows:

2020/21 £'000		2021/22 £'000
	<b>Expenditure</b>	
16,873	Employee expenses	19,907
51,151	Other service expenses	49,688
16,997	Support Service recharges	18,164
12,286	Depreciation, amortisation and impairment	9,142
2,012	Interest Payments	2,084
4,254	Precepts & Levies	4,591
275	Payments to Housing Capital Receipts Pool	274
860	Gain or Loss on Disposal of Fixed Assets	2,560
<b>104,708</b>	<b>Total operating expenses</b>	<b>106,410</b>
	<b>Income</b>	
(52,659)	Fees, charges & other service income	(57,185)
(5,765)	Interest and investment income	(3,621)
(9,578)	Income from council tax	(10,286)
4,777	Income from business rates	1,210
(44,700)	Government grants and contributions	(39,077)
<b>(107,925)</b>	<b>Total Income</b>	<b>(108,959)</b>
<b>(3,217)</b>	<b>(Surplus)/deficit on the provision of services</b>	<b>(2,549)</b>

## Note 9 Contracts with Service Recipients

Included within income from fees and charges of £57.1m (52.7m 2020/21) are the following amounts derived from contracts with service recipients as defined by IFRS 15.

2020/21 £'000		2021/22 £'000
(945)	Building Control	(1,017)
(978)	Planning	(1,310)
(651)	Car Park Income	(1,193)
(3,017)	Commercial Rent & Licences over land	(3,715)
(634)	Careline	(647)
(177)	Licences	(176)
(623)	Garden Waste	(81)
(183)	Search Fees	(195)
<u>(16,429)</u>	HRA rental income	<u>(16,800)</u>
<b><u>(23,637)</u></b>	<b>Total income from Contracts with Service Recipients</b>	<b><u>(25,134)</u></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 that period. There are no performance obligations unsatisfied at the balance sheet date.

## Note 10 Adjustments between accounting basis and funding basis under regulations

### General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority 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, however the balance is not available to be applied to funding HRA services.

### Housing Revenue Account Balance

The Housing Revenue Account 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 authority is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have 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 the 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.

	2021/22					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
<b>Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory</b>						
- Pensions costs (transferred to/(from)) the Pensions Reserve)	3,650	0	0	0	0	3,650
- Financial Instruments (transferred from the Financial Instruments Adjustment Account)	(3)	0	0	0	0	(3)
- Council Tax and NDR (transfers to/(from) the Collection Fund Adjustment Account)	(5,193)	0	0	0	0	(5,193)
- Pooled investments changes (transferred to/(from) the Pooled Investments Fund Adjustment Account)	(1,425)	0	0	0	0	(1,425)
- Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	2,413	10,301	0	0	0	12,714
<b>Total Adjustments to Revenue Resources</b>	<b>(558)</b>	<b>10,301</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,743</b>
<b>Adjustments between Revenue &amp; Capital Reserves</b>						
<b>Capital Receipts Reserve (CRR)</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(57)	(2,810)	2,867	0	0	0
Contribution from CRR to finance payments to the Government capital receipts pool	274	0	(274)	0	0	0
<b>Major Repairs Reserve (MRR)</b>						
Reversal of notional Major Repairs Allowance	0	(5,015)	0	5,015	0	0
<b>Capital Adjustment Account (CAA)</b>						
Statutory provision for the financing of capital investment	(1,355)	0	0	0	0	(1,355)
Capital expenditure charged against the General Fund & HRA Balances	(1,790)	(5,171)	0	0	0	(6,961)
<b>Total Adjustments between Revenue &amp; Capital</b>	<b>(2,928)</b>	<b>(12,996)</b>	<b>2,593</b>	<b>5,015</b>	<b>0</b>	<b>(8,316)</b>
<b>Adjustments to Capital Resources</b>						
<b>Capital Receipts Reserve (CRR)</b>						
Use of CRR to finance new capital expenditure	0	0	(1,818)	0	0	(1,818)
<b>Major Repairs Reserve (MRR)</b>						
Use of MRR to finance new capital expenditure	0	0	0	(5,015)	0	(5,015)
<b>Capital Grants Unapplied Account (CGUA)</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(2,724)	0	0	0	2,724	0
<b>Total Adjustments to Capital Resources</b>	<b>(2,724)</b>	<b>0</b>	<b>(1,818)</b>	<b>(5,015)</b>	<b>2,724</b>	<b>(6,833)</b>
<b>TOTAL ADJUSTMENTS</b>	<b>(6,210)</b>	<b>(2,695)</b>	<b>775</b>	<b>0</b>	<b>2,724</b>	<b>(5,406)</b>

	2020/21					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
	<b>Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements</b>					
- Pensions costs (transferred to/(from)) the Pensions Reserve)	1,770	0	0	0	0	1,770
- Financial Instruments (transferred from the Financial Instruments Adjustment Account)	(4)	0	0	0	0	(4)
- Council Tax and NDR (transfers to/(from)) the Collection Fund Adjustment Account)	9,353	0	0	0	0	9,353
- Holiday pay (transferred to the Accumulated Absences Reserve)	90	0	0	0	0	90
- Pooled investments changes (transferred to/(from)) the Pooled Investments Fund Adjustment Account)	(3,264)	0	0	0	0	(3,264)
- Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	6,821	8,137	0	0	0	14,958
<b>Total Adjustments to Revenue Resources</b>	<b>14,766</b>	<b>8,137</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>22,903</b>
<b>Adjustments between Revenue &amp; Capital Reserves</b>						
<b>Capital Receipts Reserve (CRR)</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(425)	(1,849)	2,274	0	0	0
Contribution from CRR to finance payments to the Government capital receipts pool	274	0	(274)	0	0	0
<b>Major Repairs Reserve (MRR)</b>						
Reversal of notional Major Repairs Allowance	0	(4,875)	0	4,875	0	0
<b>Capital Adjustment Account (CAA)</b>						
Statutory provision for the financing of capital investment	(1,143)	0	0	0	0	(1,143)
Capital expenditure charged against the General Fund & HRA Balances	(598)	(5,072)	0	0	0	(5,670)
<b>Total Adjustments between Revenue &amp; Capital</b>	<b>(1,892)</b>	<b>(11,796)</b>	<b>2,000</b>	<b>4,875</b>	<b>0</b>	<b>(6,813)</b>
<b>Adjustments to Capital Resources</b>						
<b>Capital Receipts Reserve (CRR)</b>						
Use of CRR to finance new capital expenditure	0	0	(1,451)	0	0	(1,451)
<b>Major Repairs Reserve (MRR)</b>						
Use of MRR to finance new capital expenditure	0	0	0	(5,075)	0	(5,075)
<b>Capital Grants Unapplied Account (CGUA)</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(1,086)	0	0		1,086	0
<b>Total Adjustments to Capital Resources</b>	<b>(1,086)</b>	<b>0</b>	<b>(1,451)</b>	<b>(5,075)</b>	<b>1,086</b>	<b>(6,526)</b>
<b>TOTAL ADJUSTMENTS</b>	<b>11,788</b>	<b>(3,659)</b>	<b>549</b>	<b>(200)</b>	<b>1,086</b>	<b>9,564</b>

## Note 11 Movements in earmarked reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2021/22.

	1st April 2020 £'000	Transfers		31st March 2021 £'000	Transfers		31st March 2022 £'000
		Out £'000	In £'000		Out £'000	In £'000	
<b>General Fund</b>							
Apprentices	228	(154)	285	359	(154)	333	538
Business Incubation Space	162	(63)	70	169	(33)	125	261
Business Rates Retention*	1,750	0	9,853	11,603	(7,510)	3,382	7,475
CCTV equipment	99	(27)	0	72	(54)	0	18
CCTV equipment TDBC	325	(134)	164	355	(449)	166	72
Commercial Property	191	0	147	338	0	180	518
Community Development Fund	5,001	(1,207)	1,537	5,331	(2,275)	1,063	4,119
Corporate buildings	177	(34)	60	203	(25)	60	238
Flooding	63	0	0	63	(63)	0	0
Homelessness	287	(391)	537	433	(544)	909	798
Housing Improvement	226	(39)	0	187	0	253	440
Insurance fund	109	(39)	0	70	0	8	78
IT equipment replacement	216	(65)	134	285	(75)	254	464
Kings of Wessex Pool	363	(45)	68	386	(73)	68	381
Land Charges	74	0	0	74	(74)	0	0
Medium Term Managed use of Balances**	6,953	(807)	2,545	8,691	(845)	1,230	9,076
New Burdens	902	(357)	46	591	(294)	48	345
Somerset Building Control Partnership	371	0	107	478	0	103	581
Succession Planning	53	(3)	44	94	0	0	94
Port of Bridgwater	0	0	540	540	(256)	0	284
Covid 19 contingency	0	0	618	618	(972)	1,124	770
Other	227	(151)	141	217	(115)	370	472
<b>Total General Fund Reserve Funds</b>	<b>17,777</b>	<b>(3,516)</b>	<b>16,896</b>	<b>31,157</b>	<b>(13,811)</b>	<b>9,676</b>	<b>27,022</b>
<b>Reconciliation to Expenditure &amp; Funding Analysis:</b>							
General Fund earmarked reserves	17,777			31,157			27,022
General Fund non-earmarked reserves	1,500			1,500			1,500
HRA non-earmarked reserves	13,606			11,572			9,349
<b>Total General Fund and HRA reserves</b>	<b>32,883</b>			<b>44,229</b>			<b>37,871</b>

\* The additional business rate reliefs given by the government, has been put into the BRR reserve in 2020/21 as the loss in real income won't be seen until 2021/22, again in 2021/22 there were additional reliefs which won't see the loss in income until 2022/23 therefore the reliefs for 2021/22 were put into the reserve.

\*\* To ensure that reserves are in place for the delivery of the medium term budget as planned within the Medium Term Financial Plan, a specific reserve fund was set up at the end of 2019/20 for the MTFP managed use of balances, leaving the risk assessed minimum balance of £1.5 in general unallocated balances.

## Comprehensive Income and Expenditure Statement Notes

### Note 12 Other operating expenditure

2020/21 £'000		2021/22 £'000
2,635	Precepts Paid to Town & Parish Councils	2,916
	<i>Reversed in the Movement in Reserves</i>	
274	HRA Capital Receipts, Contribution to National Pool	274
860	Gain on Disposal of non-current assets	2,560
<b>3,769</b>		<b>5,750</b>

### Precepts paid to Town & Parish Councils

Each of the 54 parishes in Sedgemoor has a local representative body – town councils in Axbridge, Bridgwater, Burnham on Sea and Highbridge, North Petherton, 47 parish councils and 3 parish meetings.

Their main source of income is from precepts on this Council, apart from three who do not precept.

2020/21 £'000		2021/22 £'000
	The largest precepts were:	
632	Bridgwater	879
718	Burnham on Sea & Highbridge	707
171	Cheddar	183
155	North Petherton	161
98	Wembdon	98
89	Axbridge	93
65	Wedmore	65

### Note 13 Financing and investment income and expenditure

2020/21 £'000		2021/22 £'000
<b>Restated</b>		
2,012	Interest payable & similar charges	2,084
(2,535)	Interest receivable & similar income	(2,154)
(265)	Net Deficit/(surplus) from Trading Services	200
(1,945)	Net Income from Investment Properties	(3,373)
	<i>Reversed in the Movement in Reserves</i>	
5,228	Changes in Fair Value on Investment Properties - see note 16	273
1,736	Pensions Interest Cost & Return on Assets	1,811
34	Expected Credit Loss	(42)
(3,264)	Financial Investments Revaluations	(1,425)
<b>1,001</b>		<b>(2,626)</b>

## Note 14 Taxation and non-specific grant income and expenditure

2020/21 £'000		2021/22 £'000
	Council Tax Income	
(9,567)	Precept on Collection Fund	(9,980)
(83)	Deficit/Surplus on Collection Fund	232
(81)	Tax Income Guarantee	0
	Formula Funding	
(3,553)	Business Rates Baseline	(3,553)
(20)	Revenue Support Grant	(21)
0	Lower Teir Grant	(151)
	Business Rates Retention	
(17,396)	Demand on Collection Fund	(17,071)
10,959	Tariff Payment	10,959
3,553	Business Rates Baseline	3,553
2,264	Levy Payment	2,045
(1,698)	Business rates pool dividend	(1,302)
(340)	Business rates pilot dividend	0
(209)	Renewable energy	(231)
(9,962)	Section 31 grants	(4,874)
(1,636)	Deficit/(Surplus) on Collection Fund	7,912
	Non Ringfenced Government Grants	
(1,536)	New Homes Bonus	(1,063)
(604)	Sales Fees and Charges Compensation	(44)
	<i>Reversed in the Movement in Reserves</i>	
72	Collection Fund Adjustment - Council Tax	(538)
9,280	Collection Fund Adjustment - Business Rates	(4,655)
(1,086)	Community Infrastructure Levy	(2,724)
(495)	Capital Grants	(1,813)
<b>(22,138)</b>	<b>Total</b>	<b>(23,319)</b>

### Precept on Collection fund

This is the share of the cost of services to be met locally by Council Taxpayers, together with varying amounts to meet parish precepts in parts of its area. The total credited here is the expected yield of those tax amounts.

The Council set a Council Tax for a Band D property as follows,

22nd February 2021 £172.32 for 2021/22

20th February 2020 £167.32 for 2020/21

### Somerset Business Rates Pool/Pilot

As part of the Business Rates Retention system the Government introduced a system of Levies and Safety Nets. Growth is limited by a Levy, which pays for a national safety net for authorities whose Business Rates base declines by more than 7.5%.

The Levy rate can be reduced by being part of a Business Rates Pool. Sedgemoor has been in a Business rates pool from 1<sup>st</sup> April 2015 in various forms apart from one year (2019/20) when we were in a 75%

business rates pilot. The current Business Rates Pool for 2021/22 is made up of all of the four district councils and the county council.

## Balance Sheet Notes

### Note 15 Property, plant and equipment

#### 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.

#### 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 Authority does not capitalise borrowing costs incurred whilst assets are under construction.

Assets are carried in the balance sheet using the following measurement bases:

- Infrastructure and assets under construction – depreciated historical cost
- Community assets – held at a nominal value of £1 (the purchase price and capitalised costs being written off in year as accelerated depreciation)
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH) based on beacon properties
- Surplus and investment assets – measured at fair value
- Operational assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

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

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair 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 may be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for in the following way:

- 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 lines in the Comprehensive Income and Expenditure Statement.

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

## **Impairment**

Assets are assessed at each year-end as to whether there is any indication that they 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.

## **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and some community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset, based on cost less residual value.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the costs are depreciated separately. A review of assets identified no such components.

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

The following useful lives and depreciation rates have been used in the calculation of depreciation:

Other Land and buildings	10-55 years
Vehicles, Plant, Furniture and Equipment	1-30 years
Infrastructure	20-37 years

## Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered 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 on fair value are recognised only up to the amount of any previous losses recognised 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 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 also credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on 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 the receipts relating to housing disposals are payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the authority's underlying need to borrow. 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 fixed 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.

	Property, Plant & Equipment 2021/22						
	Council dwellings	Other land and buildings	Infra-structure assets	Vehicles, plant and equipment	Surplus assets	PP&E under construction	Total PP&E
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>							
<b>At 1 April 2021</b>	<b>195,809</b>	<b>21,997</b>	<b>489</b>	<b>5,316</b>	<b>1,071</b>	<b>2,708</b>	<b>227,390</b>
Additions	11,840	807	0	1,022	0	12,768	<b>26,437</b>
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	17,984	917	0	0	23	0	<b>18,924</b>
Revaluation Increases/(decreases) recognised in the surplus/deficit on the provision of services	0	(1,082)	0	0	55	0	<b>(1,027)</b>
Derecognition - Disposals	(5,416)	0	0	(40)	0	0	<b>(5,456)</b>
Assets reclassified	900	336	0	0	0	(1,236)	<b>0</b>
<b>At 31 March 2022</b>	<b>221,117</b>	<b>22,975</b>	<b>489</b>	<b>6,298</b>	<b>1,149</b>	<b>14,240</b>	<b>266,268</b>
<b>Depreciation and impairment</b>							
<b>At 1 April 2021</b>	<b>0</b>	<b>0</b>	<b>(385)</b>	<b>(2,340)</b>	<b>0</b>	<b>0</b>	<b>(2,725)</b>
Depreciation Charge	(4,756)	(532)	(7)	(312)	0	0	<b>(5,607)</b>
Depreciation written out to the Revaluation Reserve	4,756	532	0	0	0	0	<b>5,288</b>
Derecognition - Disposals	0	0	0	29	0	0	<b>29</b>
Impairment	0	0	0	0	0	(1)	<b>(1)</b>
<b>At 31 March 2022</b>	<b>0</b>	<b>0</b>	<b>(392)</b>	<b>(2,623)</b>	<b>0</b>	<b>(1)</b>	<b>(3,016)</b>
<b>NET BOOK VALUE</b>							
<b>At 31 March 2022</b>	<b>221,117</b>	<b>22,975</b>	<b>97</b>	<b>3,675</b>	<b>1,149</b>	<b>14,239</b>	<b>263,252</b>
At 31 March 2021	195,809	21,997	104	2,976	1,071	2,708	224,665

	Property, Plant & Equipment 2020/21						
	Council dwellings	Other land and buildings	Infra-structure assets	Vehicles, plant and equipment	Surplus assets	PP&E under construction	Total PP&E
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>							
<b>At 1 April 2020</b>	<b>166,036</b>	<b>19,446</b>	<b>489</b>	<b>4,566</b>	<b>1,405</b>	<b>2,470</b>	<b>194,412</b>
Additions	10,928	343	0	50	0	4,024	15,345
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	18,545	3,617	0	0	16	0	22,178
Revaluation Increases/(decreases) recognised in the surplus/deficit on the provision of services	0	(1,409)	0	0	(13)	0	(1,422)
Derecognition - Disposals	(3,124)	0	0	0	0	0	(3,124)
Assets reclassified	3,424	0	0	700	(337)	(3,786)	1
<b>At 31 March 2021</b>	<b>195,809</b>	<b>21,997</b>	<b>489</b>	<b>5,316</b>	<b>1,071</b>	<b>2,708</b>	<b>227,390</b>
<b>Depreciation and impairment</b>							
<b>At 1 April 2020</b>	<b>0</b>	<b>0</b>	<b>(375)</b>	<b>(1,985)</b>	<b>0</b>	<b>0</b>	<b>(2,360)</b>
Depreciation Charge	(4,684)	(481)	(10)	(355)	0	0	(5,530)
Depreciation written out to the Revaluation Reserve	4,684	481	0	0	0	0	5,165
Derecognition - Disposals	0	0	0	0	0	0	0
<b>At 31 March 2021</b>	<b>0</b>	<b>0</b>	<b>(385)</b>	<b>(2,340)</b>	<b>0</b>	<b>0</b>	<b>(2,725)</b>
<b>NET BOOK VALUE</b>							
<b>At 31 March 2021</b>	<b>195,809</b>	<b>21,997</b>	<b>104</b>	<b>2,976</b>	<b>1,071</b>	<b>2,708</b>	<b>224,665</b>
At 31 March 2020	166,036	19,446	114	2,581	1,405	2,470	192,052

## CAPITAL COMMITMENTS

The capital commitments at 31st March 2022 were £1.6m for Neighbourhood improvement works, estate refurbishments, cyclical decorations, 5\* Homes and major voids contracts (£4.6m at 31.3.20).

## REVALUATIONS

The Authority revalues its Property, Plant and Equipment annually with the last full valuation taking place in March 2022. All valuations are carried out by an external valuer, Wilks Head & Eve LLP. Valuations of land and buildings were carried out in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

	<b>Council Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Infra-structure assets</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Surplus Assets</b>	<b>PP&amp;E under construction</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
valued at fair value as at: 31st March 2022	0	0	0	0	1,149	0	<b>1,149</b>
valued at DHC as at: 31st March 2022	0	0	97	3,675	0	0	<b>3,772</b>
valued at current value as at: 31st March 2022	221,117	22,975	0	0	0	14,239	<b>258,331</b>
<b>Total</b>	<b>221,117</b>	<b>22,975</b>	<b>97</b>	<b>3,675</b>	<b>1,149</b>	<b>14,239</b>	<b>263,252</b>

## Council Dwellings

The basis of valuation for the housing stock within the HRA is Existing Use Value for Social Housing (EUV-SH) as defined by the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards 5<sup>th</sup> Edition, adjusted to represent the occupation by a secured tenant. The adjustment factor applied is currently 35%.

## Surplus properties

### Fair value hierarchy for surplus properties

All surplus properties were measured at Level 2 - using observable inputs.

### Transfers between Levels of the Fair Value Hierarchy

There were no transfers between Levels during the year.

### Valuation Techniques used to Determine Level 2 Fair Values for Investment Properties

Significant Observable Inputs – Level 2

The fair value has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

### Highest and Best Use of Surplus Properties

In estimating the fair value of the authority's surplus 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 surplus properties.

## Note 16 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, based on the amount at which the asset could be exchanged between knowledgeable parties at arms-length. 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 (for any sale proceeds greater than £10,000) the capital Receipts Reserve.

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

2020/21 £'000 Restated		2021/22 £'000
2,785	Rental income from investment property	3,852
(840)	Direct operating expenses arising from investment property	(479)
<b>1,945</b>	<b>Net gain/(loss)</b>	<b>3,373</b>

There are no restrictions on the authority's ability to realise the value inherent in its investment property or on the authority's right to the remittance of income and the proceeds of disposal. The authority has no contractual obligations to purchase, construct or develop investment property or to carry out repairs, maintenance, or enhancement.

It should be noted however that due to Covid-19, some of our tenants benefited from a rent-free period in 2020/21.

The following table summarises the movement in the fair value of the investment properties over the year.

2020/21 £'000		2021/22 £'000
37,405	Balance at 1 April	42,415
10,238	Additions	0
(5,228)	Net gains/(losses) from fair value adjustments	(273)
<b>42,415</b>	<b>Balance at 31 March</b>	<b>42,142</b>

The authority holds investment properties both on HRA and general fund land. Many of these properties were originally developed to provide facilities on residential estates.

During 2020/21 the final two purchases of investment property were made as part of the authority's commercial strategy to bring in additional revenue to the authority. No purchases were made in 2021/22. These purchases are detailed in note 5.

### **Fair value hierarchy**

All investment properties were measured at Level 3 - using unobservable inputs.

### **Transfers between Levels of the Fair Value Hierarchy**

There were no transfers between Levels during the year.

### **Valuation Techniques used to Determine Level 2 and 3 Fair Values for Investment Properties**

#### **Significant Observable Inputs – Level 2**

There are no investment properties that are valued using level 2 observable inputs.

#### **Significant Unobservable Inputs – Level 3**

Office and commercial units 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 authority'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 authority's office and commercial units are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable 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 authority'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.

Gains or losses arising from changes in the fair value of the investment property are recognised in Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.

## Note 17 Long Term Investments

2020/21 £'000		2021/22 £'000
39,194	Balance at 1 April	42,711
929	New Service Loans	596
3,264	Valuation adjustments taken to pooled investments adjustment account	1,426
(16)	Change in Expected Credit Losses	(38)
(482)	Loans Repaid	(845)
(178)	Repayable within 12 months	(26)
<b>42,711</b>	<b>Balance at 31 March</b>	<b>43,824</b>
2,843	CCLA Diversified Income Fund	2,975
4,664	CCLA Property Fund	5,483
4,905	Investec Diversified Income Fund	4,738
4,883	Kames Diversified Monthly Income Fund	4,875
6,676	Schroder Income Maximiser Fund	7,402
4,663	UBS Global Income Fund	4,588
695	Sedgemoor Group Ltd - equity	695
1,346	Aspen Housing & Development Ltd - loan	1,314
12,036	Loans	11,754
<b>42,711</b>	<b>Balance at 31 March</b>	<b>43,824</b>

## Note 18 Short Term Investments

2020/21 £'000		2021/22 £'000
482	Balance at 1 April	660
(482)	Maturities	(660)
660	Long Term loans due within 12 months	685
<b>660</b>	<b>Balance at 31 March</b>	<b>685</b>

Short-term investments are those due to mature within 3 to 12 months. Investments that are on call or due to mature within 3 months are held as cash equivalents.



## Note 19 Short term debtors

31-Mar-21 £'000		31-Mar-22 £'000
1,919	Central Government Bodies	2,147
317	Other Local Authorities	584
1,698	Business Rates - Pool Dividend due	1,485
876	Collection Fund Business Rates - Sedgemoor Share	1,198
10,882	Collection Fund Business Rates - Major Preceptors	3,649
586	Collection Fund Council Tax - Sedgemoor Share	664
2,382	Collection Fund Council Tax - Major Preceptors	0
152	Other Entities and individuals	212
4,276	Sundry Debtors	4,377
439	Payments in Advance	353
37	Long Term due within 12 months	29
(1,599)	<i>Less bad debt provisions</i>	(1,387)
<b>21,965</b>		<b>13,311</b>

Collection Fund Business Rates and Council Tax – The Major Preceptors share, is normally a net Creditor, in the previous year due this has changed from being a net creditor to being a net debtor in 20/21, the main reason for this is the deficit on the collection fund due to additional reliefs given to business rate payers during the year. This has reverted back to being a net creditor for Council Tax but has remained a net Debtor for Business Rates, again this is due to the additional reliefs given during the year.

## Note 20 Cash and cash equivalents

31-Mar-21 £'000		31-Mar-22 £'000
1	Cash held by the Authority	1
(528)	Bank Current Accounts	(1,073)
0	Short term deposits	0
6,226	Short term deposits held at fair value	5,757
<b>5,699</b>		<b>4,685</b>

Short term deposits are being kept to a minimum as returns on these investments are low.

## Note 21 Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority 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 in the year that the Authority 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 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 payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service revenue if it is virtually certain that reimbursement will be received if the authority settles the obligation.

	1st April 2020 £'000	Arising in year £'000	Utilised £'000	31st March 2021 £'000	Arising in year £'000	Utilised £'000	31st March 2022 £'000
Employee Benefits	249	339	(249)	339	339	(339)	339
Insurance	1	6	0	7	11	0	18
NDR Appeals	1,549	684	(1,356)	877	696	(346)	1,227
<b>Total</b>	<b>1,799</b>	<b>1,029</b>	<b>(1,605)</b>	<b>1,223</b>	<b>1,046</b>	<b>(685)</b>	<b>1,584</b>

NDR appeals - A provision has been made for the estimated success of appeals made against rateable values of property. These appeals are logged with the valuation office and the provision is made on current appeals outstanding, basing the calculation on successful historic appeals up to March 2022. These are likely to materialise throughout the year depending on the valuation office's time constraints.

## Note 22 Short term borrowing

31-Mar-21 £'000		31-Mar-22 £'000
414	Accrued interest on long term borrowing	301
0	PWLB loans due for repayment in the next 12 months	4,706
5,000	Non PWLB loans due for repayment in the next 12 months	0
35,000	Short Term borrowing from other local authorities - GF	32,000
<b>40,414</b>		<b>37,007</b>
35,190	General Fund	27,077
5,224	Housing Revenue Account	4,930
<b>40,414</b>		<b>32,007</b>

Where long-term loans are due to mature within the next 12 months, they are included as short-term borrowing.

Short term borrowing was used to fund the capital programme in order to take advantage of low interest rates.

## Note 23 Short term creditors

31-Mar-21 £'000		31-Mar-22 £'000
2,132	Central Government Bodies	3,648
4,272	Department for Business, Energy & Industrial Strategy - Business Grants (Agent)	1,524
650	Other Local Authorities	536
2,264	Business Rates - Levy Payment due	2,033
262	Collection Fund Business Rates - Sedgemoor Share	256
0	Collection Fund Business Rates - Major Preceptors	738
204	Collection Fund Council Tax - Sedgemoor Share	166
2,349	Other Entities and Individuals	1,682
1,535	Sundry Creditors	3,275
	Receipts in Advance	
1,793	Commuted Sums, RLT2&3 Contributions	1,947
1,206	Flood Tariff	1,355
3,768	Hinkley Point C Development S106	2,457
1,624	Better Care Fund	719
349	Other S106	581
1,804	General	2,172
11,753	Business Rates - Preceptors Section 31 grant	5,365
2,204	Department for Business, Energy & Industrial Strategy - Business Grants (Principal)	6,785
<b>38,169</b>		<b>35,239</b>

Collection Fund Business Rates – Major Preceptors, this is normally a net creditor, this has changed to being a net debtor this year for this year and the previous year, the main reason for this is the deficit on the collection fund due to additional reliefs given to business rate payers during the year.

Business Rates preceptors Section 31 Grant – To help the council with cashflow the government paid all of the grant for the new business rates reliefs up front, this is treated as a receipt in advance. We will have to pay this back to the government at the same time the preceptors pay their deficit to us.

Business Grants – These are the grants that we have received for Covid 19 grants to businesses, which we have not yet paid out.

## Note 24 Long term borrowing

2020/21 £'000		2021/22 £'000
58,059	Balance at 1 April	61,059
8,000	New borrowing advanced during the year - HRA	0
0	New borrowing advanced during the year - GF	15,000
(5,000)	less moved to short term borrowing - maturity within 12 months	(4,706)
<b>61,059</b>	Balance at 31 March	<b>71,353</b>
8,000	General Fund	23,000
53,059	Housing Revenue Account	48,353
<b>61,059</b>		<b>71,353</b>

Where long-term loans are due to mature within the next 12 months, they are included as short-term borrowing. Long Term borrowing is currently taken from the PWLB only.

## Note 25 Capital Grants Receipts in Advance

31-Mar-21 £'000		31-Mar-22 £'000
375	Mead Realisations - Isleport	25
15	George Wimpey	15
120	Community Housing Fund	64
150	HOSW LEP Fund	75
255	DLUHC Towns Funding	1160
519	BEIS Green Homes Grant 1A	0
809	BEIS Green Homes Grant 1B	640
<b>2,243</b>	<b>Total Capital Grants Receipts in Advance</b>	<b>1,979</b>

## Note 26 Pension liability

This balance shows an estimate of the liability relating to the Council's share of the Somerset County Council superannuation fund.

It is derived from the information provided by the fund's Actuary and contributions paid during 2021/22.

The liability will fall due for payment when the staff within the pension scheme reach retirement age.

The accounting standard IAS19, Retirement Benefits, requires that pension benefits be shown in the accounts as they are earned during an employee's working life.

The size of the liability will change over time and depends on the performance of the fund's assets which are detailed in the note **Defined benefit pension scheme**.

2020/21 £'000		2021/22 £'000
	<b>Balance at 1 April</b>	
70,640	opening balance, share of fund deficit, start of year	87,712
5,074	unfunded liabilities start of year, Actuary's estimate	4,748
14,976	remeasurement (gain)/loss	(15,210)
	<b>Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income &amp; Expenditure Statement</b>	
3,670	current service cost for year, Actuary's estimate	5,629
43	pensions administration cost	51
0	Liabilities/Settlements	(53)
1,736	pensions interest cost, Actuary's estimate	1,811
	<b>Employers pensions contributions and direct payments to pensioners payable in the year</b>	
(3,363)	actual employer's pension contributions for year	(3,466)
13	actual past service contributions for year	0
(329)	past service contributions for the year	(322)
<b>92,460</b>	<b>Balance at 31 March</b>	<b>80,900</b>

## Note 27 Usable reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund balance in the Movement in Reserves Statement. 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 appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept in order to manage the accounting processes for non-current assets, financial instrument, retirement and employee benefits and do not represent usable resources for the Authority - these reserves are explained in the relevant policies.

Earmarked reserves are those set aside to be used for specific purposes.

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement.

## Note 28 Unusable Reserves

31-Mar-21 £'000		31-Mar-22 £'000
73,777	Revaluation reserve	97,709
(28)	Financial instruments adjustment account	(25)
80,001	Capital adjustment account	82,718
(92,460)	Pensions reserve	(80,900)
(7,890)	Collection Fund Adjustment Account	(2,697)
(339)	Short Term Accumulating Compensated Absences Account	(339)
(2,364)	Pooled Investment Fund Adjustment Account	(939)
<u>50,697</u>		<u>95,527</u>

## Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment, and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- Re-valued 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 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the Capital Adjustment Account.

2020/21		2021/22	
£'000	£'000	£'000	£'000
	46,631	Balance at 1 April	73,780
29,646		Upward revaluation of assets	25,194
(2,304)		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the provision of services	(982)
	27,342	Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services	24,212
	(186)	Difference between fair value depreciation and historical cost	(283)
	(10)	Disposals taken to revaluation reserve	
	<u>73,777</u>	<b>Balance at 31 March</b>	<u>97,709</u>

### Financial Instruments Adjustment Account 23

The FIAA absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the CIES when they are incurred but reversed out of the General Fund Balance to the Account in the MIRS. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2022 will be charged to the General Fund over the next 11 years.

2020/21		2021/22	
£'000		£'000	
(32)	balance at 1 April	(28)	
4	Proportion of premiums incurred in the previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	3	
	<u>(28)</u>	<u>(25)</u>	
	<b>balance at 31 March</b>		

### 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 Comprehensive Income and Expenditure Statement (with reconciling postings 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 Authority as finance for the costs of acquisition, construction, and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1<sup>st</sup> April 2007, the date that the Revaluation Reserve was created to hold such gains.

2020/21 £'000		2021/22 £'000
81,424	Balance at 1 April	80,001
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>	
	Charges for depreciation and impairment of non-current assets	
(4,684)	depreciation – dwellings	(4,756)
(191)	depreciation – other HRA	(259)
(654)	depreciation – other general fund	(592)
(1,422)	Revaluation losses on Property, Plant & Equipment	(1,028)
(11)	Amortisation of intangible assets	(14)
(96)	Revenue expenditure funded from capital under statute	(2,220)
(3,124)	Amounts on non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(5,427)
(34)	Expected Credit loss	42
(10,216)		(14,254)
186	Adjusting amounts written out of the Revaluation Reserve	282
	<b>Capital Financing Applied in the year</b>	
1,452	Use of capital receipts reserve to finance new capital expenditure	1,818
5,075	Use of major repairs reserve to finance new capital expenditure	5,015
495	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,813
1,143	Statutory provision for the financing of capital investment charged against the general fund and HRA balances	1,355
5,670	Capital expenditure charged against the general fund and HRA balances	6,961
13,835		16,962
(5,228)	Movements in the market value of investment properties debited or	(273)
<b>80,001</b>	<b>Balance at 31 March</b>	<b>82,718</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 Authority 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 Authority 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.

2020/21 £'000		2021/22 £'000
	<b>Balance at 1 April</b>	
(70,640)	opening balance, share of fund deficit, start of year	(87,712)
(5,074)	unfunded liabilities start of year, Actuary's estimate	(4,748)
(14,976)	remeasurement gain/(loss)	15,210
	<b>Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income &amp; Expenditure Statement</b>	
(3,670)	Current service cost for the year (Actuary's estimate)	(5,629)
(43)	Pensions administration cost	(51)
0	Liabilities/Settlements	53
(1,736)	Pensions interest cost (Actuary's estimate)	(1,811)
	<b>Employers pensions contributions and direct payments to pensioners payable in the year</b>	
3,363	Actual contributions paid over to the fund	3,466
(13)	Past service contributions for the year	0
329	Unfunded pension payments	322
<b>(92,460)</b>	<b>Balance at 31 March</b>	<b>(80,900)</b>

## Collection Fund Adjustment Account

### Council Tax

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.

2020/21 £'000		2021/22 £'000
(67)	Balance at 1 April	(139)
(72)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	538
<b>(139)</b>	<b>Balance at 31 March</b>	<b>399</b>



## Business Rates

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

2020/21 £'000		2021/22 £'000
1,529	Balance at 1 April	(7,751)
(9,280)	Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from business rate retention income calculated for the year in accordance with statutory requirements	4,655
<u>(7,751)</u>	<b>Balance at 31 March</b>	<u>(3,096)</u>

The Government introduction of new business rates reliefs during the year has had the effect of putting the collection fund into a deficit position. The effect will be corrected during the next financial year.

## Short-Term Accumulating Compensated Absences Account

The Accumulated Absences Account absorbs the difference 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. Statutory arrangements require that the impact on the General Fund is neutralised by transfers to or from the Account.

2020/21 £'000		2021/22 £'000
(249)	Balance at 1 April	(339)
249	Settlement or cancellation of accrual made at the end of the preceding year	339
<u>(339)</u>	Amounts accrued at the end of the current year	<u>(339)</u>
(90)	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	0
<u>(339)</u>	<b>Balance at 31 March</b>	<u>(339)</u>

## Pooled Investment Funds Adjustment Account

The Pooled Investment Funds Adjustment Account contains the gains made by the authority arising from increases in the value of its investments that are measured at fair value through profit and loss. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

2020/21 £'000		2021/22 £'000
(5,628)	Balance at 1 April	(2,364)
(33)	Downward revaluation of investments	(251)
3,297	Upward revaluation of investments	1,676
<b>(2,364)</b>	<b>Balance at 31 March</b>	<b>(939)</b>

## Cashflow Notes

### Note 29 Cash flow statement

The cash flows for Operating Activities include the following items:

2020/21 £'000		2021/22 £'000
(2,012)	Interest Paid	(2,084)
2,535	Interest Received	2,154
<b>523</b>		<b>70</b>

## Other Notes

### Note 30 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 contracts, such as those relating to taxes, benefits and government grants, do not give rise to financial instruments.

### Financial Assets

A financial asset is a right to future economic benefits controlled by the authority 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 authority.

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The authority's business model is to 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) and an equity investment elected to be classified at FVOCI.

#### **Financial assets measured at amortised cost**

These are recognised on the Balance Sheet when the authority 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 Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the financial assets held by the authority, 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.

Expected Credit Loss Model - The authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

### **Financial Assets Measured at Fair Value through Profit of Loss**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority 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 based on the following techniques:

- instruments with quoted market prices – the market price
- 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 authority 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 inputs – unobservable inputs for the asset.

### **Equity Instrument elected to Fair Value through Other Comprehensive Income**

The Authority has a 100% shareholding in Aspen Housing & Development Ltd and the authority has elected to treat this at fair value through other comprehensive income because it is a long-term strategic holding and changes in the fair value is not considered to be part of the Council's annual financial performance. No dividends were received during 2021/22 (2020/21 nil). The fair value of this asset is assumed to be cost as there is insufficient information available since the acquisition to measure fair value.

## Financial Assets – balances

Fair Value Level	31-Mar-21			31-Mar-22	
	Long-Term £'000	Current £'000		Fair Value Level	Long-Term £'000
			<b>Investments at amortised cost:</b>		
	13,452	660	- principal element of loans advanced	13,176	685
	(70)	0	- loss allowance	(108)	0
			<b>At fair value through other comprehensive income</b>		
3	695	0	- equity investments elected FVOCI	695	0
			<b>At fair value through profit &amp; loss</b>		
1	28,634	0	- fair value of pooled funds	30,061	0
	<b>42,711</b>	<b>660</b>	<b>Total investments</b>	<b>43,824</b>	<b>685</b>
			<b>Cash &amp; cash equivalents at fair value through profit &amp; loss:</b>		
	0	6,226	- fair value of money market funds	0	5,757
	<b>0</b>	<b>6,226</b>	<b>Total cash &amp; cash equivalents</b>	<b>0</b>	<b>5,757</b>
			<b>Debtors at amortised cost:</b>		
	428	4,754	- trade receivables	34	4,817
	(80)	(1,203)	- loss allowance	0	(803)
	0	18,414	<i>Debtors that are not financial instruments</i>	0	9,297
	<b>348</b>	<b>21,965</b>	<b>Total Debtors - see note 19</b>	<b>34</b>	<b>13,311</b>
	<b>43,059</b>	<b>10,437</b>	<b>Total Financial Assets</b>	<b>43,858</b>	<b>10,456</b>

### Financial assets that are not measured at fair value

Some financial assets are carried in the Balance Sheet at amortised cost.

Fair value information has not been disclosed for these instruments, as it cannot be measured reliably due to the limited market for these assets:

- Investments - loans advanced – although these are held to collect cash flows, they also serve a local need which other investors would not take into account
- Investments - cash and cash equivalents – these are due to mature within the next few months and the holding amount is assumed to approximate fair value. Due to their short-term nature there is no market to sell these on before maturity
- Debtors – trade receivables – these are held at invoiced amount which is assumed to approximate to fair value as there is deemed to be no market for these.

### Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the authority 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 authority.

Financial liabilities are recognised on the Balance Sheet when the authority becomes a 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 Comprehensive Income and Expenditure Statement (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 interest

rate 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.

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.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

## Financial Liabilities – balances

31-Mar-21			31-Mar-22	
Long-Term	Current		Long-Term	Current
£'000	£'000		£'000	£'000
		<b>Loans at amortised cost:</b>		
61,059	40,000	- principal sum borrowed	71,353	31,706
0	414	- accrued interest	0	301
<b>61,059</b>	<b>40,414</b>	<b>Total Loans</b>	<b>71,353</b>	<b>32,007</b>
		<b>Cash &amp; cash equivalents at amortised cost:</b>		
0	527	- principal	0	1,072
<b>0</b>	<b>527</b>	<b>Total Cash &amp; Cash Equivalents</b>	<b>0</b>	<b>1,072</b>
		<b>Creditors at amortised cost:</b>		
0	3,779	- trade payables	0	3,167
0	34,390	<i>creditors that are not financial instruments</i>	0	32,072
<b>0</b>	<b>38,169</b>	<b>Total Creditors - see note 23</b>	<b>0</b>	<b>35,239</b>
<b>61,059</b>	<b>44,720</b>	<b>Total Financial Liabilities</b>	<b>71,353</b>	<b>36,246</b>

## Financial liabilities that are not measured at fair value

Financial liabilities are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments:

The fair values are calculated as follows:

31-Mar-21			31-Mar-22	
Carrying amount	Fair value		Carrying amount	Fair value
£'000	£'000		£'000	£'000
61,059	67,365	Loans - PWLB	71,353	71,670
3,779	3,779	Creditors	3,167	3,167

The fair value of creditors is assumed to be the invoiced amount as there is deemed to be no market for these.

## Fair value hierarchy for financial liabilities that are not measured at fair value

PWLB loans                      Level 2                      Other significant observable inputs

The fair values of PWLB loans have been calculated by discounting the instruments' contractual cash flows at an estimated market rate for local authority borrowing on the same remaining term to maturity. The choice of an appropriate discount rate is the key assumption, and this has the greatest impact on the estimated fair values provided and we have used the market rate which is linked to the prevailing Swap rate.

## Financial instruments gains and losses

2020/21 Amortised cost £'000	2020/21 Fair Value through Profit & Loss £'000	2020/21 Total £'000	Financial Assets held at:	2021/22 Amortised cost £'000	2021/22 Fair Value through Profit & Loss £'000	2021/22 Total £'000
0	(3,264)	<b>(3,264)</b>	Loss/(gain) from changes in fair value	0	(1,425)	<b>(1,425)</b>
16	0	<b>16</b>	Loss allowances	38	0	<b>38</b>
<b>16</b>	<b>(3,264)</b>	<b>(3,248)</b>	<b>Net impact on CIES</b>	<b>38</b>	<b>(1,425)</b>	<b>(1,387)</b>
(16)	0	<b>(16)</b>	Loss trf to Capital Adjustment Account	(38)	0	<b>(38)</b>
0	3,264	<b>3,264</b>	(Loss)/gain allowance trf to Pooled Investment Fund Adj Account	0	1,425	<b>1,425</b>
<b>0</b>	<b>0</b>	<b>0</b>	<b>Net Gain/(Loss) for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Note 31 Nature and extent of risk arising from financial instruments

### Financial Instruments - Risks

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2021.

In line with 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 Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises 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 main risks covered are:

- *Credit Risk:* The possibility that the counterparty 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 materialise because of changes in market variables such as interest rates or equity prices.

### Credit Risk: Treasury Investments

The Council manages treasury credit risk by ensuring that treasury 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 swap and equity prices when selecting commercial entities for investment.

A limit of £8m of the total portfolio is placed on the amount of money that can be invested with a single counterparty that is subject to credit risk (other than the UK government). The Council also sets limits on investments in certain sectors. No more than £10m in total can be invested for a period longer than one year.

All investments are now kept in AAA rated money market funds so are no longer exposed to credit risk.

### Credit Risk: Trade Receivables

The following analysis summarises the Council's trade receivables, by due date. Only those receivables meeting the definition of a financial asset are included.

31-Mar-21 £'000		31-Mar-22 £'000
2,727	Less than three months old	3,084
317	Three to six months old	510
688	Six months to one year old	380
<u>1,022</u>	More than one year old	<u>843</u>
<b><u>4,754</u></b>		<b><u>4,817</u></b>

Loss allowances on trade receivables and contract assets have been calculated by reference to the Council's historic experience of default. Receivables are determined to have suffered a significant increase in credit risk where they are 30 or more days past due.

### Credit Risk: Loans

In furtherance of the council's objectives, it has lent money to several entities. The amounts recognised on the balance sheet, and the council's total exposure to credit risk from these instruments are:

Balance Sheet 31-Mar-21 £'000	Category of borrower	Exposure Type	Balance Sheet 31-Mar-21 £'000
8,549	Local Businesses	Loan at market rate	8,298
3,322	Local Charities	Loan at market rate	3,387
230	Parish Councils	Loan at market rate	173
1,350	Subsidiaries	Loan at market rate	1,318
<b>13,451</b>			<b>13,176</b>

The council manages the credit risk inherent in its loans, in line with its published investment strategy and loans are all secured against property. To date no loans have been written off or are subject to enforcement action.

### Liquidity Risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, 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 will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans to ensure that not all borrowing matures in one financial year.

The maturity analysis of financial liabilities is as follows:

31-Mar-21 £'000		31-Mar-22 £'000
40,000	Less than one year	31,706
4,706	Between one and two years	15,187
16,914	Between two and five years	23,314
26,939	Between five and ten years	20,352
12,500	More than ten years	12,500
<b>101,059</b>		<b>103,059</b>

All trade and other payables are due to be paid in less than one year and are not included in the table above.

### Market Risks: Interest Rate Risk

The Authority 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 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 will fall
- Investments at variable rates – the interest income 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 Comprehensive Income and Expenditure. 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 and Expenditure 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 its net exposures to fixed and variable interest rates.

The approximate impact of a 1% rise in interest rates would be:

2020/21 £'000		2021/22 £'000
144	Increase in interest received on variable rate investments - money market funds	111
9	Increase in dividend received on variable rate investments - pooled funds	14
<u>(201)</u>	Decrease in fair value of investments held at FVPL	<u>(203)</u>
<u>(48)</u>		<u>(78)</u>

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

### Market Risks: 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 is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investment funds of £8m excluding diversified funds with an equity element. A 5% fall in commercial property prices at 31st March 2022 would result in a £0.303m (2021: £0.262m) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

The Council's investment in a pooled equity fund is subject to the risk of falling share prices. This risk is limited by the Council's maximum exposure to equity investments of £16m excluding diversified funds with an equity element. A 5% fall in share prices at 31st March 2022 would result in a £804m (2021: £0.708m) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

### Foreign Exchange Risk

The Authority has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

### Note 32 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.

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.

## Operating leases

### The Authority as Lessee

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from its use.

The Authority has replaced its two electric cars by entering into new operating leases, with typical lives of four years. The future minimum lease payments due under non-cancellable leases in future years are:

<b>31-Mar-21</b>		<b>31-Mar-22</b>
<b>£'000</b>		<b>£'000</b>
6	Not later than one year	6
13	Later than one year and not later than five years	8
0	Later than five years	0
<u>19</u>		<u>14</u>

The expenditure is charged to the Legal & Procurement & Human Resources line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases.

### The Authority as Lessor

Where 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.

The properties held under operating leases are mainly investment properties. All leases are negotiated on an individual basis and all allow for rent reviews to take place at regular intervals. The authority holds investment properties both on HRA and general fund land. Many of these properties were originally developed to provide facilities on residential estates. We have also undergone a programme to encourage sharing of our office space and have let some operating leases on these properties.

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

<b>31-Mar-21</b>		<b>31-Mar-22</b>
<b>£'000</b>		<b>£'000</b>
3,343	not later than one year	3,216
13,133	later than one year and not later than five years	12,548
14,488	later than five years	10,493
<b><u>30,964</u></b>		<b><u>26,257</u></b>

Where leases are being held over or are due to expire future lease rentals have not been included. We have no contingent rents.

## Finance Leases

### The authority as a lessor

Where the authority grants a finance lease over a property the relevant item 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 also 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 receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any 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.

We currently hold several properties which we lease out on finance leases. These are leased at peppercorn or low value rents. These properties are not reflected on our balance sheet.

## Note 33 Members allowances

The Authority paid the following amounts to members of the council during the year.

2020/21 £'000		2021/22 £'000
406	Allowances	424
5	Expenses	7
<u>411</u>		<u>431</u>

## Note 34 Officers remuneration

### a) Individual disclosure for senior employees whose salary was £50,000 or more is as follows:

2021/22 Job Title	Salary £	Taxable Benefits P11D £	Total Remuneration £	Pension Contribution £	Total inc Pension £
Chief Executive	122,068	0	<b>122,068</b>	23,019	<b>145,087</b>
Deputy Chief Executive	106,235	1,242	<b>107,477</b>	20,033	<b>127,510</b>
Strategic Director & Section 151 Officer	88,030	0	<b>88,030</b>	16,498	<b>104,528</b>
Assistant Directors:					
Local Government Restructure	71,598	0	<b>71,598</b>	13,114	<b>84,712</b>
Unitary Service Integration	71,598	0	<b>71,598</b>	9,604	<b>81,202</b>
Customer Access	71,598	0	<b>71,598</b>	13,422	<b>85,020</b>
Environment & Regulation	71,598	0	<b>71,598</b>	13,419	<b>85,017</b>
Finance & Property	51,865	0	<b>51,865</b>	10,146	<b>62,011</b>
Housing, Health & Wellbeing	71,598	0	<b>71,598</b>	13,419	<b>85,017</b>
Inward Investment & Growth	69,968	0	<b>69,968</b>	12,471	<b>82,439</b>
Legal & Governance	55,376	0	<b>55,376</b>	10,380	<b>65,756</b>
	<b>851,532</b>	<b>1,242</b>	<b>852,774</b>	<b>155,525</b>	<b>1,008,299</b>

The Strategic Director & Section 151 Officer was appointed on 19th April 2021 – full year salary would have been £88,895.

The Interim Assistant Director Finance and Property was appointed on 1st December 2021 – full year salary would have been £66,723. The salary above includes salary of previous role for April to November 2021.

The Assistant Director Legal & Governance was appointed to a new post of Assistant Director Local Government Restructure on 1st December 2021. There was no salary change.

The Interim Assistant Director L&G was appointed on 1<sup>st</sup> December 2021 – full year salary would have been £66,723.

The Assistant Director Environment & Regulation was appointed to a new post of Assistant Director Unitary Service Integration on 1<sup>st</sup> June 2021. There was no salary change.

The Interim Assistant Director Environment & Regulation was appointed on 1st June 2021 – full year salary would have been £66,723. The salary above includes salary of previous role for April to November 2021.

**2020/21**

Job Title	Salary £	Taxable Benefits P11D £	Total Remuneration £	Pension Contribution £	Total inc Pension £
Chief Executive *	126,143	0	<b>126,143</b>	23,588	<b>149,731</b>
Strategic Director /Acting Chief Executive**	97,643	0	<b>97,643</b>	18,259	<b>115,902</b>
Strategic Director /Deputy Chief Executive***	95,016	1,241	<b>96,257</b>	17,768	<b>114,025</b>
Assistant Directors:					
Customer Access	68,765	0	<b>68,765</b>	12,859	<b>81,624</b>
Environment & Regulation	70,367	0	<b>70,367</b>	13,159	<b>83,526</b>
Finance & Property	70,367	0	<b>70,367</b>	13,159	<b>83,526</b>
Housing, Health & Wellbeing	70,367	0	<b>70,367</b>	13,159	<b>83,526</b>
Inward Investment & Growth	67,170	0	<b>67,170</b>	12,560	<b>79,730</b>
Legal & Governance	70,367	0	<b>70,367</b>	13,159	<b>83,526</b>
	<b>736,205</b>	<b>1,241</b>	<b>737,446</b>	<b>137,670</b>	<b>875,116</b>

\* The Chief Executive left on 31<sup>st</sup> March 2021

\*\* The Strategic Director took over as Acting Chief Executive from 29<sup>th</sup> January 2021 until 31<sup>st</sup> March 2021 (overlap to cover handover period and leave) – full year salary would have been £117,591.

\*\*\* The Strategic Director was appointed to a new post of Deputy Chief Executive from 1<sup>st</sup> February 2021 – full year salary would have been £103,000.

**b) The authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension costs) were paid the following amounts:**

2020/21 number of employees	remuneration band	2021/22 number of employees
4	£50,000 to £54,999	4
0	£55,000 to £59,999	0
0	£60,000 to £64,999	0
0	£65,000 to £69,999	0
1	£70,000 to £74,999	1
0	£100,000 to £104,999	0

**Note 35 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, and are charged on an accruals basis to the Non-Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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.

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:

(a) Exit package cost band (including special payments)	(b) Number of Compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band [(b)+(c)]		(e) Total cost of exit packages in each band	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
£0-£20,000	0	0	0	1	0	1	0	7,326
£20,001 - £60,000	1	0	2	0	3	0	78,721	0
£60,001 - £100,000	1	0	0	0	1	0	88,090	0
<b>Total</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>4</b>	<b>1</b>	<b>166,811</b>	<b>7,326</b>

### Note 36 External audit costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

2020/21 £'000	2021/22 £'000
42 Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	47
28 Fees payable to Grant Thornton for the certification of grant claims and returns for the year	22
0 Refund from Public Sector Audit Appointments	
<b>70 TOTAL</b>	<b>69</b>

### Note 37 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 Authority when there is reasonable assurance that:

- The Authority 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 (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

### **Community Infrastructure Levy**

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

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

### **Covid 19 Emergency Funding**

As part of the government's response to the Covid 19 pandemic, they announced a package of grants to help local government fund expenditure related to Covid 19 and also a range of grants to help businesses. The grant schemes to support businesses were administered by local billing authorities.

The Council has acted as agent for payment of many of these grants. These are not credited to the Comprehensive Income and Expenditure Statement, but the balance of unpaid funds held on behalf of the Department for Business, Energy & Industrial Strategy at the year end are held on our Balance Sheet as a creditor.

Therefore, only schemes where the authority was acting as principal are included in this note. This is essentially where the authority was required to determine eligibility for the grant and the amounts paid.

The Authority credited the following grants, contributions, and donations to the Comprehensive Income and Expenditure Statement.

2020/21 £'000		2021/22 £'000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
3,553	DLUHC Business Rates Baseline funding	3,553
20	DLUHC Revenue Support Grant	21
0	DLUHC Lower Teir Grant	151
2,166	DLUHC Business Rates Retention	1,491
1,536	DLUHC New Homes Bonus	1,063
495	Capital Grants	1,813
1,086	Community Infrastructure Levy	2,724
	<b>Covid related</b>	
7,796	DLUHC Business Rates Additional Reliefs	3,383
604	DLUHC Covid Sales Fess & Charges compensation	44
81	DLUHC Council Tax Income Guarantee	0
<b>17,337</b>	<b>Total Credited to Taxation and Non Specific Grant Income</b>	<b>14,243</b>
	<b>Credited to Services</b>	
18,844	DWP Housing Benefits	17,791
143	DWP Housing Benefits, Other	157
0	DWP Other	11
46	DLUHC/DWP New burdens	48
556	DLUHC Homelessness	855
71	DLUHC Other	262
120	DLUHC Local council tax support administration	128
373	DLUHC Grants paid for disabled adaptations	905
9	Other Government grants	1
	<b>Covid related</b>	
2,032	DLUHC Covid	1,006
437	DLUHC Covid New Burdens	172
834	DLUHC Council Tax Hardship fund	174
11	DWP Covid	0
1,839	BIES Additional Restrictions Grant	2,803
1,567	BIES Local Authority Discretionary Grant Fund	0
280	BIES Local Restrictions Support Grant Open	23
201	DHSC Test & Trace	498
<b>27,363</b>	<b>Total Credited to Services</b>	<b>24,834</b>
<b>44,700</b>	<b>Total Grant Income</b>	<b>39,077</b>

DLUHC = Department of Levelling Up Housing & Communities

DWP = Department for Work and Pensions

BIES = Department for Business, Energy and Industrial Strategy

DHSC = Department of Health and Social Care

### Capital Grants – receipts in advance

The Authority 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 the monies or property to be returned. The balances at the year-end are shown in the Balance Sheet note **Capital Grants Receipts in Advance**.



## Note 38 Related parties

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

### Central Government

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in note **Government grants and contributions**.

### Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2021/22 is shown in note **Members allowances**. In addition, the Grants Award Sub Committee paid grants totalling £3,500 to voluntary organisations in which members had positions on the governing body or were a member of the organisation. Additional grants and contributions totalling £467,584 were made to organisations in which members had positions on the governing body or were a member. In all instances, the grants/contributions were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to grants. Details of all these transactions are recorded in the Register of Members' Interest, open to public inspection at Bridgwater House during office hours.

### Other Public Bodies (subject to common control by central government)

The Council also appoints members to serve on internal drainage boards – 4 members serve on the 2 boards within the district (both boards charged levies, totalling £1,674,409).

Some members are also members of other public bodies within the area – 7 sit on Somerset County Council, 8 on Bridgwater Town Council, 5 on Burnham and Highbridge Town Council and 12 on other Town and Parish Councils. These bodies precept on the District Council for a share of the revenue raised from Council Tax.

After a period of close partnership working, the Waste Collection Authorities and the Waste Disposal Authority within Somerset set up the Somerset Waste Partnership and delegated to it a number of their waste authority functions. The Somerset Waste Partnership is governed by the Somerset Waste Board, comprising 2 elected councillors from each of the 6 partner authorities. The Board is a formal Joint Committee established under section 101 of the Local Government Act 1972. The total cost to Sedgemoor of the waste contract for 2021/22 was £3.379 million.

## Entities Controlled or Significantly Influenced by the Authority

### Homes in Sedgemoor Ltd

Three members are appointed to the Homes in Sedgemoor Ltd Board. The management fee paid to the ALMO in 2021/22 was £9.126 million (2020/21: £8.180 million). £1.210 million was received from Homes in Sedgemoor Ltd for support services provided (2020/21: £1.095 million).

### Sedgemoor Group Ltd

The two directors of Sedgemoor District Council and the Chief Executive are appointed as directors of Sedgemoor Group Ltd. In 2016 equity of £695,000 was invested by this authority in Sedgemoor Group Ltd.

### Aspen Housing & Development Ltd

The Sedgemoor District Council Chief Executive Officer, Deputy Chief Executive Officer and the Democratic & Performance Services Manager are appointed as directors of Aspen Housing & Development Ltd. In 2016 a loan of £1.105m was made to Aspen Housing & Development Ltd to purchase Aspen Court. Additional loans totalling £147,000 in 2018/19 and £102,500 in 2019/20 were advanced to enable the purchase and refurbishment of additional leasehold flats within the building.

### SWAP Internal Audit Services Ltd

Sedgemoor District Council is a Member of SWAP which is a company limited by guarantee and is wholly owned and controlled by the members as an in-house company 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 he is a member or within one year after he ceases to be a member.

## Senior Employees

Twelve senior employees are also requested to declare any connections with related parties. These relationships have been considered and there are none of a significant value.

## Note 39 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. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the authority that has yet to be financed. The CFR is analysed in the second part of this note.

2020/21 £'000		2021/22	
		£'000	£'000
<b>116,393</b>	<b>Opening Capital Financing Requirement</b>		<b>128,161</b>
<b>0</b>	Opening balance Adjustment		<b>(41)</b>
<b>116,393</b>	<b>Adjusted Opening Capital Financing Requirement</b>		<b>128,120</b>
	<i>Capital Investment</i>		
15,376	Property Plant & Equipment	26,437	
10,238	Investment Properties	0	
96	Revenue expenditure funded from capital under statute	2,220	
355	Service loans to organisations	596	
<b>26,065</b>			<b>29,253</b>
	<i>Sources of finance</i>		
(1,452)	Capital receipts	(1,818)	
(496)	Government grants & other contributions	(1,813)	
(5,075)	Major repairs reserve	(5,015)	
	<i>Sums set aside from revenue</i>		
(5,669)	Direct revenue contributions	(6,961)	
(1,143)	MRP contributions charged to revenue	(1,355)	
(462)	MRP contributions matched by loan repayments received	(824)	
<b>(14,297)</b>			<b>(17,786)</b>
<b>128,161</b>	<b>Closing Capital Financing Requirement</b>		<b>139,587</b>
	<i>Explanation of movements in year</i>		
11,768	Increase/(Reduction) in underlying need to borrow (unsupported by government financial assistance) *		11,467
<b>11,768</b>	<b>Increase/(Reduction) in Capital Financing Requirement</b>		<b>11,467</b>

\* During 2021/22 the Northgate yard project started and is due to finish in 2022/23, this project is funded from prudential borrowing which has resulted in an increase in the CFR. There were no material purchases of investment property in 2021/22 (two material purchases of investment property were made during 2020/21 totalling £10m, these purchases were capital expenditure funded by prudential borrowing, resulting in an increase in the CFR in 2020/21).

## Note 40 Defined benefit pension scheme

### Post Employment Benefits

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

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 retirement benefits earned to date by employees, based on

assumptions about mortality rates, employee turnover rates and projected earnings for current employees.

Liabilities are discounted to their value at current prices using a discount rate of 2.6% (The discount rate is the yield on the iBoxx AA rated over 15 year corporate bond index as at this date which has been chosen to meet the requirements of IAS19. The price increases and pension increases assumptions are based on the unadjusted difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England.)

The assets of the Somerset County Council scheme attributable to Sedgemoor 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; and  
Property – market value.

The change in the net pension liability is analysed into five components:

Service cost – this comprises the current service cost which is the increase in liabilities as a result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked, the Past service cost which is the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs, and Gains/losses on curtailment which is the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs;

Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid, the annual investment return on the fund assets attributable to the Authority and expected return on assets based on an average of the expected long-term return – the net amount is debited to Net Operating Expenditure in the Income and Expenditure Account;

Administration – this is accounted for in the profit and loss charge:

Remeasurement of the defined benefit liability/asset – 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 – debited to the Other Comprehensive Income and Expenditure;

The change in financial assumptions reflects a increase in the discount rate from 2.0% to 2.6%. The discount rate is based on corporate bond yields that match the duration of the employers liabilities. Although the yields have been volatile they have decreased overall which indicates an increase in liabilities.

Contributions paid to the Somerset County Council pension fund – cash paid as employer's contributions to the pension fund.

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 appropriations 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 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 ensure the award and financial entries are made using the same policies as are applied to the Local Government Pension Scheme.

### **Participation in pension schemes**

As part of the terms and conditions of employment of its officers, the authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their full entitlement.

The Council participates in the Local Government Pension Scheme, which is a funded defined benefit scheme based on final pensionable salary. The administering authority is Somerset County Council. The most recent actuarial valuation was carried out as at 31<sup>st</sup> March 2022 and has been updated by the independent Actuary to the Pension Fund to take account of the requirements of IAS19, Retirement Benefits (as amended), in order to assess the liabilities of the fund as at 31<sup>st</sup> March 2022.

This is a funded defined benefit final salary 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.

Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities discounted to their present value.

### **Transactions relating to post employment benefits**

The Council recognises the cost of retirement benefits in the Net 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 the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund 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:

## Comprehensive Income and Expenditure Account

2020/21 £'000		2021/22 £'000
	<b>Cost of Services</b>	
3,670	Current service cost	5,629
13	Curtailments	0
0	Liabilities/Settlements	(53)
43	Administration Cost	51
	<b>Financing and Investment Income &amp; Expenditure</b>	
1,736	Net Interest Expense	1,811
<b>5,462</b>	<b>Total post employment benefit charged to the surplus or deficit on the provision of services</b>	<b>7,438</b>
	<b>Other post employment benefit charged to the Comprehensive Income &amp; Expenditure Statement</b>	
	Remeasurement of the net defined benefit liability comprising	
(20,079)	* Return on plan assets (excluding the amount included in the net interest payable)	(7,360)
(1,731)	* Remeasurement (gains) and losses arising on changes in demographic assumptions	0
38,769	* Remeasurement (gains) and losses arising on changes in financial assumptions	(8,302)
(1,983)	* Other changes	452
<b>20,438</b>	<b>Total post employment benefit charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>(7,772)</b>
	<b>Movement in Reserves Statement</b>	
(5,462)	Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the code	(7,438)
	<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>	
3,363	Employers' contributions payable to the scheme	3,466
329	Retirement Benefits paid to pensioners	322

The cumulative amount of remeasurement gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31<sup>st</sup> March 2022 is a loss of £24,181,000.

## Pensions Assets and Liabilities Recognised in the Balance Sheet

The amounts recognised in the Balance Sheet arising from the authority's obligation of its defined benefit plan is as follows:-

31-Mar-21 £'000		31-Mar-22 £'000
188,181	Present value of funded obligations	185,228
(100,795)	Fair value of plan assets (bid value)	(109,076)
5,074	Present value of unfunded obligations	4,748
<b>92,460</b>	<b>Net liability recognised in the Balance Sheet</b>	<b>80,900</b>

## Reconciliation of the movements in the Fair Value of the scheme assets

2020/21		2021/22
£'000		£'000
<b>79,815</b>	<b>Balance at 1 April</b>	<b>100,795</b>
1,865	Expected rate of return	2,005
20,079	Remeasurement gain/(loss)	7,360
0	Settlement	(56)
3,692	Employer contributions	3,788
682	Contributions by scheme participants	714
(43)	Administration expenses	(51)
(5,295)	Benefits paid	(5,479)
<b>100,795</b>	<b>Balance at 31 March</b>	<b>109,076</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed asset investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

## Reconciliation of the movements in the Fair Value of the scheme liabilities

2020/21		2021/22
£'000		£'000
<b>155,529</b>	<b>Balance at 1 April</b>	<b>193,255</b>
3,670	Current service cost	5,629
3,601	Interest cost	3,816
13	Curtailments	0
0	Liabilities	(109)
682	Contributions by scheme participants	714
35,055	Remeasurement Loss/(gain)	(7,850)
(4,966)	Benefits paid	(5,157)
(329)	Unfunded pension payments	(322)
<b>193,255</b>	<b>Balance at 31 March</b>	<b>189,976</b>

## Constitution of the fair value of the scheme assets

Assets are valued as fair value, principally market value for investments, and comprise:

31-Mar-21			31-Mar-22	
%	£'000		%	£'000
6	5,790	Government Securities	72	78,639
10	9,765	Corporate Bonds	5	5,806
71	72,484	Equities	10	10,862
7	6,965	Property	8	8,793
6	5,791	Cash	5	4,976
0	0	Others	0	0
<b>100</b>	<b>100,795</b>	<b>Total</b>	<b>100</b>	<b>109,076</b>

## Local government pension scheme assets comprised

31-Mar-21	Fair value of scheme assets	31-Mar-22		
		Quoted	Unquoted	Total
£'000		£'000	£'000	£'000
	<b>Fixed Interest Government Securities</b>			
2,114	UK	0	2,534	<b>2,534</b>
0	Overseas	0	0	<b>0</b>
	<b>Index Linked Government Securities</b>			
2,114	UK	0	3,272	<b>3,272</b>
76	Overseas	0	0	<b>0</b>
	<b>Corporate Bonds</b>			
3,549	UK	0	7,590	<b>7,590</b>
3,776	Overseas	0	3,272	<b>3,272</b>
	<b>Equities</b>			
13,215	UK	0	19,634	<b>19,634</b>
39,192	Overseas	0	55,733	<b>55,733</b>
	<b>Property</b>			
5,211	All	0	8,793	<b>8,793</b>
	<b>Others</b>			
1,963	Private Equity	0	3,272	<b>3,272</b>
0	Derivatives	0	0	<b>0</b>
4,304	Cash/Temporary Investments	0	4,976	<b>4,976</b>
<b>75,515</b>	<b>Total</b>	<b>0</b>	<b>109,076</b>	<b>109,076</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 upon assumptions about mortality rates, salary levels, etc. The pension scheme liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries. Estimates for the fund being based on the latest full valuation of the scheme as at 31<sup>st</sup> March 2022.

The discount rates are based on the annualised yield on the iBoxx over 15 year AA-rated corporate bond index at the relevant date, except for the discount rate for scheme liabilities at 31<sup>st</sup> March 2004 which is based on the rate determined by the Government Actuary.

The expected return on assets is based on the long term future expected investment return for each class of asset at the beginning of the period (i.e. as at 1<sup>st</sup> April 2021 for the year to 31<sup>st</sup> March 2022). The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect default risk) respectively at the relevant date. The return on equities and property is then assumed to be a margin above gilt yields.



The principal assumptions used by the actuary have been:

### Mortality assumptions

31-Mar-21		31-Mar-22	
Longevity at 65 for current pensioners:			
23.1 years	Men	23.1 years	
24.6 years	Women	24.7 years	
Longevity at 65 for future pensioners;			
24.4 years	Men	24.4 years	
26.0 years	Women	26.1 years	

### Long-term expected rate of return on assets in the scheme

31-Mar-21		31-Mar-22	
2.0% pa	Discount Rate	2.6% pa	
2.8% pa	Pension Increases	3.2% pa	
3.8% pa	Salary Increases	4.2% pa	

### Sensitivity Analysis of possible changes

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analyses changes while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Sensitivity analysis	£'000	£'000	£'000
<b>Adjustment to discount rate</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	186,489	189,976	193,532
Projected service cost	4,974	5,141	5,312
<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	190,333	189,976	189,622
Projected service cost	5,143	5,141	5,138
<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	193,151	189,976	186,859
Projected service cost	5,311	5,141	4,976
<b>Adjustment to life expectancy assumptions</b>	<b>+1 year</b>	<b>none</b>	<b>-1 year</b>
Present value of total obligation	198,951	189,976	181,433
Projected service cost	5,354	5,141	4,934

## Impact on the Authority's Cashflow

The objectives of the scheme are to keep employers contributions at as constant a rate as possible. The County Council has agreed a strategy with the schemes actuary to achieve a funding level of 100% over the next three years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31<sup>st</sup> March 2023. The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31<sup>st</sup> March 2022. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Authority is anticipated to pay £3,516,000 expected contributions to the scheme in 2022/23.

## Supplementary Statements

### Housing Revenue Account Comprehensive Income and Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost in the 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 the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis upon which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

2020/21 £'000		2021/22 £'000	note
	<b>Expenditure</b>		
3,559	Repairs and maintenance	3,887	
5,221	Supervision and management	5,611	
125	Rents, rates and taxes and other charges	388	
4,875	Depreciation, impairment and revaluation of non-current assets	5,015	1
5	Movement in the allowance for bad debts, increase	7	
<b>13,785</b>	<b>Total Expenditure</b>	<b>14,908</b>	
	<b>Income</b>		
(16,058)	Dwelling rents	(16,414)	2
(556)	Non-dwelling rents	(582)	
(1,085)	Charges for services and facilities	(1,315)	
(64)	Leaseholders' charges for services and facilities	(70)	
(161)	Contributions towards expenditure	(162)	
(308)	Other income	(1,024)	
(29)	Movement in the allowance for bad debts, decrease	(17)	3
<b>(18,261)</b>	<b>Total Income</b>	<b>(19,584)</b>	
<b>(4,476)</b>	<b>Net cost of HRA services as included in the Comprehensive Income &amp; Expenditure Statement</b>	<b>(4,676)</b>	
295	HRA services share of corporate & democratic core	193	
<b>(4,181)</b>	<b>Net cost of HRA services</b>	<b>(4,483)</b>	
1,539	Interest payable and similar charges	1,752	
(396)	Interest and investment income	(217)	
	<i>Items reversed in Movement in Reserves</i>		
1,275	Gain/(loss) on sale of HRA non current assets	2,606	
0	Capital grant	(150)	
138	Changes in Fair Value on Investment Properties	20	
<b>(1,625)</b>	<b>(Surplus)/Deficit for the year on HRA services</b>	<b>(472)</b>	

## Movement in Reserves on the Housing Revenue Account

For the year ended 31 March 2022	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Total Useable Reserves £'000
<b>Balance at 31 March 2021</b>	<b>11,572</b>	<b>0</b>	<b>11,572</b>
<b>Movement in reserves during 2021/22</b>			
Surplus or (deficit) for the year on the HRA Income and Expenditure Statement	472	0	472
Adjustments between accounting basis and funding basis under statute	(2,695)	0	(2,695)
<b>Increase/(Decrease) in year on the HRA</b>	<b>(2,223)</b>	<b>0</b>	<b>(2,223)</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>9,349</b>	<b>0</b>	<b>9,349</b>
For the year ended 31 March 2021	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Total Useable Reserves £'000
<b>Balance at 31 March 2020</b>	<b>13,606</b>	<b>0</b>	<b>13,606</b>
<b>Movement in reserves during 2020/21</b>			
Surplus or (deficit) for the year on the HRA Income and Expenditure Statement	1,625	0	1,625
Adjustments between accounting basis and funding basis under statute	(3,659)	0	(3,659)
<b>Increase/(Decrease) in year on the HRA</b>	<b>(2,034)</b>	<b>0</b>	<b>(2,034)</b>
<b>Balance at 31 March 2021 carried forward</b>	<b>11,572</b>	<b>0</b>	<b>11,572</b>

## Notes to the Housing Revenue Account

### Note 1 Depreciation, impairment & revaluation losses of non current assets

All HRA assets have been depreciated over their expected lives on a straight-line basis.

2020/21 £'000		2021/22 £'000
	Depreciation:	
4,684	Dwellings	4,756
191	Block garages	259
<b>4,875</b>	<b>TOTAL</b>	<b>5,015</b>

### Note 2 Dwelling Rents

2020/21 £'000		2021/22 £'000
16,342	Gross rents due	16,673
(224)	Less voids	(232)
(60)	Write-offs	(27)
<b>16,058</b>	<b>Net rent due (before rebates)</b>	<b>16,414</b>

### Note 3 Bad or Doubtful Debts

2020/21 £'000		2021/22 £'000
	<b>Bad debt provision, unpaid rents</b>	
127	Balance at 1 April	98
(29)	Movement in provision	(17)
<b>98</b>	<b>Balance at 31 March</b>	<b>81</b>
304	Arrears at year end	295
32%	Provision as percentage of arrears	27%
	<b>Bad debt provision, other debts</b>	
2	Balance at 1 April	6
4	Movement in provision	8
<b>6</b>	<b>Balance at 31 March</b>	<b>14</b>
<b>(25)</b>	<b>Net movement in provision</b>	<b>(9)</b>

## Note 4 Adjustments Between Accounting Basis and Funding Basis Under Regulations

2020/21 £'000		2021/22 £'000
	<b>Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements</b>	
8,137	Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	10,301
<b>8,137</b>	<b>Total Adjustments to Revenue Resources</b>	<b>10,301</b>
	<b>Adjustments between Revenue &amp; Capital Reserves</b>	
	<b>Capital Receipts Reserve</b>	
(1,849)	Transfer of cash proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,810)
	<b>Major Repairs Reserve</b>	
(4,875)	Reversal of notional Major Repairs Allowance	(5,015)
	<b>Capital Adjustment Account</b>	
(5,072)	Capital expenditure charged against the HRA Balance	(5,171)
<b>(11,796)</b>	<b>Total Adjustments between Revenue &amp; Capital Reserves</b>	<b>(12,996)</b>
<b>(3,659)</b>		<b>(2,695)</b>

## Note 5 ALMO Management Fee Analysis

2020/21 £'000		2021/22 £'000
	<b>Income</b>	
288	Other income	996
<b>288</b>	<b>Total income</b>	<b>996</b>
	<b>Expenditure</b>	
3,530	Repairs & maintenance	3,872
2,745	Supervision & management general	3,941
1,894	Supervision & management special services	1,047
11	Rents rates & taxes	266
<b>8,180</b>	<b>Total expenditure</b>	<b>9,126</b>
<b>7,892</b>	<b>Net management fee</b>	<b>8,130</b>

Note split of fee altered in 2021/22 due to a review by HiS to address historic drift, previously the % uplift was just applied to prior year figures.

## Note 7 Housing Stock

31-Mar-21		analysed by type of property	31-Mar-22	
number	%		number	%
690	17.1	Low rise flats	665	16.5
732	18.1	Medium rise flats	713	17.7
61	1.5	High rise flats	56	1.4
2,485	61.4	Houses and bungalows	2,521	62.5
<b>3,968</b>	<b>98.1</b>		<b>3,955</b>	<b>98.1</b>
76	1.9	Shared ownership dwellings	76	1.9
<b>4,044</b>	<b>100.0</b>	<b>TOTAL</b>	<b>4,031</b>	<b>100.0</b>

31-Mar-21		analysed by number of bedrooms	31-Mar-22	
number	%		number	%
135	3.3	Bedsits	124	3.1
1,255	31.0	One	1,269	31.5
998	24.8	Two	1,008	25
1,590	39.3	Three	1,569	38.9
66	1.6	Four or more	61	1.5
<b>4,044</b>	<b>100.0</b>	<b>TOTAL</b>	<b>4,031</b>	<b>100.0</b>

31-Mar-21		analysed by year of construction	31-Mar-22	
Number	%		Number	%
595	14.7	pre 1945	586	14.5
1,687	41.7	1945 – 1964	1,664	41.3
804	19.9	1965 – 1974	797	19.8
958	23.7	post 1974	984	24.4
<b>4,044</b>	<b>100.0</b>	<b>TOTAL</b>	<b>4,031</b>	<b>100.0</b>

31-Mar-21	Number of dwellings adjusted for shared ownership	31-Mar-22
4,044.0	Actual number	4,031.0
(37.1)	Adjustment for shared ownership	(38.4)
<b>4,006.9</b>	<b>TOTAL</b>	<b>3,992.6</b>

31-Mar-21	number of leaseholders (flats)	31-Mar-22
104.0	Actual number	112.0
<b>104.0</b>	<b>TOTAL</b>	<b>112.0</b>

**summary of stock movements**

stock @31.3.2021	4,044.0
stock @31.3.2022	<u>4,031.0</u>
<b>MOVEMENT</b>	<b><u>(13.0)</u></b>
<b>Gains</b>	
New build	25.0
Re-purchased	2.0
Shared ownership trf to affordable housing rent	0.0
Market rent flat over shop trf to affordable	0.0
<b>Losses</b>	
RTB	(36.0)
Demolitions	0.0
Pending demolition	(4.0)
Non RTB sales	<u>0.0</u>
<b>TOTAL</b>	<b><u>(13.0)</u></b>

**Balance Sheet values of assets**

<b>31-Mar-21</b>		<b>31-Mar-22</b>	<b>Balance Sheet classification</b>
<b>£'000</b>		<b>£'000</b>	
123,480	Dwellings	139,484	Council dwellings
72,329	Land	81,633	Council dwellings
2,593	Block garages	3,150	Other land & buildings
1,274	Shops	<u>1,141</u>	Non-operational assets
<b><u>199,676</u></b>	<b>TOTAL</b>	<b><u>225,408</u></b>	

The vacant possession value of dwellings at 31<sup>st</sup> March 2022 was £632 million (£508 million 31<sup>st</sup> March 2021), whereas the Balance Sheet, as indicated above, shows a value which takes account of depreciation and a prescribed deduction of 65% - an adjustment applied to reflect the occupation under a secured tenancy with the Right To Buy (Existing Use Value for Social Housing). The difference between the Open Market Value and the Existing Use Value for Social Housing can be seen as the economic cost to government of providing council housing at less than open market rents.

**Note 8 Major Repairs Reserve**

<b>2020/21</b>		<b>2021/22</b>
<b>£'000</b>		<b>£'000</b>
200	Balance at 1 April	0
	Depreciation transferred from HRA:	
4,684	Dwellings	4,756
191	Block garages etc	259
<u>(5,075)</u>	Used to fund HRA capital expenditure on dwellings	<u>(5,015)</u>
<b><u>0</u></b>	<b>Balance at 31 March</b>	<b><u>0</u></b>



## Note 9 Capital Expenditure

2020/21 £'000		2021/22 £'000
9,835	Dwellings improvements	9,954
836	New council housing expenditure	182
2,911	New Build expenditure	4,400
240	Adaptations for disabled people	303
228	Estate sewerage scheme upgrade	58
<b>14,050</b>		<b>14,897</b>
	Funded by	
2,572	Borrowing	3,281
1,331	Use of Capital Receipts	1,280
0	Grants and contributions	150
5,075	Transfer from Major Repairs Reserve	5,015
5,072	Revenue	5,171
<b>14,050</b>		<b>14,897</b>

## Note 10 Disposal of Assets

2020/21 £'000		2021/22 £'000
	Right to buy sales	
1,971	Buildings	3,351
1,153	Land	2,065
<b>3,124</b>	<b>Capital Receipts from sale of Housing Revenue Account assets</b>	<b>5,416</b>

## Note 11 Rent Arrears

31-Mar-21 £'000		31-Mar-22 £'000
304	Arrears at 31 March	295
(54)	Less former tenants' arrears	(45)
<b>250</b>	<b>Current tenants' arrears</b>	<b>250</b>
16,342	Gross rents	16,673
250	Current tenants' arrears	250
1.53%	As a percentage of rent collectable	1.50%

## 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 non-domestic rates.

2020/21			2021/22		
Business Rates £'000	Council Tax £'000	Total £'000	Business Rates £'000	Council Tax £'000	Total £'000
<b>Income</b>					
(24,424)	0	<b>(24,424)</b>	(36,246)	0	<b>(36,246)</b>
0	(75,462)	<b>(75,462)</b>	0	(81,630)	<b>(81,630)</b>
General fund					
0	(13)	<b>(13)</b>	0	(22)	<b>(22)</b>
0	(834)	<b>(834)</b>	0	0	<b>0</b>
Apportionment of Previous Year Deficit					
0	0	<b>0</b>	(9,817)	0	<b>(9,817)</b>
0	0	<b>0</b>	(7,912)	(232)	<b>(8,144)</b>
0	0	<b>0</b>	(1,829)	(1,293)	<b>(3,122)</b>
0	0	<b>0</b>	(198)	(88)	<b>(286)</b>
0	0	<b>0</b>	0	(228)	<b>(228)</b>
Commissioner					
<b>(24,424)</b>	<b>(76,309)</b>	<b>(100,733)</b>	<b>(56,002)</b>	<b>(83,493)</b>	<b>(139,495)</b>
<b>Total Income</b>					
<b>Expenditure</b>					
686	0	<b>686</b>	18	0	<b>18</b>
Apportionment of Previous Year Surplus					
1,196	0	<b>1,196</b>	0	0	<b>0</b>
1,636	83	<b>1,719</b>	0	0	<b>0</b>
937	464	<b>1,401</b>	0	0	<b>0</b>
38	32	<b>70</b>	0	0	<b>0</b>
0	81	<b>81</b>	0	0	<b>0</b>
Commissioner					
<b>4,493</b>	<b>660</b>	<b>5,153</b>	<b>18</b>	<b>0</b>	<b>18</b>
<b>Precepts, Demands and Shares</b>					
21,744	0	<b>21,744</b>	21,339	0	<b>21,339</b>
17,396	9,567	<b>26,963</b>	17,072	9,980	<b>27,052</b>
3,914	53,419	<b>57,333</b>	3,841	55,483	<b>59,324</b>
435	3,656	<b>4,091</b>	427	3,689	<b>4,116</b>
0	9,439	<b>9,439</b>	0	9,887	<b>9,887</b>
Commissioner					
<b>43,489</b>	<b>76,081</b>	<b>119,570</b>	<b>42,679</b>	<b>79,039</b>	<b>121,718</b>
<b>Charges to Collection Fund</b>					
18	0	<b>18</b>	13	0	<b>13</b>
291	172	<b>463</b>	399	223	<b>622</b>
(1,326)	0	<b>(1,326)</b>	877	0	<b>877</b>
168	0	<b>168</b>	170	0	<b>170</b>
209	(35)	<b>174</b>	231	(39)	<b>192</b>
<b>(640)</b>	<b>137</b>	<b>(503)</b>	<b>1,690</b>	<b>184</b>	<b>1,874</b>
<b>Total Expenditure</b>					
<b>22,918</b>	<b>569</b>	<b>23,487</b>	<b>(11,615)</b>	<b>(4,270)</b>	<b>(15,885)</b>
(3,564)	542	<b>(3,022)</b>	19,354	1,111	<b>20,465</b>
<b>19,354</b>	<b>1,111</b>	<b>20,465</b>	<b>7,739</b>	<b>(3,159)</b>	<b>4,580</b>
<b>Deficit/(Surplus) arising during the year</b>					
<b>Deficit/(Surplus) b/fwd 1st April</b>					
<b>Deficit(Surplus) c/fwd 31st March</b>					

**TAX INCOME****Accounting for Council Tax**

The collection of Council Tax income is in substance an agency arrangement with the cash collected by the Council from council tax debtors belonging proportionately to the Council and the major preceptors. There will be therefore a debtor/creditor position between the Council and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will be its share of the cash collected from council taxpayers.

The Council Tax income included in the Taxation and Non Specific Grant Income line in the Comprehensive Income and Expenditure Statement will be the accrued income for the year. This is calculated by taking the demand on the Collection Fund plus the authority's share of the carry forward surplus/deficit on the Collection Fund as at the 31st March 2022. This amount is then adjusted for the authority's share of the surplus/deficit at 31st March 2022 that has not been distributed or recovered in the current year.

The difference between the income included in the Taxation and Non Specific Grant Income line in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the Collection Fund shall be taken to the Collection Fund Adjustment Account and included as a reconciling item in the General Fund in the Movement in Reserves Statement.

In 2013/14, the national council tax benefit scheme was replaced by a local council tax support scheme. This has meant that rather than individual recipients receiving council tax benefits from Central Government, a discount is applied to that individual's council tax bill.

**Accounting for National Non-Domestic Rates (Business rates)**

The collection of National Non-Domestic Rates income is in substance an agency arrangement. The cash collected by the Council from business rates debtors belongs proportionately to the Council, Central Government and the major preceptors. There will be therefore a debtor/creditor position between the Council, Central Government and each major preceptor to be recognised since the net cash paid to central Government and each major preceptor in the year will not be its share of the cash collected from business rate payers.

The National Non-Domestic Rates income included in the Taxation and Non Specific Grant Income line in the Comprehensive Income and Expenditure Statement will be the accrued income for the year. This is calculated by taking the demand on the Collection Fund plus the authority's share of the carry forward surplus/deficit on the Collection Fund as at 31st March 2022. This amount is then adjusted for the authority's share of the surplus/deficit of 31st March 2022 that has not been distributed or recovered in the current year.

The difference between the income included in the Taxation and Non Specific Grant Income line in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the Collection Fund Adjustment Account is included as a reconciling item in the General Fund in the Movement in Reserves Statement.

The Business Rates Retention model replaced the previous funding formula whereby all business rates collected were paid over to Central Government to be allocated back on a formula basis. The new scheme was implemented on 1st April 2013 and the government set each Local Authority a baseline. This was based on the current level of funding under the previous formula scheme. Business Rates Retention is

based on 50% of business rates collected being retained by Local Authorities (40% Sedgemoor District Council, 9% Somerset County Council and 1% Devon and Somerset Fire and Rescue).

Top-ups and tariffs are part of the system of redistribution. The Council pays a tariff as it collects more business rates than it keeps and distributes. The safety net provides protection against significant reduction in income as a result of the scheme by guaranteeing that no authority sees its retained rates income fall below a fixed percentage of its baseline funding. These payments are funded through a levy which is applied when the retained rates income level for the year is more than its baseline funding for the year.

### Note 1 Business Rates (Also Known as Non-Domestic Rates or NDR)

2020/21		2021/22
£109,579,949	total non-domestic rateable value at end of year (31 March)	£109,710,494
0.512	national non-domestic rate multiplier for the year	0.512
0.499	small business non-domestic rating multiplier	0.499

### Note 2 Council Tax Base

2020/21 band D equivalents	2021/22 property band	2021/22 number of properties		2021/22 conversion factor	2021/22 band D equivalents
		valuation list	after discounts etc		
9.11			18.81	5/9	10.45
5,874.85	A	13,441	8,732.24	6/9	5,821.49
7,646.02	B	12,787	9,832.27	7/9	7,647.32
9,095.23	C	12,283	10,292.14	8/9	9,148.57
7,133.87	D	8,179	7,193.90	9/9	7,193.90
5,998.05	E	5,337	4,910.39	11/9	6,001.58
3,627.00	F	2,722	2,528.57	13/9	3,652.38
2,176.45	G	1,404	1,305.85	15/9	2,176.41
66.00	H	60	33.25	18/9	66.51
<b>41,626.58</b>		<b>56,213</b>	<b>44,847.42</b>		<b>41,718.61</b>
741.30		allowance for new properties			627.80
<b>42,367.88</b>					<b>42,346.41</b>
41,435.78	ESTIMATED TAX BASE				40,991.35
97.80%	assuming collection rate of				96.80%

### Note 3 Council Tax Amounts

2020/21 £	Council Tax Amounts Band D	2021/22 £
1,289.20	Somerset County Council	1,353.53
227.81	Avon & Somerset Police Crime Commissioner	241.20
88.24	Devon & Somerset Fire & Rescue Service	90.00
167.32	Sedgemoor District Council (district element)	172.32
63.58	Sedgemoor District Council (average parish element)	71.14
<b>1,836.15</b>	<b>Average Council Tax Band D</b>	<b>1,928.19</b>

#### **Note 4 Allocation of Year End Surplus/Deficit**

An estimate is made each January of the surplus or deficit on the collection fund in order for Somerset County Council, Avon & Somerset Police Crime Commissioner and Devon & Somerset Fire & Rescue Service and the District Council to take this into account when setting their precept for the following year. The actual payments made are detailed in the Collection Fund statement.

#### **Note 5 Effect of the Covid-19 reliefs on the Collection Fund**

Continuing on from the package of measures to help businesses and the Council deal with the Covid pandemic the government put in place 2020/21 the nursery relief and extended retail relief on business rates bills has continued into 2021/22, which meant that hundreds of businesses in the district didn't have to pay or had reduced business rates.

Again due to the introduction of these new reliefs introduced after the council had done its estimate of business rates, we have collected less cash than we were due to pay out to the preceptors, therefore this has had the effect of making the collection fund go into deficit for 2020/21 and again for 2021/22.

This will be corrected by the Major Preceptors paying over their share of the deficit in 2021/22, whilst at the same time being reimbursed by the government via Section 31 grant for the new reliefs.

**Group Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'.

This statement shows how the movements in year of the authority'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 Balance movements in the year following those adjustments.

For the year ended 31 March 2022	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable reserves	Total Authority Reserves	Authorities share of subsidiary		Total Reserves
									Usable	Unusable	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2021</b>	<b>32,657</b>	<b>11,572</b>	<b>0</b>	<b>3,432</b>	<b>5,200</b>	<b>52,861</b>	<b>50,697</b>	<b>103,558</b>	<b>3,328</b>	<b>(8,515)</b>	<b>98,371</b>
<b>Movement in reserves during 2021/22</b>											
Surplus or (deficit) on provision of services	2,077	472	0	0	0	2,549	39,422	41,971	(1,667)	2,679	42,983
Adjustments between accounting basis and funding basis under	(6,212)	(2,695)	0	775	2,724	(5,408)	5,408	0	955	(955)	0
<b>Increase/Decrease in year</b>	<b>(4,135)</b>	<b>(2,223)</b>	<b>0</b>	<b>775</b>	<b>2,724</b>	<b>(2,859)</b>	<b>44,830</b>	<b>41,971</b>	<b>(712)</b>	<b>1,724</b>	<b>42,983</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>28,522</b>	<b>9,349</b>	<b>0</b>	<b>4,207</b>	<b>7,924</b>	<b>50,002</b>	<b>95,527</b>	<b>145,529</b>	<b>2,616</b>	<b>(6,791)</b>	<b>141,354</b>

For the year ended 31 March 2021	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable reserves	Total Authority Reserves	Authorities share of subsidiary		Total Reserves
									Usable	Unusable	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2020</b>	<b>19,277</b>	<b>13,606</b>	<b>200</b>	<b>2,883</b>	<b>4,114</b>	<b>40,080</b>	<b>47,894</b>	<b>87,974</b>	<b>3,197</b>	<b>(5,775)</b>	<b>85,396</b>
<b>Movement in reserves during 2020/21</b>											
Surplus or (deficit) on provision of services	1,592	1,625	0	0	0	3,217	12,367	15,584	(319)	(2,290)	12,975
Adjustments between accounting basis and funding basis under	11,788	(3,659)	(200)	549	1,086	9,564	(9,564)	0	450	(450)	0
<b>Increase/Decrease in year</b>	<b>13,380</b>	<b>(2,034)</b>	<b>(200)</b>	<b>549</b>	<b>1,086</b>	<b>12,781</b>	<b>2,803</b>	<b>15,584</b>	<b>131</b>	<b>(2,740)</b>	<b>12,975</b>
<b>Balance at 31 March 2021 carried forward</b>	<b>32,657</b>	<b>11,572</b>	<b>0</b>	<b>3,432</b>	<b>5,200</b>	<b>52,861</b>	<b>50,697</b>	<b>103,558</b>	<b>3,328</b>	<b>(8,515)</b>	<b>98,371</b>

## Group Comprehensive Income and Expenditure Statement

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. Authorities raise taxation and rents 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 Reserves Statement.

2020/21			2021/22		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Restated	Restated	Restated			
1,097	0	1,097	962	(59)	903
1,602	(1,128)	474	2,081	(1,172)	909
12,008	(6,438)	5,570	11,240	(4,322)	6,918
25,093	(21,260)	3,833	22,946	(20,514)	2,432
5,343	(2,399)	2,944	8,737	(3,998)	4,739
7,425	(5,726)	1,699	6,920	(5,395)	1,525
3,149	(197)	2,952	5,215	(425)	4,790
142	(174)	(32)	13	(21)	(8)
14,063	(18,333)	(4,270)	16,648	(19,770)	(3,122)
<b>69,922</b>	<b>(55,655)</b>	<b>14,267</b>	<b>74,762</b>	<b>(55,676)</b>	<b>19,086</b>
		3,767			5,750
		1,190			(2,398)
		(22,138)			(23,319)
		0			0
		<b>(2,914)</b>			<b>(881)</b>
		(27,343)			(24,212)
		17,266			(17,199)
		<b>(10,077)</b>			<b>(41,411)</b>
		<b>(12,991)</b>			<b>(42,292)</b>



## Group Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the group. The net assets of the group (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority 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 that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the authority 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'.

31-Mar-21		31-Mar-22		
£'000		£'000	£'000	note
224,665	Property, Plant & Equipment	263,252		
521	Heritage Assets	521		
44,385	Investment properties	44,802		5
126	Intangible assets	112		
40,666	Long term investments	41,811		6
348	Long term debtors	34		
310,711	<b>Long term assets</b>		350,532	
628	Short Term Investments	654		
0	Assets Held for Sale	0		
16	Inventories	26		
22,442	Short Term Debtors	13,757		7
10,666	Cash & cash equivalents	8,257		8
33,752	<b>Current assets</b>		22,694	
(1,223)	Short Term Provisions	(1,584)		
(40,414)	Short Term Borrowing	(32,007)		
(40,113)	Short Term Creditors	(36,503)		9
(81,750)	<b>Current liabilities</b>		(70,094)	
(61,059)	Long Term Borrowing	(71,353)		
(2,243)	Capital Grants Receipts in Advance	(1,979)		
(101,040)	Other Long Term Liabilities	(88,446)		15
(164,342)	<b>Long Term Liabilities</b>		(161,778)	
98,371	<b>NET ASSETS</b>		141,354	
56,189	Usable Reserves		52,618	10
42,182	Unusable Reserves		88,736	10
98,371	<b>TOTAL RESERVES</b>		141,354	

## Group Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority 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 authority 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 authority.

2020/21 £'000		2021/22 £'000
<b>(2,914)</b>	Net (surplus) or deficit on the provision of services	<b>(881)</b>
	<b><i>Adjustments to net surplus or deficit on the provision of services for non cash movements</i></b>	
(5,529)	Depreciation	(5,607)
(6,650)	Impairment and downward valuations	(1,302)
(11)	Amortisation	(14)
(229)	(Increase)/decrease in impairment for bad debts	400
(22,427)	(Increase)/decrease in creditors	5,041
3,144	Increase/(decrease) in debtors	317
7	Increase/(decrease) in inventories (stock)	10
(2,220)	Movement in pension liability	(4,605)
(3,134)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(5,426)
(5,081)	Other non-cash items charged to the net surplus or deficit on the provision of services.	8,411
<b>(42,130)</b>	<b>Total Adjustments to net surplus or deficit on the provision of services for non cash movements</b>	<b>(2,775)</b>
	<b><i>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities</i></b>	
2,274	Other Capital cash receipts	2,867
<b>2,274</b>	<b>Total Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>	<b>2,867</b>
<b>(42,770)</b>	<b>Net Cashflow from Operating Activities</b>	<b>(789)</b>
26,059	Purchase of Property, Plant & Equipment, investment property and intangible assets	25,731
803	Purchase of short term & long term investments	596
419	Other payments for investing activities	2,464
(2,274)	Proceeds from the sale of Property Plant & Equipment, investment property and intangible assets	(2,867)
(458)	Proceeds from long & short term investments	(814)
(3,141)	Capital grants received	(4,272)
<b>21,408</b>	<b>Total cashflow from Investing Activities</b>	<b>20,838</b>
(43,000)	Cash receipts of short- and long-term borrowing	(52,000)
41,916	Repayments of short- and long-term borrowing	50,000
1,268	Net increase in Council Tax	(3,569)
25,025	Net (increase)/decrease in National Non Domestic Rates (NNDR)	(12,071)
<b>25,209</b>	<b>Total cashflow from Financial Activities</b>	<b>(17,640)</b>
3,847	Net (increase)/decrease in cash and cash equivalents	2,409
(14,513)	Cash & Cash equivalents at the beginning of the reporting period	(10,666)
(10,666)	Cash & Cash equivalents at the end of the reporting period	(8,257)

These notes to the Group Accounts 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.

Sedgemoor District Council wholly owns three companies which have been categorised as subsidiaries of the Authority and have been consolidated into the Group Accounts as follows:

- Homes in Sedgemoor Ltd, an Arm's Length Management Organisation (ALMO) established on 1 April 2007 to improve the council's housing stock by accessing additional Government funds. The Council retains ownership of the housing stock and Homes in Sedgemoor Ltd manages it.
- Sedgemoor Group Ltd established in February 2016 to hold a group of subsidiary companies delivering services in order to make savings to the authority in the long term. Currently holds Aspen Housing & Development Ltd.
- Aspen Housing & Development Ltd established in February 2016 to purchase Aspen Court, a private housing development, in order to generate income for the authority.

### **Homes in Sedgemoor Ltd**

The Board consists of three tenants, three nominees from Sedgemoor District Council and three independent members.

The Annual Report and Financial Statements of Homes in Sedgemoor Ltd is available from:  
Homes in Sedgemoor Ltd, Bridgwater House, King Square, Bridgwater, Somerset, TA6 3AR.

The accounts are unqualified for 2021/22 and will be presented to the Homes in Sedgemoor Ltd Board on 26<sup>th</sup> July 2022 for approval.

The Group Accounts have been prepared by combining Homes in Sedgemoor Ltd's income & expenditure and assets & liabilities with those of the Council on a line-by-line basis, eliminating inter-organisation transactions. The operating income and expenditure has been included within the Housing Revenue Account line before net cost of service. Taxation has been disclosed as a separate line before net operating expenditure.

The company's main source of income is a management fee from the Council of £8.130m (£7.892m 2020/21).

The Council is committed to fund any deficit made by Homes in Sedgemoor Ltd, as the Housing Revenue Account is still the Council's overall responsibility. Within the management agreement with Homes in Sedgemoor Ltd, if a deficit is predicted at year-end, they are required to present a plan to ensure that the expenditure is brought back within budget. This is monitored monthly until the situation is resolved.

**Basis of consolidation** - The Group Accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of the council and Homes in Sedgemoor Ltd.

### **Sedgemoor Group Ltd**

The Board Consists of three directors – all officers, appointed by Sedgemoor District Council.

The audited accounts are expected to be approved by the Board of Directors in August 2022.

**Basis of consolidation** – The Group Accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of the council and the two entities.

### Aspen Housing & Development Ltd

The Board Consists of three directors – all officers, appointed by Sedgemoor District Council.

The audited accounts are expected to be approved by the Board of Directors in August 2022.

**Basis of consolidation** – The Group Accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of the council and the two entities.

## Note 1 Expenditure and 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 directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

For the year ended 31 March 2022	Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Chief Executive	903	0	903
Customer Services	888	21	909
Environment & Regulation	6,259	659	6,918
Finance & Property	2,425	7	2,432
Housing, Health & Wellbeing	2,920	1,819	4,739
Inward Investment & Growth	1,525	0	1,525
Legal & Governance	2,951	1,839	4,790
Central Support Services	(1,327)	1,327	0
Trading Company	(8)	0	(8)
Local Authority housing (HRA)	(8,137)	5,015	(3,122)
<b>Net cost of services</b>	<b>8,399</b>	<b>10,687</b>	<b>19,086</b>
Other income and expenditure	(1,329)	(18,638)	(19,967)
<b>Surplus or deficit</b>	<b>7,070</b>	<b>(7,951)</b>	<b>(881)</b>
Opening Balances at 31 March	(47,574)		
Movement on Balance in Year	7,070		
Closing Balances at 31 March *	<b>(40,504)</b>		

For the year ended 31 March 2021	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
Restated	£'000	£'000	£'000
Chief Executive	1,097	0	1,097
Customer Services	449	25	474
Environment & Regulation	5,261	309	5,570
Finance & Property	3,086	747	3,833
Housing, Health & Wellbeing	2,890	54	2,944
Inward Investment & Growth	1,699	0	1,699
Legal & Governance	2,918	34	2,952
Central Support Services	(1,098)	1,098	0
Trading Company	(32)	0	(32)
Local Authority housing (HRA)	(9,454)	5,182	(4,272)
<b>Net cost of services</b>	<b>6,816</b>	<b>7,449</b>	<b>14,265</b>
Other income and expenditure	(18,310)	1,131	(17,179)
<b>Surplus or deficit</b>	<b>(11,494)</b>	<b>8,580</b>	<b>(2,914)</b>
Opening Balances at 31 March	(36,080)		
Movement on Balance in Year	(11,494)		
Closing Balances at 31 March *	<b>(47,574)</b>		

\*for a split of this balance between the General Fund, HRA, Homes in Sedgemoor Ltd and Sedgemoor Group Ltd usable reserves – see the Movement in Reserves Statement (MIRS).

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts:

For the year ended 31 March 2022	Adjustments for Capital Purposes	Net change for the Pensions	Other Differences	Total Adjustments
	(1)	(2)	(3)	
	£'000	£'000	£'000	£'000
Chief Executive	0	0	0	0
Customer Services	21	0	0	21
Environment & Regulation	659	0	0	659
Finance & Property	7	0	0	7
Housing, Health & Wellbeing	1,819	0	0	1,819
Inward Investment & Growth	0	0	0	0
Legal & Governance	0	1,839	0	1,839
Central Support Services	1,327	0	0	1,327
Local Authority housing (HRA)	5,015	0	0	5,015
<b>Net cost of services</b>	<b>8,848</b>	<b>1,839</b>	<b>0</b>	<b>10,687</b>
Other income and expenditure	(14,786)	2,766	(6,619)	(18,639)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit</b>	<b>(5,938)</b>	<b>4,605</b>	<b>(6,619)</b>	<b>(7,952)</b>

For the year ended 31 March 2021	Adjustments for Capital Purposes (1) £'000	Net change for the Pensions (2) £'000	Other Differences (3) £'000	Total Adjustments £'000
Chief Executive	0	0	0	0
Customer Services	25	0	0	25
Environment & Regulation	309	0	0	309
Finance & Property	657	0	90	747
Housing, Health & Wellbeing	54	0	0	54
Inward Investment & Growth	0	0	0	0
Legal & Governance	0	34	0	34
Central Support Services	1,098	0	0	1,098
Local Authority housing (HRA)	4,875	307	0	5,182
<b>Net cost of services</b>	<b>7,018</b>	<b>341</b>	<b>90</b>	<b>7,449</b>
Other income and expenditure	(6,838)	1,880	6,089	1,131
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit</b>	<b>180</b>	<b>2,221</b>	<b>6,179</b>	<b>8,580</b>

### Adjustments for Capital Purposes

1) 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.

### Net Change for the Pensions Adjustments

2) 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.

## Other Differences

3) 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 a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

## Note 2 Segmental Income

Income received on a segmental basis is analysed below:

2020/21 Income from Services £'000 Restated		2021/22 Income from Services £'000
0	Chief Executive	(59)
(1,128)	Customer Services	(1,172)
(6,438)	Environment & Regulation	(4,322)
(21,260)	Finance & Property	(20,514)
(2,399)	Housing, Health & Wellbeing	(3,998)
(5,726)	Inward Investment & Growth	(5,395)
(197)	Legal & Governance	(425)
(174)	Trading Account	(186)
<u>(18,333)</u>	Housing Revenue Account	<u>(19,770)</u>
<u>(55,655)</u>	<b>Net cost of services</b>	<u>(55,841)</u>

### Note 3 Expenditure and Income Analysed by Nature

The Authority's expenditure and Income is analysed as follows:

2020/21 £'000		2021/22 £'000
	<b>Expenditure</b>	
20,194	Employee expenses	23,967
47,265	Other service expenses	46,445
16,997	Support Service recharges	18,164
12,286	Depreciation, amortisation and impairment	9,142
2,012	Interest Payments	2,084
4,254	Precepts & Levies	4,591
274	Payments to Housing Capital Receipts Pool	274
860	Gain or Loss on Disposal of Fixed Assets	2,560
<b>104,142</b>	<b>Total operating expenses</b>	<b>107,227</b>
	<b>Income</b>	
(51,841)	Fees, charges & other service income	(56,387)
(5,714)	Interest and investment income	(3,568)
(9,578)	Income from council tax	(10,286)
4,777	Income from business rates	1,210
(44,700)	Government grants and contributions	(39,077)
<b>(107,056)</b>	<b>Total Income</b>	<b>(108,108)</b>
<b>(2,914)</b>	<b>Surplus or deficit on the provision of services</b>	<b>(881)</b>

### Note 4 Financing and Investment Income and Expenditure

2020/21 £'000 Restated		2020/21 £'000
2,012	Interest payable and similar charges	2,084
(2,483)	Interest Receivable & similar income	(2,099)
(265)	Net Deficit/(Surplus) from Trading Services	200
(1,945)	Net Investment Property Income	(3,373)
	<i>Reversed in Movement in Reserves</i>	
5,228	Changes in Fair Value on Investment Properties	273
1,873	Pensions Interest Cost & Return on Assets	1,984
34	Expected Credit Loss	(42)
(3,264)	Financial Investments Revaluations	(1,425)
<b>1,190</b>		<b>(2,398)</b>



## Note 5 Investment Properties

The following table summarises the movement in the fair value of the investment properties over the year.

2020/21 £'000		2021/22 £'000
39,375	Balance at 1 April	44,385
10,238	Additions	0
(5,228)	Net gains/(losses) from fair value adjustments	417
<b>44,385</b>	<b>Balance at 31 March</b>	<b>44,802</b>

### Fair value hierarchy

Aspen Court is measured at Level 2 – observable inputs, comparative & investment (2.66m). All other investment properties are measured at Level 3 - using unobservable inputs (42.14m).

### Transfers between Levels of the Fair Value Hierarchy

There were no transfers between Levels during the year.

### Valuation Techniques used to Determine Level 2 and 3 Fair Values for Investment Properties

#### Significant Observable Inputs – Level 2

One investment property, Aspen Court - has been valued using level 2 observable inputs.

#### Significant Unobservable Inputs – Level 3

The office and commercial units located in the local authority 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 authority'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 authority's office and commercial units are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable 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 authority'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.

Gains or losses arising from changes in the fair value of the investment property are recognised in Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.

## Note 6 Long Term Investments

2020/21 £'000		2021/22 £'000
37,245	Balance at 1 April	40,666
803	New Service Loans	596
3,264	Valuation adjustments taken to pooled investments adjustment account	1,425
(16)	Expected Credit Loss	(38)
(457)	Loan Repayments	(814)
(173)	Repayable within 12 months	(24)
<b>40,666</b>	<b>Balance at 31 March</b>	<b>41,811</b>
2,843	CCLA Diversified Income Fund	2,975
4,664	CCLA Property Fund	5,482
4,905	Investec Diversified Income Fund	4,738
4,883	Kames Diversified Monthly Income fund	4,875
6,676	Schroder Income Maximiser Fund	7,402
4,663	UBS Global Income Fund	4,588
12,032	Service Loans	11,751
<b>40,666</b>		<b>41,811</b>

## Note 7 Short Term Debtors

31-Mar-21 £'000		31-Mar-22 £'000
1,919	Central Government Bodies	2,147
317	Other Local Authorities	584
876	Collection Fund Business Rates - Sedgemoor	1,485
10,882	Collection Fund Business Rates - Preceptors	1,198
1,698	Business Rates - Pool Dividend	3,649
586	Collection Fund Council Tax - Sedgemoor	664
2,382	Collection Fund Council Tax - Preceptors	0
400	Other Entities and individuals	448
4,505	Sundry Debtors	4,587
439	Payments in Advance	353
37	Long Term Debtors due within 1 year	29
(1,599)	<i>Less bad debt provisions</i>	(1,387)
<b>22,442</b>		<b>13,757</b>

## Note 8 Cash & Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31-Mar-21 £'000		31-Mar-22 £'000
1	Cash held by the Authority	1
4,439	Bank Current Accounts	2,499
6,226	Short term deposits	5,757
<b>10,666</b>		<b>8,257</b>

## Note 9 Short Term Creditors

31-Mar-21 £'000		31-Mar-22 £'000
2,132	Central Government Bodies	3,648
4,272	Department for Business, Energy & Industrial Strategy - Business Grants	1,524
650	Other Local Authorities	536
2,264	Business Rates - Pool Levy Due	2,033
262	Collection Fund Business Rates - Sedgemoor	256
0	Collection Fund Business Rates - Preceptors	738
204	Collection Fund Council Tax - Sedgemoor	166
769	Other Entities and Individuals	938
5,059	Sundry Creditors	5,283
24,501	Receipts in Advance	21,381
<b>40,113</b>		<b>36,503</b>

The full breakdown of the receipts in advance figure can be found in the single entity short term creditors note.

## Note 10 Usable and Unusable Reserves

31-Mar-21 £'000		31-Mar-22		Movement
£'000		£'000	£'000	£'000
<b>Usable Reserves</b>				
32,657	General Fund balance	28,522		(4,135)
11,572	Housing Revenue Account balance	9,349		(2,223)
0	Major Repairs reserve	0		0
3,432	Capital Receipts reserve	4,207		775
5,200	Capital Grants Unapplied account	7,924		2,724
	Deferred Capital Receipts Reserve			0
3,328	Subsidiary Profit & Loss reserve	2,616		(712)
<b>56,189</b>			<b>52,618</b>	<b>(3,571)</b>
<b>Unusable Reserves</b>				
73,777	Revaluation reserve	97,709		23,932
(28)	Financial instruments adjustment account	(25)		3
80,001	Capital adjustment account	82,718		2,717
(92,460)	Pensions reserve	(80,900)		11,560
(7,890)	Collection Fund Adjustment account	(2,697)		5,193
(339)	Short Term Accumulating Compensated Absences	(339)		0
0	Available for sale reserve	0		0
(2,364)	Pooled Investment Fund Adjustment Account	(939)		1,425
64	Subsidiary Unusable reserve	754		690
(8,579)	Subsidiary Pensions reserve	(7,545)		1,034
<b>42,182</b>			<b>88,736</b>	<b>46,554</b>
<b>98,371</b>	<b>Total Reserves</b>		<b>141,354</b>	<b>42,983</b>

## Note 11 Cash Flow Statement

The cash flows for Operating Activities include the following items:

2020/21 £'000		2021/22 £'000	
(2,012)	Interest paid		(2,084)
2,535	Interest received		2,099
<u>523</u>			<u>15</u>

## Note 12 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 contracts, such as those relating to taxes, benefits and government grants, do not give rise to financial instruments.

### Financial Assets

A financial asset is a right to future economic benefits controlled by the authority 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 authority.

### Financial Assets – balances

Fair Value Level	31-Mar-21			Fair Value Level	31-Mar-22	
	Long-Term £'000	Current £'000			Long-Term £'000	Current £'000
			<b>Investments at amortised cost:</b>			
	12,101	629	- principal element of loans advanced		11,858	654
	(70)	0	- loss allowance		(108)	0
			<b>At fair value through profit &amp; loss</b>			
1	28,634	0	- fair value of pooled funds	1	30,061	0
	<b>40,665</b>	<b>629</b>	<b>Total investments</b>		<b>41,811</b>	<b>654</b>
			<b>Cash &amp; cash equivalents at amortised cost:</b>			
	0	4,440	- principal		0	2,499
			<b>Cash &amp; cash equivalents at fair value through profit &amp; loss:</b>			
	0	6,226	- fair value of money market funds		0	5,757
	<b>0</b>	<b>10,666</b>	<b>Total cash &amp; cash equivalents</b>		<b>0</b>	<b>8,256</b>
			<b>Debtors at amortised cost:</b>			
	428	5,230	- trade receivables		34	5,264
	(80)	(1,203)	- loss allowance		0	(803)
	0	18,414	<i>Debtors that are not financial instruments</i>		0	8,558
	<b>348</b>	<b>22,441</b>	<b>Total Debtors</b>		<b>34</b>	<b>13,019</b>
	<b>41,013</b>	<b>15,322</b>	<b>Total Financial Assets</b>		<b>41,845</b>	<b>13,371</b>

## Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the authority 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 authority.

### Financial Liabilities – balances

31-Mar-21			31-Mar-22	
Long-Term	Current		Long-Term	Current
£'000	£'000		£'000	£'000
<b>Loans at amortised cost:</b>				
61,059	40,000	- principal sum borrowed	71,353	31,706
0	414	- accrued interest	0	301
<b>61,059</b>	<b>40,414</b>	<b>Total Loans</b>	<b>71,353</b>	<b>32,007</b>
<b>Creditors at amortised cost:</b>				
0	5,640	- trade payables	0	5,949
0	34,473	<i>creditors that are not financial instruments</i>	0	29,816
0	40,113	<b>Total Creditors</b>	<b>0</b>	<b>35,765</b>
<b>61,059</b>	<b>46,054</b>	<b>Total Financial Liabilities</b>	<b>71,353</b>	<b>37,956</b>

## Note 13 Officers Remuneration

### Senior Employees

#### a) Individual disclosure for senior employees whose remuneration was £50,000 or more is as follows:

2021/22

Job Title	Salary	Taxable Benefits	Total Remuneratio	Pension Contributio	Total inc Pension
	£	P11D £	n £	n £	£
Chief Executive	122,068	0	122,068	23,019	145,087
Chief Executive - HIS	99,321	0	99,321	18,254	117,574
Deputy Chief Executive	106,235	1,242	107,477	20,033	127,510
Strategic Director and Section 151 Officer	93,421	0	93,421	16,498	109,919
Assistant Directors:					
Local Government Restructure	71,598	0	71,598	13,114	84,712
Unitary Service Integration	71,598	0	71,598	9,604	81,202
Customer Access	71,598	0	71,598	13,422	85,020
Environment & Regulation	71,598	0	71,598	13,419	85,017
Finance & Property	51,865	0	51,865	10,146	62,011
Housing, Health & Wellbeing	71,598	0	71,598	13,419	85,017
Inward Investment & Growth	69,968	0	69,968	12,471	82,439
Legal & Governance	55,376	0	55,376	10,380	65,756
Neighbourhoods - HIS	70,702	0	70,702	12,994	83,696
Asset Management & Safety - HIS	67,956	0	67,956	12,322	80,278
Finance & Performance - HIS	67,956	0	67,956	12,489	80,446
	<b>1,162,858</b>	<b>1,242</b>	<b>1,164,100</b>	<b>211,584</b>	<b>1,375,684</b>

The Strategic Director & Section 151 Officer was appointed on 19th April 2021 – full year salary would have been £88,895.

The Interim Assistant Director Finance and Property was appointed on 1st December 2021 – full year salary would have been £66,723. The salary above includes salary of previous role for April to November 2021.

The Assistant Director Legal & Governance was appointed to a new post of Assistant Director Local Government Restructure on 1st December 2021. There was no salary change.

The Interim Assistant Director L&G was appointed on 1<sup>st</sup> December 2021 – full year salary would have been £66,723.

The Assistant Director Environment & Regulation was appointed to a new post of Assistant Director Unitary Service Integration on 1<sup>st</sup> June 2021. There was no salary change.

The Interim Assistant Director Environment & Regulation was appointed on 1st June 2021 – full year salary would have been £66,723. The salary above includes salary of previous role for April to November 2021.

## 2020/21

Job Title	Salary	Taxable Benefits P11D	Total Remuneration	Pension Contribution	Total inc Pension
	£	£	£	£	£
Chief Executive*	126,143	0	126,143	23,588	149,731
Chief Executive - HIS	97,613	0	97,613	17,375	114,988
Strategic Director /Acting Chief Executive**	97,643	0	97,643	18,259	115,902
Strategic Director /Deputy Chief Executive***	95,016	1,241	96,257	17,768	114,025
Assistant Directors:					
Customer Access	68,765	0	68,765	12,859	81,624
Environment & Regulation	70,367	0	70,367	13,159	83,526
Finance & Property	70,367	0	70,367	13,159	83,526
Housing, Health & Wellbeing	70,367	0	70,367	13,159	83,526
Inward Investment & Growth	67,170	0	67,170	12,560	79,730
Legal & Governance	70,367	0	70,367	13,159	83,526
Neighbourhoods - HIS	69,486	0	69,486	12,368	81,854
Asset Management & Safety - HIS	48,862	0	48,862	9,135	57,997
Finance & Performance - HIS	66,788	0	66,788	11,888	78,676
	<b>1,018,954</b>	<b>1,241</b>	<b>1,020,195</b>	<b>188,436</b>	<b>1,208,631</b>

\* The Chief Executive left on 31<sup>st</sup> March 2021

\*\* The Strategic Director took over as Acting Chief Executive from 29<sup>th</sup> January 2021 until 31<sup>st</sup> March 2021 (overlap to cover handover period and leave) – full year salary would have been £117,591.

\*\*\* The Strategic Director was appointed to a new post of Deputy Chief Executive from 1<sup>st</sup> February 2021 – full year salary would have been £103,000.

**b) The authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension costs) were paid the following amounts:**

number of employees 2020/21	remuneration band	number of employees 2021/22
5	£50,000 to £54,999	5
0	£55,000 to £59,999	1
0	£60,000 to £64,999	0
0	£65,000 to £69,999	0
1	£70,000 to £74,999	1
0	£100,000 to £104,999	0

The numbers of exit packages with total cost per band are set out in the table below:

(a) Exit package cost band (including special payments)	(b) Number of Compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band		(e) Total cost of exit packages in each band	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
£0-£20,000	0	0	0	1	0	1	0	7,326
£20,001 - £60,000	1	0	2	0	3	0	78,721	0
£80,001 - £100,000	1	0	0	0	1	0	88,090	0
<b>Total</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>4</b>	<b>1</b>	<b>166,811</b>	<b>7,326</b>

## Note 14 Related Parties

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

## Central Government

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in note **Government grants and contributions. 1**

## Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2021/22 is shown in note **Members allowances**. In addition, the Grants Award Sub Committee paid grants totalling £3,500 to voluntary organisations in which members had positions on the governing body or were a member of the organisation. Additional grants and contributions totalling £467,584 were made to organisations in which members had positions on the governing body or were a member. In all instances, the grants/contributions were made with proper

consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to grants. Details of all these transactions are recorded in the Register of Members' Interest, open to public inspection at Bridgwater House during office hours.

### **Other Public Bodies (subject to common control by central government)**

The Council also appoints members to serve on internal drainage boards – 4 members serve on the 2 boards within the district (both boards charged levies, totalling £1,674,409).

Some members are also members of other public bodies within the area – 7 sit on Somerset County Council, 8 on Bridgwater Town Council, 5 on Burnham and Highbridge Town Council and 12 on other Town and Parish Councils. These bodies precept on the District Council for a share of the revenue raised from Council Tax.

After a period of close partnership working, the Waste Collection Authorities and the Waste Disposal Authority within Somerset set up the Somerset Waste Partnership and delegated to it a number of their waste authority functions. The Somerset Waste Partnership is governed by the Somerset Waste Board, comprising 2 elected councillors from each of the 6 partner authorities. The Board is a formal Joint Committee established under section 101 of the Local Government Act 1972. The total cost to Sedgemoor of the waste contract for 2021/22 was £3.379 million.

### **Entities Controlled or Significantly Influenced by the Authority**

#### **SWAP Internal Audit Services Ltd**

Sedgemoor District Council is a Member of SWAP which is a company limited by guarantee and is wholly owned and controlled by the members as an in-house company 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 they are a member or within one year after they cease to be a member.

### **Senior Employees**

Ten senior employees are also requested to declare any connections with related parties. These relationships have been considered and there are none of a significant value.

### **Note 15 Defined Benefit Pension Scheme**

#### **Participation in pension schemes**

As part of the terms and conditions of employment of its officers, the authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their full entitlement.

The Council participates in the Local Government Pension Scheme, which is a funded defined benefit scheme based on final pensionable salary. The administering authority is Somerset County Council. The most recent actuarial valuation was carried out as at 31<sup>st</sup> March 2022 and has been updated by the independent Actuary to the Pension Fund to take account of the requirements of IAS19, Retirement Benefits (as amended), in order to assess the liabilities of the fund as at 31<sup>st</sup> March 2022.



This is a funded defined benefit final salary 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.

Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities discounted to their present value.

### Transactions relating to post employment benefits

The Council recognises the cost of retirement benefits in the Net 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 the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund 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:

Comprehensive Income and Expenditure Account		
2020/21 £'000	2021/22 £'000	
<b>Cost of Services</b>		
4,380	Current service cost	6,846
13	Curtailments/Settlements/Liabilities	(53)
48	Administration Cost	57
<b>Financing and Investment Income &amp; Expenditure</b>		
1,868	Net Interest Expense	1,978
<b>6,309</b>	<b>Total post employment benefit charged to the surplus or deficit on the provision of services</b>	<b>8,828</b>
<b>Other post employment benefit charged to the Comprehensive Income and Expenditure Statement</b>		
Remeasurement of the net defined benefit liability comprising		
(22,373)	* Return on plan assets (excluding the amount included in the net interest payable)	(8,150)
0	* Other actuarial gains/(losses) on assets	0
(1,879)	* Remeasurement (gains) and losses arising on changes in demographic assumptions	0
43,683	* Remeasurement (gains) and losses arising on changes in financial assumptions	(9,543)
(2,165)	* Other changes	494
<b>23,575</b>	<b>Total post employment benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>(8,371)</b>
<b>Movement in Reserves Statement</b>		
(6,309)	Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the code	(8,828)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
3,760	Employers contributions payable to the scheme	3,901
329	Retirement Benefits paid to pensioners	322

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31<sup>st</sup> March 2022 is £27,377,000.

## Pensions Assets and Liabilities Recognised in the Balance Sheet

The amounts recognised in the Balance Sheet arising from the authorities obligation of its defined benefit plan is as follows:-

<b>31-Mar-21</b>		<b>31-Mar-22</b>
<b>£'000</b>		<b>£'000</b>
208,026	Present value of funded obligations	205,333
(112,060)	Fair value of plan assets (bid value)	(121,635)
5,074	Present value of unfunded obligations	4,748
<b>101,040</b>	<b>Net liability recognised in the Balance Sheet</b>	<b>88,446</b>

## Reconciliation of the movements in the Fair Value of the scheme assets

<b>2020/21</b>		<b>2021/22</b>
<b>£'000</b>		<b>£'000</b>
88,466	<b>Balance at 1 April</b>	112,060
2,070	Expected rate of return	2,233
22,373	Remeasurement gain/(loss)	8,150
4,089	Employer contributions	4,223
0	Settlements	(56)
(48)	Administration expenses	(57)
818	Contributions by scheme participants	857
(5,708)	Benefits paid	(5,775)
<b>112,060</b>	<b>Balance at 31 March</b>	<b>121,635</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed asset investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

## Reconciliation of the movements in the Fair Value of the scheme liabilities

<b>2020/21</b>		<b>2021/22</b>
<b>£'000</b>		<b>£'000</b>
170,020	<b>Balance at 1 April</b>	213,100
39,639	Remeasurement Loss/(gain)	(9,049)
4,380	Current service cost	6,846
3,938	Interest cost	4,211
13	Curtailments	0
0	Liabilities Assumed	(109)
818	Contributions by scheme participants	857
(5,379)	Benefits paid	(5,453)
(329)	Unfunded pension payments	(322)
<b>213,100</b>	<b>Balance at 31 March</b>	<b>210,081</b>

## Constitution of the fair value of the scheme assets

31-Mar-21			31-Mar-22		
%	£'000		%	£'000	
72	80,675	equities	72	87,693	
6	6,392	gilts	5	6,475	
10	10,868	other bonds	10	12,113	
7	7,733	property	8	9,805	
6	6,392	other - cash	5	5,549	
<b>100</b>	<b>112,060</b>	<b>TOTAL</b>	<b>100</b>	<b>121,635</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 upon assumptions about mortality rates, salary levels, etc. The pension scheme liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries. Estimates for the fund being based on the latest full valuation of the scheme as at 31<sup>st</sup> March 2022.

The discount rates are based on the annualised yield on the iBoxx over 15 year AA-rated corporate bond index at the relevant date, except for the discount rate for scheme liabilities at 31 March 2004 which is based on the rate determined by the Government Actuary.

The expected return on assets is based on the long term future expected investment return for each class of asset at the beginning of the period (i.e. as at 1<sup>st</sup> April 2021 for the year to 31<sup>st</sup> March 2022). The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect default risk) respectively at the relevant date. The return on equities and property is then assumed to be a margin above gilt yields.

The principal assumptions used by the actuary have been:

### Mortality assumptions

31-Mar-21		31-Mar-22	
Longevity at 65 for current pensioners:			
23.1 years	Men	23.1 years	
24.6 years	Women	24.7 years	
Longevity at 65 for future pensioners;			
24.4 years	Men	24.4 years	
26.0 years	Women	26.1 years	

### Long-term expected rate of return on assets in the scheme

31-Mar-21		31-Mar-22	
2.0% pa	Discount Rate	2.6% pa	
2.8% pa	Pension Increases	3.2% pa	
3.8% pa	Salary Increases	4.2% pa	

## Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analyses changes while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Sensitivity analysis	£'000	£'000	£'000
<b>Adjustment to discount rate</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	206,156	210,081	214,085
Projected service cost	6,027	6,231	6,440
<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	210,469	210,081	209,696
Projected service cost	6,233	6,231	6,227
<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	213,670	210,081	206,559
Projected service cost	6,439	6,231	6,029
<b>Adjustment to life expectancy assumptions</b>	<b>+1 year</b>	<b>none</b>	<b>-1 year</b>
Present value of total obligation	219,816	210,081	200,806
Projected service cost	6,489	6,231	5,981

## Impact on the Authority's Cashflow

The objectives of the scheme are to keep employers contributions at as constant a rate as possible. The County Council has agreed a strategy with the schemes actuary to achieve a funding level of 100% over the next three years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31<sup>st</sup> March 2023. The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31<sup>st</sup> March 2022. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Authority is anticipated to pay £3,953,000 expected contributions to the scheme in 2022/23.

**Annual Governance Statement 2021/22**

The Annual Governance Statement once approved will be included here.

The auditors report will be included here.

## Glossary of Terms

**Local Government, in common with many specialised 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.**

### **Accounting Policies**

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or balance sheet is presented.

### **Accruals basis**

An accounting convention in which transactions are reflected in the accounts of the period in which they take place as opposed to the period in which payments are made or received.

### **Actuarial gains and losses**

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- Events have not coincided with the assumption used by the actuary when carrying out the last valuation experience gains and losses, or
- The actuarial assumptions have changed.

### **Agency arrangements**

Services performed by or for another Authority or public body, where the agent is reimbursed for the cost of the work done.

### **ALMO - Arm's Length Management Organisation**

Sedgemoor District Council has an ALMO, Homes in Sedgemoor Ltd, which manages the housing stock on behalf of the council.

### **Amortised Cost**

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.

### **Apportionments**

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.

### **Asset**

An item that is intended to be used for several years such as a building or a vehicle.

### **Audit of Accounts**

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.

### **Balances**

The accumulated surplus of income over expenditure which can be used to finance expenditure. Amounts in excess of that required for day-to-day cash management and to finance working capital can be invested.

### **Balance Sheet**

A financial statement summarising the Council's assets, liabilities and other balances at the end of each accounting period.

### **Benefits we have awarded for added years**

Added years are additional pensionable years that an authority may grant when a member of staff retires early because of redundancy or in the efficiency of the service. These additional years will increase the employee's retirement benefit which are paid for by the authority, not the pension fund, and are usually financed from the savings that will be made.

<p><b>Billing authority</b></p> <p>A local authority empowered to set and collect council taxes, and manage the Collection Fund, on behalf of itself and local authorities in its area.</p>
<p><b>Budget</b></p> <p>Is a financial statement that expresses an organisation's service, delivery plans and capital programmes in monetary terms.</p>
<p><b>Budget requirement</b></p> <p>An amount calculated, in advance of each year, by an authority. It is broadly the authority's estimated net revenue expenditure allowing for movement in reserves. It is, therefore, the estimate of the amount to be met from revenue support grant, redistributed non-domestic rates and any additional grant, and from council tax income.</p>
<p><b>Business Rates (Non-Domestic Rate – NDR)</b></p> <p>Businesses pay business rates instead of Council Tax. Each year, the Government sets the rate in the pound and business rates are collected by the billing authority. The amount charged is based on multiplying the rateable value of each business property by the national rate in the pound.</p>
<p><b>Business Rates Retention</b></p> <p>The Business Rates Retention model replaced the previous funding formula which saw all business rates collected being paid over to central government to be allocated back on a formula basis. The new scheme was implemented from 1 April 2013 and the government set each Local Authority a baseline. This was based on the current levels of funding under the previous formula scheme. BRR is based on 50% of business rates collected being retained by the Local Authorities (40% District, 9% County, 1% Fire).</p>
<p><b>Capital Adjustment Account</b></p> <p>Is a reserve created from the balances on the Capital Financing Account and Fixed Asset Restatement Account as at 31 March 2007. This account records the consumption of historic cost over the life of the asset and deferred charges over the period that the authority benefits from the expenditure. The account will also record the resources set aside to finance capital expenditure.</p>
<p><b>Capital Charges</b></p> <p>Represent the cost to services for the use of fixed assets in the provision of their services; the charges reflect depreciation and impairment.</p>
<p><b>Capital Contributions/Grants</b></p> <p>Are monies received from external bodies towards the financing of capital expenditure on a particular service or scheme.</p>
<p><b>Capital Expenditure</b></p> <p>Expenditure on the acquisition of a non current asset or expenditure which adds to and not merely maintains the value of an existing asset.</p> <p>The statutory definition extends to:</p> <ul style="list-style-type: none"> <li>- The acquisition, reclamation, enhancement or laying out of land, exclusive of roads, buildings and other structures;</li> <li>- The acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures;</li> <li>- The acquisition, installation or replacement of movable or immovable plant, machinery and apparatus and vehicles and vessels;</li> <li>- The making of advances, grants or other financial assistance to any person towards expenditure incurred or to be incurred by him on matters mentioned in the three categories above or in the acquisition of investments;</li> <li>- The acquisition of share or loan capital in any body corporate.</li> </ul>



<p><b>Capital grants</b> Grants received towards Capital Expenditure incurred on specific schemes.</p>
<p><b>Capital Programme</b> Our plan of future spending on capital projects such as buying land, buildings, vehicles and equipment.</p>
<p><b>Capital Receipts</b> Monies from the sale of assets, which can finance capital expenditure or repay any outstanding loan debt according to rules set down by Central Government. Capital receipts can be used to finance new capital expenditure within rules set by central government, but they cannot be used to finance day-to-day spending.</p>
<p><b>Capping</b> This is a power under which the Government may limit the maximum level of local authority spending or increase in that level year on year, which it considers excessive. It is a tool to restrain increases in council tax.</p>
<p><b>Carry Forwards</b> Are unspent revenue budget approvals which the district executive committee is able to transfer into the following financial year.</p>
<p><b>Cash Flow Statement</b> Summarises the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes.</p>
<p><b>Cash Limited Budgets</b> 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.</p>
<p><b>CIPFA</b> Chartered Institute of Public Finance and Accountancy. CIPFA is one of the major accountancy institutes but specialises in the public sector.</p>
<p><b>Collection Fund</b> The Collection Fund is a separate statutory fund, which details the transactions in relation to non-domestic rates and the council tax, and the distribution to preceptors and the General Fund. The Collection Fund is consolidated with the other accounts of the authority.</p>
<p><b>Community Assets</b> These are assets which the authority intends to hold in perpetuity and that have no determinable useful life. There are often restrictions on their disposal, for example, as a result of covenants or trust status. Examples of community assets are cemeteries, parks and allotments.</p>
<p><b>Consistency</b> 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.</p>
<p><b>Contingent Asset</b> A contingent asset is a possible asset arising from past events whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the local authority's control.</p>
<p><b>Contingent Liability</b> A contingent liability is either:</p> <ul style="list-style-type: none"> <li>- A possible obligation arising from past events whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the local authority's control, or</li> </ul>

- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

**Corporate and Democratic core**

Spending relating to the need to co-ordinate and account for the many services we provide to the public including the cost of member representation and activities associated with public accountability.

**Council Tax**

A banded property tax levied on domestic properties in the District. The banding is based on estimated property values.

**Council Tax Base**

An assessments by each billing authority of the number of converted to Band D equivalents (the average band), after properties, allowing for non-collection and new properties, on which a tax can be charged.

**Council Tax surpluses/losses**

The District Councils' tax bases are calculated using estimated collection rates. Actual collection rates in a given year may give rise to a surplus/deficit to be taken into account when setting tax levels for the following year. Amounts in respect of Council Tax are shared between the District Council concerned, the County Council, the Fire and Rescue Service and the Police Authority pro-rata to the share of the aggregate of the precepts and demands on the collection fund. These surpluses and losses are applied to reduce or increase the spending of the authority.

**Credit Risk**

The risk that one party to a financial instrument will cause a loss for the other party by failing to discharge an obligation.

**Creditors**

Amounts owed for goods and services provided for which payment has not been made at the end of the financial year.

**Current assets**

These are short-term assets that constantly change in value such as inventories, debtors and bank balances.

**Current Liabilities**

Monies that are due to be paid in less than one year such as bank overdrafts and money owed to suppliers.

**Current service cost (pensions)**

A term used in accounting for retirement benefits. The current service cost is an estimate of the true economic cost of employing people in a financial year, earning years of service that will eventually entitle them to a lump sum and pension when they retire. It measures the full liability estimated to have been generated in the year (at today's prices) and is thus unaffected by the pension fund being in deficit or surplus. It is based on the most recent actuarial valuation adjusted by updated financial assumptions to reflect conditions.

**Curtailement (pensions)**

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- Termination of employees' services earlier than expected, for example as a result discounting a segment of a service, and
- Termination or amendment to the terms, of a defined benefit scheme so that some or all future services by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

<b>Debtors</b>
Sums of money due to the Council but not received at the end of the financial year.
<b>Demand on the Collection Fund</b>
This represents the amount calculated by a billing authority (Sedgemoor District Council is a billing authority) to be transferable from its Collection Fund to its General Fund.
<b>Depreciation</b>
Depreciation is the measure of the cost or revalued amount of the benefit of the fixed asset that has been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time or obsolescence.
<b>Derecognition</b>
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.
<b>Discretionary benefits (pensions)</b>
Retirement benefits that the employer has no legal, contractual or constructive obligation to award and are awarded under the authority's discretionary powers.
<b>Earmarked Reserves</b>
Money set aside in a reserve for a specific purpose.
<b>Effective Interest Rate</b>
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.
<b>Estimation Techniques</b>
The methods adopted by the Council to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes to reserves.
<b>Existing Use Value</b>
The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction.
<b>Fair Value (Financial Instruments)</b>
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.
<b>Fair Value (Non Current Assets)</b>
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.
<b>Finance Lease</b>
Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of property.
<b>Financial Instruments</b>
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.
<b>Financial Instruments Adjustment Account</b>
Is the account which holds the differences between the amounts credited to the Income and Expenditure Account in accordance with the SORP and the interest income required to be credited to the General Fund in accordance with statutory regulations.
<b>Financial Year</b>
For local authorities, financial years start on 1 April and end on 31 March.

<b>Financing Transactions</b>
Relate, in the main, to interest payments and receipts associated with the management during the year of the Council's cash flow and reserves.
<b>Floor Limit</b>
The minimum level of grant, as determined by government, that an authority will receive.
<b>General Fund (GF)</b>
The General Fund is the main revenue fund of the Authority. This account includes the net cost of all services financed by local taxpayers and Government grants.
<b>General Fund Balance</b>
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.
<b>Government Grants</b>
Are made by the Government towards either revenue or capital expenditure to help with the cost of providing services and capital projects. Some government grants have restrictions on how they may be used whilst others are general.
<b>Gross Expenditure</b>
The overall cost of providing our services before allowing for government grants or other income.
<b>Heritage Asset</b>
An asset which is held principally for its contribution to knowledge and culture.
<b>Housing Benefit</b>
Financial help given to local authority or private tenants whose income falls below prescribed amounts. Central government finances most of the cost of benefits to non-HRA tenants ('rent allowances') and the whole of the cost of benefits to HRA tenants (through the rent rebate element of housing subsidy). Some local authorities operate 'local schemes' whereby they finance allowances in excess of the standard payments.
<b>Housing Revenue Account (HRA)</b>
The Housing Revenue Account is a statutory account maintained separately from General Fund services. It includes all revenue expenditure and income relating to the provision, maintenance and administration of Council Housing and associated areas.
<b>International Financial Reporting Standards (IFRS)</b>
Financial Reporting Standards are accounting standards which set out the framework and requirements that need to be adopted for certain transactions in the published accounts.
<b>Impairment</b>
The drop in value of a fixed asset caused by either a consumption of economic benefits or a general fall in prices.
<b>Infrastructure assets</b>
These are fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.
<b>Income</b>
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.
<b>Income and Expenditure Account</b>
Is the organisation's main revenue account. It records the income received from Council tax and business rate payments, grants and other fees and charges. It also records the expenditure made as services are provided.
<b>Interest rate risk</b>

<p>The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.</p>
<p><b>Inventories</b> Goods bought which have not yet been used.</p>
<p><b>Investment Properties</b> Interest in land and/or buildings which is held for their investment potential, with any rental income being negotiated at arm's length.</p>
<p><b>Liabilities</b> Money we will have to pay to people or organisations in the future.</p>
<p><b>Liquid (Resources) / Liquidity</b> Current asset investments that are readily disposable without disrupting the business and are either readily convertible into known amounts of cash at or close to the carrying amount, or traded in an active market.</p>
<p><b>Long-term Investments</b> Investments with more than 364 days until maturity.</p>
<p><b>Major Repairs Allowance (MRA)</b> Was an allowance received as part of the Housing Subsidy grant.</p>
<p><b>Major Repairs Reserve (MRR)</b> The MRR is a reserve to which depreciation is transferred. The balance on the account will be used to finance future major housing repairs.</p>
<p><b>Market Risk</b> The risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk; currency risk, interest rate risk, and other price risk.</p>
<p><b>Materiality</b> 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.</p>
<p><b>Minimum Revenue Provision (MRP)</b> The MRP is the statutory minimum amount that the council must set aside to repay loans.</p>
<p><b>Net Asset Value</b> The total value of an organisation's assets, less its liabilities and capital charges.</p>
<p><b>Net Book Value (NBV)</b> This is the amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative depreciation.</p>
<p><b>Net Realisable Value</b> The open market value of the asset in its existing use (or market value in the case of non-operational assets), less expenses to be incurred in realizing the asset.</p>
<p><b>New Homes Bonus</b> NHB is awarded for each new home built within the district recorded on the CTB1 form (October to October each year).</p>
<p><b>Non-distributed costs</b> Past service pension costs including settlements and curtailments which are not to be included in total individual service costs.</p>
<p><b>Operating Leases</b> These are leases under which an entity pays for the use of an asset but does not get the risks and rewards of ownership.</p>
<p><b>Other Operating Costs</b> Includes expenditure on buildings, fuel, light, rent, rates, and purchase of furniture and equipment.</p>

<b>Overheads</b>
Spending on items not directly related to the supply of our services, for example, office cleaning costs.
<b>Past service cost (pensions)</b>
The past service cost is the extra liability that arises when the council grants extra retirement benefits that did not exist before. For instance, where early retirement has been granted with added-on years of service.
<b>Pensions interest cost and expected return on assets</b>
The net interest cost is the increase in the value of the pension scheme liabilities that arise because those liabilities are one year closer to being paid. The expected return on assets is the forecast of accrued benefit from investments of the pension fund in the long-term.
<b>Petty Cash</b>
Small sums of cash kept by services to pay minor expenses.
<b>Precepts</b>
This is a charge levied by one Council, which is collected on its behalf by a billing authority by adding the precept to its own Council Tax and paying over the appropriate cash collected.
<b>Prior period adjustments</b>
Those material adjustments applicable to prior years which arise from changes in accounting policies or from the correction of fundamental errors.
<b>Provisions</b>
An amount set aside to provide for a liability, which is likely to be incurred, but the exact amount and the date it will arise is uncertain.
<b>PWLB</b>
Is the Public Works Loan Board, a Government agency which lends money to the public sector.
<b>Prudence</b>
Is one of the main accounting concepts. It ensures SDC only includes income in its accounts if it is sure it will receive money.
<b>Rateable Value (RV)</b>
A value placed on all non-domestic properties (businesses) on which rates have to be paid, broadly based on the rent that the property might earn, after deducting the cost of repairs and insurance. The rateable value is determined by the Inland Revenue's Valuation Office Agency.
<b>Reconciliation</b>
A reconciliation explains how figures are worked out, and shows how they are used in different statements in our accounts.
<b>Related Parties</b>
Are when at any time during the financial period:- <ul style="list-style-type: none"> <li>- One party has direct or indirect control of the other party</li> <li>- The parties are subject to common control from the same source</li> <li>- 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</li> <li>- 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.</li> </ul>
<b>Related Party Transaction</b>
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.
<b>Reimbursements</b>
Payments we receive for work we do for other public organisations, for example, the Government.
<b>Remuneration</b>
All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

<p><b>Reserves</b> A reserve is an amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.</p>
<p><b>Residual Value</b> The net value of an asset that can be reasonably expected from its sale at the end of its useful life.</p>
<p><b>Restated</b> This is where the Council has changed figures that it has published in the past to show like-for-like comparisons with later year's figures.</p>
<p><b>Revaluation Reserve</b> Is a new reserve which records the unrealised revaluation gains arising since the 1 April 2007 from holding fixed assets. Previously such gains were credited to the Fixed Asset Restatement Account.</p>
<p><b>Revenue Expenditure</b> Spending on the day-to-day running of services – mainly salaries running expenses of buildings and equipment, and capital charges. These costs are met from the Council Tax, government grants, fees and charges.</p>
<p><b>Revenue support grant (RSG)</b> A Government grant that does not vary with a local authority's spending and is designed to compensate for differences in costs of providing a standard level of service.</p>
<p><b>Short-term investments</b> Short-term investments are those with less than 364 days until maturity.</p>
<p><b>Specific Grants</b> Payments from the Government to cover local-authority spending on a particular service or project. Specific grants are usually a fixed percentage of the costs of a service or project.</p>
<p><b>Surplus</b> The remainder after taking away all expenses from income.</p>
<p><b>Tax Base</b> The tax base is an assessment by each billing authority of the likely yield of a Council Tax of £1, taking into account the number of properties on which a tax can be levied. The tax base counts properties as Band D equivalents. For setting Council Tax, the tax base is based on the District Council's number of Band D equivalent properties within each local authority area, allowing for non-collection of Council Tax and new properties.</p>
<p><b>Total Gross Expenditure</b> Gross spending, taking all local authority accounts together after eliminating double counting of flows between services, accounts and other authorities, where this is possible. Total gross expenditure is divided into gross revenue expenditure and gross capital expenditure.</p>
<p><b>Trading services</b> Local authority services which are, or are generally intended to be, financed mainly from charges levied on the users of the service.</p>
<p><b>Unallocated Reserves</b> The remaining revenue balances, after deducting the earmarked revenue reserves, which have not been set aside to meet particular spending needs.</p>
<p><b>Unapportionable central overheads</b> Costs that do not relate to a single service or services and are therefore held centrally.</p>
<p><b>Virement</b> The transfer of budget from one spending head to another. Limits on the amount of transfers are specified in the Council's Financial Regulations.</p>

