

# SEDGEMOOR DISTRICT COUNCIL DRAFT STATEMENT OF ACCOUNTS 2022/23

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## 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 employed 425 staff (March 2022) – 62% full-time, 26% part time and 12% casual or temporary, who work with 48 elected members.

The Council worked in partnership with a number of outside bodies in order to deliver the priorities within the Council's Corporate Strategy; these included 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 2022/23. 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 2022/23. 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 used its' Corporate Strategy to deliver its priorities through specific programmes. It was committed to continuous improvement in its customer service. Sedgemoor officers worked with the other four Somerset Authorities to deliver the new Unitary in April 2023.

## Local Government Reorganisation in Somerset

The Somerset (Structural Changes) Order 2022 was made on 17 March 2022, and came into force the following day. The Order confirmed that Somerset's five councils would be replaced by one single council – Somerset Council. The new single council will provide both county and district services across the existing county area from 1 April 2023 to deliver high quality sustainable local services across the county along with effective leadership at both strategic and local levels.

Following local elections to Somerset County Council, held on 6 May 2022, those elected as County Councillors took responsibility for all current County Council services for their first year, and will continue as Councillors of Somerset Council for a four-year term with next elections due in 2027.

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

Extensive planning and preparation work was undertaken with the five councils working together collaboratively to ensure the transition to the new unitary was a success. The five Councils shared implementation costs with SDC contributing £724,216 to the LGR budget held by Somerset County Council. A budget of £650,000 was requested to fund additional LGR costs for SDC split £150,000 supplementary estimate in 2021/22 and growth of £500,000 in 2022/23 used for funding support and training employees to prepare them for coping with the significant change.

## 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 2023. 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.

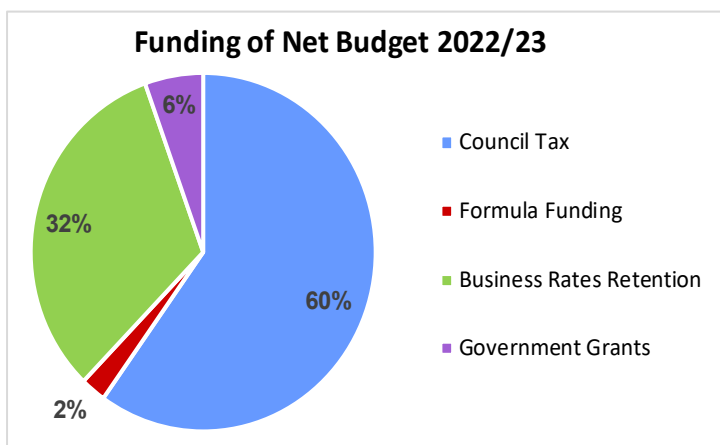
## Financial Performance

### General Fund Revenue

These accounts include the resources that have been generated and spent in delivering day to day services during the year.

The Council's actual funding for 2022/23 was £18.1m, 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	10,823
Formula Funding	430
Business Rates Retention	5,844
Government Grants	990
<b>Total</b>	<b>18,087</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 2021/22		Original Budget 2022/23	Revised Budget 2022/23 at 31st March	Actual Spend 2022/23	Variation
£'000		£'000	£'000	£'000	£'000
863	Chief Executive	1,297	1,539	1,621	82
888	Customer Services	272	587	823	236
6,259	Environment & Regulation	7,759	8,026	7,787	(239)
709	Finance & Property	2,397	2,003	1,970	(33)
2,920	Housing Health and Wellbeing	5,084	8,859	6,539	(2,320)
1,525	Inward Investment & Growth	2,256	3,014	2,950	(64)
2,839	Legal & Governance	2,492	2,484	4,408	1,924
1,674	Drainage Board Levies	0	0	0	0
(1,327)	Central Support	0	196	0	(196)
<b>16,350</b>	<b>TOTAL</b>	<b>21,557</b>	<b>26,708</b>	<b>26,098</b>	<b>(610)</b>
					0
2,916	Parish Precepts	3,104	3,104	3,104	
(3,088)	Trading Accounts/Investment Properties	(2,711)	(2,644)	(2,655)	(11)
(1,605)	Net Interest Receivable and similar	(511)	(541)	(1,881)	(1,340)
<b>14,573</b>	<b>Net Operating Expenditure per the Income and Expenditure Account</b>	<b>21,439</b>	<b>26,627</b>	<b>24,666</b>	<b>(1,961)</b>
(9,748)	Council Tax	(10,823)	(10,823)	(10,823)	0
(3,725)	Formula Funding	(3,982)	(3,982)	(3,982)	0
991	Business Rates Retention	(1,813)	(1,813)	(2,292)	(479)
(1,107)	Government Grants	(990)	(990)	(990)	0
<b>984</b>	<b>Deficit/(surplus) for the year on the Income &amp; Expenditure Statement</b>	<b>3,831</b>	<b>9,019</b>	<b>6,579</b>	<b>(2,440)</b>
(4,519)	Transfer to/(from) earmarked reserves	(6,079)	(6,698)	(2,488)	4,210
386	Transfer to/(from) earmarked reserves - MTFP	(905)	(4,357)	(341)	4,016
3,149	Direct Revenue Funding, Minimum Revenue Provision, Premiums & Discounts	3,153	2,036	(3,750)	(5,786)
<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>0</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>0</b>

The outturn for the General Fund is a transfer to general balances of £1.1m, an increase of £5.4m compared to the revised budget. The main reason for the variation is increased income exceeding the budget and some underspends on expenditure. The income exceeding budget was from Planning fees and grant income. 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 would 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. In February 2023 the new Somerset Council set a balanced budget for 2023/24 along with a Medium Term Financial Plan for a five year period. This will be further updated, as part of the budget setting process for 2024/25 with the reserves positions of SDC which will have been passed across to the new authority.

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 £9.4m, with the General Fund reserves at £1.5m. 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 2023 (excluding the MUOB reserve detailed above) is £14.8m. 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 stands at 4,014 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 and in 2022/23 we have again a net loss of 19 properties. 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 2022/23 this totalled £8.793m. 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 2022/23. 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; 2021/22 and 2022/23 rents. For rents in 2023/24 because of the cost-of-living crisis the Government implemented a rent increase cap which was below inflation causing a reduction in income budgets, this situation has impacted on the HRA 30 year business plan. We await confirmation about the rent increase for 2024/25 and thereafter, the situation will need to be kept under review. A final point on dwelling rent income is that the authority now has around 131 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 through RTB. The closing housing stock stood at 4,014 homes with the opening stock 4,031, a net loss of 17 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 2021/22</b>		<b>Original Budget 2022/23</b>	<b>Revised Budget 2022/23 at 31st March</b>	<b>Actual Spend 2022/23</b>	<b>Variation</b>
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
(18,330)	Rents & Service Charges	(18,933)	(18,933)	(19,187)	(254)
(1,254)	Other Income	(1,098)	(1,098)	(1,179)	(81)
<b>(19,584)</b>	<b>Total Income</b>	<b>(20,031)</b>	<b>(20,031)</b>	<b>(20,366)</b>	<b>(335)</b>
3,887	Repairs & Maintenance	4,096	4,126	4,070	(56)
5,612	Supervision & Management	6,171	6,409	5,989	(420)
394	Other Expenditure	441	441	627	186
<b>9,893</b>	<b>Total Expenditure</b>	<b>10,708</b>	<b>10,976</b>	<b>10,686</b>	<b>(290)</b>
<b>(9,691)</b>	<b>NET COST OF HRA SERVICES</b>	<b>(9,323)</b>	<b>(9,055)</b>	<b>(9,680)</b>	<b>(625)</b>
193	Corporate & Democratic Core	206	206	194	(12)
1,535	Interest payable and similar charges	1,491	1,454	1,681	227
<b>(7,963)</b>	<b>(SURPLUS)/DEFICIT FOR THE YEAR ON HRA SERVICES</b>	<b>(7,626)</b>	<b>(7,395)</b>	<b>(7,805)</b>	<b>(410)</b>
10,186	Movement in Reserves - Items transferred to/(from) balance sheet	7,826	6,478	6,441	(37)
<b>2,223</b>	<b>Transfer (to)/from balances</b>	<b>200</b>	<b>(917)</b>	<b>(1,364)</b>	<b>(447)</b>
<b>(11,572)</b>	<b>Opening Balances</b>	<b>(6,112)</b>	<b>(9,349)</b>	<b>(9,349)</b>	<b>0</b>
2,223	Transfer (to)/from balances	200	(917)	(1,365)	(448)
<b>(9,349)</b>	<b>Closing Balances</b>	<b>(5,912)</b>	<b>(10,266)</b>	<b>(10,714)</b>	<b>(448)</b>

To summarise, the account HRA has an increased surplus for the year at £1.365m compared against the surplus budget prediction of £0.917m, a positive difference of £0.448m.

This can be accounted for by increased income collected from rents and service charges and other income at £0.335m; an underspend on expenditure of £0.290m which includes expenditure for fire risk assessment works and housing development consultancy both of which are being reviewed in 2023/24; off-set by increased costs for interest payable at £0.227m because of inflation rises increasing interest rates. There are a couple of revenue budget under spends requested as budget carry forwards, as detailed below. Other variances across the board account for the difference.

Because of the transition from a district council to the new Somerset Council unitary authority no revenue budget carry forwards will happen. A review of the budgets will be carried out for the first quarter of 2023/24 and issues will be reported and considered accordingly for the service.

HRA capital budget carry forward requests total £3.4m, however these will not impact on revenue balances. Of this £2.7m is for delays on housing stock development due to contractor and supply chain issues; £0.3m for the HiS net zero carbon works and fire safety and cladding works which are hoped to complete in 2023/24 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. In the latest HRA business plan for the new Somerset Council the combined HRA business plan had funding issues from year 8. The plan was impacted by the cap on the annual rent increase which was implemented because of the cost-of-living crisis, this situation is kept under review and the plan will be updated in due course.

## Balance Sheet Summary

As at the 31st March 2023, the Authority's net assets amounted to £233 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-22 £'m		31-Mar-23 £'m
354	Long Term Assets	365
(50)	Net Current Liabilities - Debtors, Stock and Cash less short term creditors	(54)
(144)	Long Term Liabilities and provisions	(94)
<u>160</u>	<b>Net Assets</b>	<u>217</u>
50	Usable Reserves	52
110	Unusable Reserves	165
<u>160</u>	<b>Total Reserves</b>	<u>217</u>

## 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 2022/23. The revised budget for the General Fund was £13.7m compared to a capital spend for the year of £10.9m. The HRA revised budget was £16.3m compared to a capital spend for the year of £11.8m.

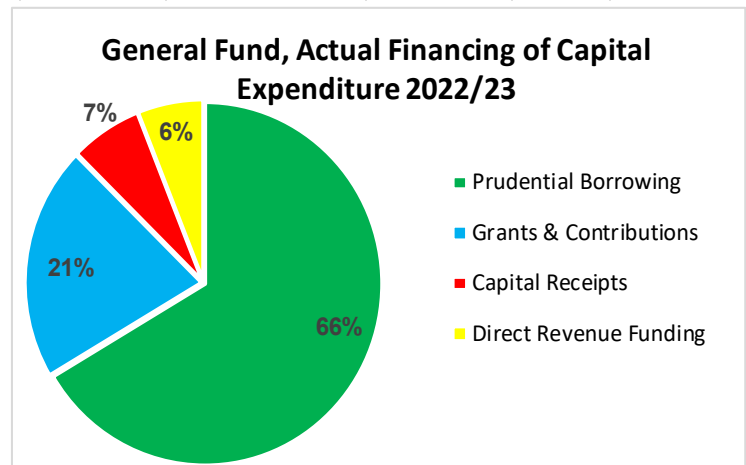
### Funding Capital Expenditure and Budgets compared with Actuals

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 2022/23 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	7,269
Grants & Contributions	2,290
Capital Receipts	719
Direct Revenue Funding	658
<b>Total</b>	<b>10,936</b>

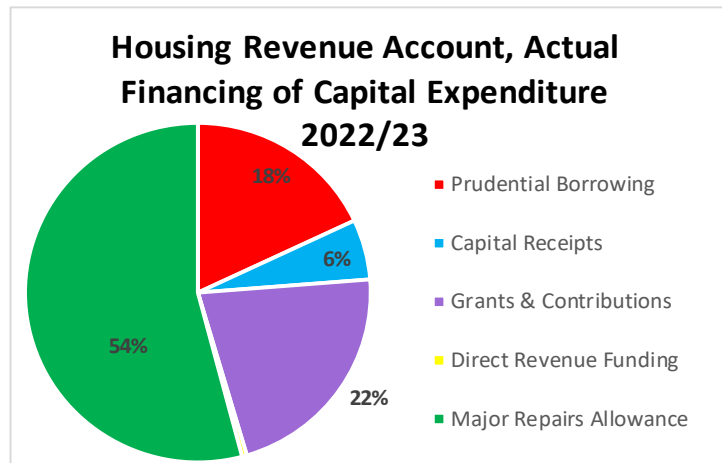


<b>General Fund</b>	<b>Original Budget 2022/23</b>	<b>Revised Budget 2022/23 at 31st March</b>	<b>Actual Spend 2022/23</b>	<b>Variation</b>	<b>Note</b>
<b>Corporate Priority</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
<b>Customers and efficiency</b>					
CCTV digitisation	0	14	3	(11)	1
CAP new revenues and benefits system	252	90	158	68	
Bays pnd replacement sluice gates	0	70	44	(26)	1
New recycling containers	279	198	198	0	
Brean beach hut	0	12	0	(12)	
Bridgwater House refurbishment	201	112	98	(14)	
Asset management	0	0	5	5	
Convert street lighting to LED	0	29	7	(22)	
Northgate Yard regeneration project	5,288	6,802	5,811	(991)	1
Vehicle replacement	321	485	424	(61)	1
Removable barriers for Bridgwater Fair	35	28	28	0	
Electric vehicle charging points	408	408	27	(381)	1
Changing places toilets	100	200	0	(200)	1
All terrain wheelchairs	50	0	0	0	
Asset management - Crosses Pen toilets	80	100	21	(79)	1
Asset management - Oxford Street toilets	80	105	20	(85)	1
Asset management - Burnham TIC toilets	0	66	66	0	
<b>Housing, communities &amp; wellbeing</b>					
LAD1 housing thermal works/grants	0	641	627	(14)	
HUG1 home upgrade	0	1,700	459	(1,241)	1
Housing enabling	0	1,300	735	(565)	1
Parks grant	0	50	0	(50)	1
Wembdon village hall grant	355	0	0	0	
Watchfield village hall grant	50	50	50	0	
Willstock hub grant	350	383	383	0	
Stafford Road par, Burnham	0	40	40	0	
Linham Road park, Bridgwater	0	10	10	0	
Orchard Close park, Brent Knoll	0	10	15	5	
Draycott park, Cheddar	0	20	20	0	
Holford Road park, Bridgwater	0	45	45	0	
Winchester Road Park, Burnahm	0	15	14	(1)	
Sorrel Drive Park, North Petherton	0	50	50	0	
Coleridge Gardens Park, Burnham	0	10	13	3	
Apex park, Burnham	0	15	0	(15)	
Play are equipment	270	80	0	(80)	
<b>Growth and infrastructure</b>					
Town Deal - Engine Room	0	0	173	173	
Town Deal - Dunball	0	0	400	400	
Town Deal - Arts Centre	0	0	35	35	
Town Deal - Bridgwater town hall	0	0	45	45	
Levelling Up - Bridgwater Hospital	0	0	218	218	
	<b>8,619</b>	<b>13,675</b>	<b>10,936</b>	<b>(2,739)</b>	

## Note 1

### Housing Revenue Account Capital

	£'000
Prudential Borrowing	2,126
Capital Receipts	677
Grants & Contributions	2,557
Direct Revenue Funding	53
Major Repairs Allowance	6,386
<b>Total</b>	<b>11,799</b>



Housing Revenue Account	Original Budget 2022/23 £'000	Revised Budget 2022/23 at 31st March £'000	Actual Spend 2022/23 £'000	Variation £'000	Note
<b>New council housing</b>					
New dwellings	14,019	7,640	5,181	(2,459)	1
<b>Existing housing stock</b>					
Capital works managed by HiS	7,277	7,720	6,240	(1,480)	1
Disabled adaptations	350	230	213	(17)	
Bespoke homes	0	408	144	(264)	1
<b>Other housing</b>					
Sewerage scheme upgrades	0	381	21	(360)	1
	<b>21,646</b>	<b>16,379</b>	<b>11,799</b>	<b>(4,580)</b>	

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

### Local Government in Somerset

As mentioned earlier in this report, the new Somerset Council came into effect on 1<sup>st</sup> April 2023 and set a balanced budget in February 2023. As Sedgemoor District Council ceased from 1<sup>st</sup> April 2023 there was no budget set by the Council.

### Impact of high inflation & interest rates

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

### Economic climate

The May 2023 Bank of England Inflation Report can be read [Monetary Policy Report - May 2022 | Bank of England](#)

The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target, and in a way that helps to sustain growth and employment. At its meeting ending on 10 May 2023, the MPC voted by a majority of 7–2 to increase Bank Rate by 0.25 percentage points, to 4.5%. Two members preferred to maintain Bank Rate at 4.25%. The Committee's updated projections for activity and inflation are set out in the accompanying May Monetary Policy Report. They are conditioned on a market-implied path for Bank Rate that peaks at around 4¾% in 2023 Q4 before ending the forecast period at just over 3½%.

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

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

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

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










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

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





### How the Council has performed in 2022/23

Sedgemoor District Council's performance was 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.

### Key Performance Indicators

Status	Code	Performance Indicator	2022/23 Result	Target
	SSCS5	Respond to general customer enquiries received by email within three working days of receipt	100%	100%
	SSBE1	Decide new benefit claims within an average of 10 days, or tell you the reasons for any delays	4.59	10
	SSBC1	Building Control to register submitted applications within 5 working days	91%	82%
	SSBC4	Approve or reject Building Control Full Plan applications within 8 weeks	100%	100%
	SSP3a	Processing of planning applications: Major Applications within 13 weeks	100%	65%
	SSP3b	Processing of planning applications: Minor applications within 8 weeks	95.5%	75%
	SSEH3	Respond to all Environmental Health Service requests within 7 working days	92.04%	90%
	SSHR1	Monitor the number of days lost to sickness for the staff of Sedgemoor District Council (days sick per employee)	6.25	7.6
	SSHR3	Monitor the number of voluntary leavers from the council (% voluntary leavers)	7.52%	-

#### Key:

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

### What has the Council achieved in 2022/23

Sedgemoor District Council's Corporate Strategy had three priority themes, **Customers & Efficiency**, **Growth & Infrastructure**, and **Housing Health & Wellbeing**. Sedgemoor was committed to addressing the economic challenges that face the residents and businesses in the district, and was 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**

- The Council assisted over 1,600 people with their new benefit claims and administered over 38,000 changes of circumstance. New claims were processed in an average of 5.5 days and changes of circumstance in 3.0 days.
- 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 £60,000 of grant funding, thanks to awards given out by Sedgemoor District Council.
- During 2022/23 we received over 100,000 calls via Sedgemoor Digital, the Council's customer contact centre, over 73% of which were resolved at the first point of contact.

### **Housing, Health & Wellbeing**

- 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 was awarded £1.5 million for the Home Upgrade Grant 1 (HUG's) of which approx. £0.5M was returned. The work was completed during 22/23 and assisted 83 households to reduce their fuel bills, make their homes more energy efficient and reduce the risk of fuel poverty. Sedgemoor has also been successful in securing Home Upgrade Grant 2. £9,000 was received which is to assist early promotion of this next phase of the scheme.
- 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 2022/23 Sedgemoor Lifeline handled over 100,000 calls from vulnerable customers with an emergency alarm. The emergency response service attended 672 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.
- 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 2022. The LDO secures a flexible and agile planning process to assist delivery and attract investment.
- The Northgate leisure development is a £16m Council financed scheme and being marketed as Northgate Yard. The development has delivered 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 opened in October 2022. Landscaping in Brewery Field includes many 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 and the full business case is anticipated to be submitted to DEFRA in the summer of 2023. Some 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 have already commenced. 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 which has also benefited from funding via the Government Green Recovery Scheme 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.
- Bridgwater has been allocated £23.2 of Town Deal funding across the 11 projects contained within the Bridgwater Town Investment Plan. All the final business cases have now been approved by Government enabling the draw down of funds to individual projects. The Celebration Mile is one of the largest projects with £8.5M allocated towards delivering this high quality public realm and active travel scheme. Tender documents will be issued in July 2023 with delivery programmed to commence in early 2024.

The Council was successful in securing £20M from the Governments Levelling up fund to 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 bid also includes an outreach centre element at Minehead and contributions towards strategic flood defence at Bridgwater.

- Employment and Skills

Under Construction

Over the course of the year 21 events were delivered (virtual and live) with 254 attendees along with 843 Information and Guidance sessions. The team also advertised 198 job opportunities.

- Hinkley Point C (HPC)

Sedgemoor District Council continues to support the construction of Hinkley Point C seeking to maximise the benefits and minimise the impacts for local communities and businesses. As the project moves towards peak construction in 2023, the workforce uplift (increase from 5,600 to 8,600 workers on site at peak with further increases now anticipated) 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 10 apartments owned by leaseholders and 26 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 2022/23 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	48,166
Public Works Loan Board – General Fund	8,000
Non Public Works Loan Board – General Fund	5,000
<b>Total</b>	<b>61,166</b>
<b>Investments</b>	<b>£'000</b>
Externally managed funds	27,130
Variable rate on call & notice accounts	12,793
<b>Total</b>	<b>39,923</b>

## Investment performance

<b>Interest received:</b>	<b>Original Budget £'000</b>	<b>Revised Budget £'000</b>	<b>Actual £'000</b>	<b>Average Rate Earned</b>
Externally managed funds	1,550	1,550	1,694	5.46%
Variable rate on call & notice accounts	50	50	221	2.14%

### 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.

The Council's Statement of Accounts for 2022/23 have been 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 2023 and its income and expenditure and cash flows, for the year ended on that date.

Jason Vaughan CPFA      25 July 2023  
Executive Director – Resources & Corporate Services (Section 151 Officer)  
Somerset

Council

## 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 2023	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 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>109,506</b>	<b>159,508</b>
<b>Movement in reserves during 2022/23</b>								
Surplus or (deficit) on provision of services	(20,158)	5,280				(14,878)	72,504	57,626
Adjustments between accounting basis and funding basis under regulations	17,329	(3,916)		1,022	2,303	16,738	(16,738)	0
<b>Increase/Decrease in year</b>	<b>(2,829)</b>	<b>1,364</b>	<b>0</b>	<b>1,022</b>	<b>2,303</b>	<b>1,860</b>	<b>55,766</b>	<b>57,626</b>
<b>Balance at 31 March 2023</b>	<b>25,693</b>	<b>10,713</b>	<b>0</b>	<b>5,229</b>	<b>10,227</b>	<b>51,862</b>	<b>165,272</b>	<b>217,134</b>
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>57,725</b>	<b>110,586</b>
<b>Movement in reserves during 2021/22</b>								
Surplus or (deficit) on provision of services	(354)	472	0	0	0	118	48,804	48,922
Adjustments between accounting basis and funding basis under regulations	(3,781)	(2,695)	0	775	2,724	(2,977)	2,977	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>51,781</b>	<b>48,922</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>109,506</b>	<b>159,508</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.

	2021/22			2022/23			note
	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	
	962	(59)	903	1,745	(85)	1,660	
	2,081	(1,172)	909	1,890	(1,067)	823	
	11,240	(4,322)	6,918	11,211	(3,423)	7,788	
	22,771	(20,514)	2,257	20,657	(20,388)	269	
	8,737	(3,998)	4,739	10,637	(4,097)	6,540	
	6,920	(5,395)	1,525	5,949	(2,999)	2,950	
	5,215	(425)	4,790	18,726	(452)	18,274	
	14,895	(19,465)	(4,570)	16,971	(20,242)	(3,271)	
	<b>72,821</b>	<b>(55,350)</b>	<b>17,471</b>	<b>87,786</b>	<b>(52,753)</b>	<b>35,033</b>	
			5,750			3,300	12
			(20)			4,241	13
			(23,319)			(27,696)	14
			<b>(118)</b>			<b>14,878</b>	
			(23,870)			(20,643)	
			(24,934)			(51,862)	
			<b>(48,804)</b>			<b>(72,505)</b>	
			<b>(48,922)</b>			<b>(57,627)</b>	

## 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'.

31-Mar-22		31-Mar-23		
£'000		£'000	£'000	note
269,938	Property, Plant & Equipment	287,806		15
521	Heritage Assets	521		
39,536	Investment properties	37,229		16
112	Intangible assets	101		
43,824	Long Term Investments	39,923		17
34	Long term debtors	24		
<u>353,965</u>	<b>Long term assets</b>		365,604	
685	Short Term Investments	711		18
0	Assets Held for Sale	0		
26	Inventories	22		
14,403	Short Term Debtors	10,463		19
4,685	Cash & cash equivalents	6,462		20
<u>19,799</u>	<b>Current assets</b>		17,658	
(1,584)	Short Term Provisions	(963)		21
(32,007)	Short Term Borrowing	(49,474)		22
<u>(36,331)</u>	Short Term Creditors	<u>(21,019)</u>		23
(69,922)	<b>Current liabilities</b>		(71,456)	
(71,353)	Long Term Borrowing	(61,166)		24
(1,979)	Capital Grants Receipts in Advance	(11,307)		25
<u>(71,001)</u>	Other Long Term Liabilities	<u>(22,199)</u>		26
<u>(144,333)</u>	<b>Long Term Liabilities</b>		(94,672)	
<u><b>159,509</b></u>	<b>NET ASSETS</b>		<u><b>217,134</b></u>	
50,003	Usable Reserves		51,862	27
109,506	Unusable Reserves		165,272	28
<u><b>159,509</b></u>	<b>TOTAL RESERVES</b>		<u><b>217,134</b></u>	

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

25<sup>th</sup> July 2023

## 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.

2021/22 £'000		2022/23 £'000
<b>(118)</b>	Net (surplus) or deficit on the provision of services	<b>14,878</b>
	<b><i>Adjustments to net surplus or deficit on the provision of services for non cash movements</i></b>	
(5,607)	Depreciation	(6,785)
(3,907)	Impairment and downward valuations	(16,360)
(14)	Amortisation	(11)
400	(Increase)/decrease in impairment for bad debts	285
3,267	(Increase)/decrease in creditors	14,155
1,440	Increase/(decrease) in debtors	(975)
10	Increase/(decrease) in inventories (stock)	(4)
(3,475)	Movement in pension liability	(3,060)
(5,427)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(845)
8,411	Other non-cash items charged to the net surplus or deficit on the provision of services.	2,772
<b>(4,902)</b>	<b>Total Adjustments to net surplus or deficit on the provision of services for non cash movements</b>	<b>(10,828)</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>	
2,867	Proceeds from the sale of property plant and equipment, investment property and intangible assets.	2,418
<b>2,867</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>2,418</b>
<b>(2,153)</b>	<b>Net Cashflow from Operating Activities</b>	<b>6,468</b>
25,731	Purchase of Property, Plant & Equipment, investment property and intangible assets	20,290
596	Purchase of short term & long term investments	0
2,464	Other payments for investing activities	3,861
(2,867)	Proceeds from the sale of Property Plant & Equipment, investment property and intangible assets	(2,418)
(845)	Proceeds from long & short term investments	(858)
(4,272)	Capital grants received	(16,343)
<b>20,807</b>	<b>Total cashflow from Investing Activities</b>	<b>4,532</b>
(52,000)	Cash receipts of short- and long-term borrowing	(39,000)
50,000	Repayments of short- and long-term borrowing	31,706
(3,569)	Net (increase)/decrease in Council Tax	(357)
(12,071)	Net (increase)/decrease in National Non Domestic Rates (NNDR)	(5,126)
<b>(17,640)</b>	<b>Total cashflow from Financing Activities</b>	<b>(12,777)</b>
1,014	Net (increase)/decrease in cash and cash equivalents	(1,777)
(5,699)	Cash & Cash equivalents at the beginning of the reporting period	(4,685)
<b>(4,685)</b>	<b>Cash &amp; Cash equivalents at the end of the reporting period</b>	<b>(6,462)</b>



### Note 1 Statement of Significant Accounting Policies

#### GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31st March 2023. 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 2022/23 and the Service Reporting Code of Practice 2022/23, supported by International Financing Reporting Standards (IFRS).

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

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

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

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

## Note 3 Critical Judgements in applying Accounting Policies

In applying the accounting policies set out 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.
- Cash and cash equivalents on the net assets statement are restricted to 'cash at bank' and 'bank overdraft'. All cash (overdraft) not in the pensions fund's standard bank account with NatWest is treated as an Investment asset.

## 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 2023 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
------	---------------	--

<p>Pensions Liability</p>	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.</p>	<p>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 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>
<p>Revaluation</p>	<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 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>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 £24m.</p> <p>An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the 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.

There are no material items for 22/23.

### Material Items 21/22

#### Business Rates and Grants

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			
2,800	(2,800)	0	Additional Restrictions Support Grant	0	0	0
0	0	0	Local Authority Discretionary Grant Fund	0	0	0
23	(23)	0	Local Restrictions Support Grant (OPEN) V2 2nd Dec onwards	0	0	0
0	0		Receipt in Advance moved to Balance Sheet	0	0	0
<b>2,823</b>	<b>(2,823)</b>	<b>0</b>	<b>Total</b>	<b>0</b>	<b>0</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:

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



**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.

<b>For the year ended 31 March 2023</b>	<b>Net Expenditure Chargeable to the General Fund and HRA Balances</b>	<b>Adjustments to arrive at net amount chargeable to the General Fund</b>	<b>Net Expenditure Chargeable to the General Fund and HRA Balances</b>	<b>Adjustments between Funding and Accounting Basis</b>	<b>Net Expenditure in the Comprehensive Income and Expenditure Statement</b>
	<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Chief Executive	1,621	39	1,660	0	<b>1,660</b>
Customer Services	823	(16)	807	16	<b>823</b>
Environment & Regulation	7,787	(150)	7,637	151	<b>7,788</b>
Finance & Property	1,970	(1,736)	234	35	<b>269</b>
Housing, Health & Wellbeing	6,539	(2,968)	3,572	2,968	<b>6,540</b>
Inward Investment & Growth	2,950	(871)	2,079	871	<b>2,950</b>
Legal & Governance	4,408	(1,179)	3,228	1,266	<b>4,494</b>
Central Support	0	(451)	(451)	14,231	<b>13,780</b>
Housing Revenue Account	0	(9,658)	(9,658)	6,387	<b>(3,271)</b>
<b>Net cost of services</b>	<b>26,098</b>	<b>(16,990)</b>	<b>9,108</b>	<b>25,925</b>	<b>35,033</b>
Other income and expenditure	(19,519)	11,877	(7,642)	(12,513)	<b>(20,155)</b>
<b>Surplus or deficit</b>	<b>6,579</b>	<b>(5,113)</b>	<b>1,466</b>	<b>13,412</b>	<b>14,878</b>
Opening General Fund and HRA Balance at 31 March			(37,871)		
(Surplus)/Deficit on General Fund and HRA Balance in Year			1,465		
Closing General Fund and HRA Balance at 31 March *			<b>(36,406)</b>		

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 Restated	£'000	£'000
Chief Executive	903	0	903
Customer Services	888	21	909
Environment & Regulation	6,259	659	6,918
Finance & Property	2,250	7	2,257
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>6,784</b>	<b>10,687</b>	<b>17,471</b>
Other income and expenditure	(426)	(17,163)	(17,589)
<b>Surplus or deficit</b>	<b>6,358</b>	<b>(6,476)</b>	<b>(118)</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 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

For the year ended 31 March 2023	Adjustments for Capital Purposes	Net change for the Pensions	Other Differences	Total Adjustments
	(1) £'000	(2) £'000	(3) £'000	£'000
Chief Executive	0	0	0	0
Customer Services	16	0	0	16
Environment & Regulation	151	0	0	151
Finance & Property	35	0	0	35
Housing, Health & Wellbeing	2,968	0	0	2,968
Inward Investment & Growth	871	0	0	871
Legal & Governance	0	1,266	0	1,266
Corporate Support	14,231	0	0	14,231
Housing Revenue Account	6,387	0	0	6,387
<b>Net cost of services</b>	<b>24,659</b>	<b>1,266</b>	<b>0</b>	<b>25,925</b>
Other income and expenditure	(14,687)	1,701	473	(12,513)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit</b>	<b>9,972</b>	<b>2,967</b>	<b>473</b>	<b>13,412</b>

For the year ended 31 March 2022	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	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	(12,180)	1,636	(6,619)	(17,163)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit</b>	<b>(3,332)</b>	<b>3,475</b>	<b>(6,619)</b>	<b>(6,476)</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:

2021/22 Income from Services  £'000		2022/23 Income from Services  £'000
(59)	Chief Executive	(85)
(1,172)	Customer Services	(1,067)
(4,322)	Environment & Regulation	(3,423)
(20,514)	Finance & Property	(20,388)
(3,998)	Housing, Health & Wellbeing	(4,097)
(5,395)	Legal & Governance	(452)
(425)	Inward Investment & Growth	(2,999)
(19,465)	Housing Revenue Account	(20,242)
<b>(55,350)</b>	<b>Net cost of services</b>	<b>(52,753)</b>

## Note 8 Expenditure and Income Analysed by Nature

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

2021/22 £'000		2022/23 £'000
	<b>Expenditure</b>	
19,907	Employee expenses	21,777
49,513	Other service expenses	48,400
18,164	Support Service recharges	19,606
5,622	Depreciation, amortisation and impairment	6,775
2,220	Revenue expenditure funded from capital under statute	3,829
1,027	Revaluation	14,052
2,879	Fair value adjustment	2,308
2,084	Interest Payments	2,656
4,591	Precepts & Levies	4,865
274	Payments to Housing Capital Receipts Pool	
2,560	Gain or Loss on Disposal of Fixed Assets	(1,573)
<b>108,841</b>	<b>Total operating expenses</b>	<b>122,695</b>
	<b>Income</b>	
(57,185)	Fees, charges & other service income	(60,735)
(3,621)	Interest and investment income	160
(10,286)	Income from council tax	(10,797)
1,210	Income from business rates	(156)
(40,169)	Government grants and contributions	(36,310)
<b>(110,051)</b>	<b>Total Income</b>	<b>(107,838)</b>
<b>(1,210)</b>	<b>(Surplus)/deficit on the provision of services</b>	<b>14,857</b>

## Note 9 Contracts with Service Recipients

Included within income from fees and charges of £60.7m (57.1m 2021/22) are the following amounts derived from contracts with service recipients as defined by IFRS 15.

2021/22 £'000		2022/23 £'000
(1,017)	Building Control	916
(1,310)	Planning	1,033
(1,193)	Car Park Income	1,409
(3,715)	Commercial Rent & Licences over land	3,535
(647)	Careline	633
(176)	Licences	181
(81)	Garden Waste	0
(195)	Search Fees	148
<u>(16,800)</u>	HRA rental income	<u>17,644</u>
<b><u>(25,134)</u></b>	<b>Total income from Contracts with Service Recipients</b>	<b><u>25,499</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.

	2022/23					Movement in Unusable Reserves £'000
	General	Housing	Capital	Major	Capital	
	Fund	Revenue	Receipts	Repairs	Grants	
	Balance	Account	Reserve	Reserve	Unapplied	
£'000	£'000	£'000	£'000	£'000	£'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)	3,060	0	0	0	0	3,060
- 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)	(2,459)	0	0	0	0	(2,459)
- Pooled investments changes (transferred to/(from) the Pooled Investments Fund Adjustment Account)	2,932	0	0	0	0	2,932
- 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)	18,661	4,590	0	0	0	23,251
<b>Total Adjustments to Revenue Resources</b>	<b>22,190</b>	<b>4,590</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>26,780</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	(352)	(2,066)	2,418	0	0	0
Contribution from CRR to finance payments to the Government capital receipts pool	0	0	0	0	0	0
<b>Major Repairs Reserve (MRR)</b>						
Reversal of notional Major Repairs Allowance	0	(6,387)	0	6,387	0	0
<b>Capital Adjustment Account (CAA)</b>						
Statutory provision for the financing of capital investment	(1,365)	0	0	0	0	(1,365)
Capital expenditure charged against the General Fund & HRA Balances	(658)	(53)	0	0	0	(711)
<b>Total Adjustments between Revenue &amp; Capital</b>	<b>(2,375)</b>	<b>(8,506)</b>	<b>2,418</b>	<b>6,387</b>	<b>0</b>	<b>(2,076)</b>
<b>Adjustments to Capital Resources</b>						
<b>Capital Receipts Reserve (CRR)</b>						
Use of CRR to finance new capital expenditure	0	0	(1,396)	0	0	(1,396)
<b>Major Repairs Reserve (MRR)</b>						
Use of MRR to finance new capital expenditure	0	0	0	(6,387)	0	(6,387)
<b>Capital Grants Unapplied Account (CGUA)</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(2,485)	0	0	0	2,303	(182)
<b>Total Adjustments to Capital Resources</b>	<b>(2,485)</b>	<b>0</b>	<b>(1,396)</b>	<b>(6,387)</b>	<b>2,303</b>	<b>(7,965)</b>
<b>TOTAL ADJUSTMENTS</b>	<b>17,330</b>	<b>(3,916)</b>	<b>1,022</b>	<b>0</b>	<b>2,303</b>	<b>16,739</b>



	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 requirements</b>							
	- Pensions costs (transferred to/(from)) the Pensions Reserve)	3,475	0	0	0		0	3,475
- 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)	5,019	10,301	0	0	0	15,320		
<b>Total Adjustments to Revenue Resources</b>	<b>1,873</b>	<b>10,301</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12,174</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>(3,779)</b>	<b>(2,695)</b>	<b>775</b>	<b>0</b>	<b>2,724</b>	<b>(2,975)</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 2022/23.

	1st April 2021 £'000	Transfers		31st March 2022 £'000	Transfers		31st March 2023 £'000
		Out £'000	In £'000		Out £'000	In £'000	
<b>General Fund</b>							
Apprentices	359	(154)	333	538	(211)	11	338
Business Incubation Space	169	(33)	125	261	(181)	250	330
Business Rates Retention*	11,603	(7,510)	3,382	7,475	(3,220)	1,120	5,375
CCTV equipment	72	(54)	0	18	(18)	0	0
CCTV equipment TDBC	355	(449)	166	72	(115)	72	29
Commercial Property	338	0	180	518	0	167	685
Community Development Fund	5,331	(2,275)	1,063	4,119	(2,248)	989	2,860
Corporate buildings	203	(25)	60	238	(12)	60	286
Flooding	63	(63)	0	0	0	0	0
Homelessness	433	(544)	909	798	(446)	873	1,225
Housing Improvement	187	0	253	440	0	106	546
Insurance fund	70	0	8	78	0	8	86
IT equipment replacement	285	(75)	254	464	0	3	467
Kings of Wessex Pool	386	(73)	68	381	(250)	69	200
Land Charges	74	(74)	0	0	0	0	0
Medium Term Managed use of Balances**	8,691	(845)	1,230	9,076	0	341	9,417
New Burdens	591	(294)	48	345	(31)	264	578
Somerset Building Control Partnership	478	0	103	581	(78)		503
Succession Planning	94	0	0	94	(6)		88
Port of Bridgwater	540	(256)	0	284	(107)		177
Covid 19 contingency	618	(972)	1,124	770	(375)	49	444
Other	217	(115)	370	472	(189)	276	559
<b>Total General Fund Reserve Funds</b>	<b>31,157</b>	<b>(13,811)</b>	<b>9,676</b>	<b>27,022</b>	<b>(7,487)</b>	<b>4,658</b>	<b>24,193</b>
<b>Reconciliation to Expenditure &amp; Funding Analysis:</b>							
General Fund earmarked reserves	31,157			27,022			24,193
General Fund non-earmarked reserves	1,500			1,500			1,500
HRA non-earmarked reserves	11,572			9,349			10,713
<b>Total General Fund and HRA reserves</b>	<b>44,229</b>			<b>37,871</b>			<b>36,406</b>

\* The additional business rate reliefs given by the government, was put into the BRR reserve in 2020/21 as the loss in real income wouldn't be seen until 2021/22, again in 2021/22 there were additional reliefs which the loss in income wouldn't materialise 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

2021/22 £'000		2022/23 £'000
2,916	Precepts Paid to Town & Parish Councils	3,105
	Drainage Board Levies	1,768
	<i>Reversed in the Movement in Reserves</i>	
274	HRA Capital Receipts, Contribution to National Pool	0
2,560	Gain on Disposal of non-current assets	(1,573)
<b>5,750</b>		<b>3,300</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 two who do not precept.

The largest precepts were:

879	Bridgwater	912
707	Burnham on Sea & Highbridge	698
183	Cheddar	237
161	North Petherton	178
98	Wembdon	111
93	Axbridge	99
65	Wedmore	75

### Note 13 Financing and investment income and expenditure

2021/22 £'000		2022/23 £'000
2,084	Interest payable & similar charges	2,656
(2,154)	Interest receivable & similar income	(2,857)
200	Net Deficit/(surplus) from Trading Services	211
(3,373)	Net Income from Investment Properties	(2,886)
	<i>Reversed in the Movement in Reserves</i>	
2,879	Changes in Fair Value on Investment Properties - see note 16	2,308
1,811	Pensions Interest Cost & Return on Assets	1,793
(42)	Expected Credit Loss	85
(1,425)	Financial Investments Revaluations	2,932
<b>(20)</b>		<b>4,242</b>

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

2021/22 £'000		2022/23 £'000
	Council Tax Income	
(9,980)	Precept on Collection Fund	(10,535)
232	Deficit/Surplus on Collection Fund	(288)
	Formula Funding	
(3,553)	Business Rates Baseline	(3,553)
(21)	Revenue Support Grant	(21)
(151)	Lower Teir Grant	(408)
	Business Rates Retention	
(17,071)	Demand on Collection Fund	(15,777)
10,959	Tariff Payment	10,959
3,553	Business Rates Baseline	3,553
2,045	Levy Payment	2,168
(1,302)	Business rates pool dividend	(1,602)
(231)	Renewable energy	(194)
(4,874)	Section 31 grants	(4,621)
7,912	Deficit/(Surplus) on Collection Fund	3,252
	Non Ringfenced Government Grants	
(1,063)	New Homes Bonus	(990)
(44)	Sales Fees and Charges Compensation	(30)
	<i>Reversed in the Movement in Reserves</i>	
(538)	Collection Fund Adjustment - Council Tax	26
(4,655)	Collection Fund Adjustment - Business Rates	(2,485)
(2,724)	Community Infrastructure Levy	(2,486)
(1,813)	Capital Grants	(4,664)
<b>(23,319)</b>	<b>Total</b>	<b>(27,696)</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,

24th February 2022 £177.32 for 2022/23

22nd February 2021 £172.32 for 2021/22

## 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 2022/23						
	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 At 1 April 2022</b>	<b>227,802</b>	<b>22,975</b>	<b>489</b>	<b>6,298</b>	<b>1,149</b>	<b>14,240</b>	<b>272,953</b>
Additions	7,084	144		928		10,751	<b>18,907</b>
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	13,111	1,161					<b>14,272</b>
Revaluation Increases/(decreases) recognised in the surplus/deficit on the provision of services		(14,176)					<b>(14,176)</b>
Derecognition - Disposals	(755)			(217)			<b>(972)</b>
Assets reclassified		16,512				(16,512)	<b>0</b>
<b>At 31 March 2023</b>	<b>247,242</b>	<b>26,616</b>	<b>489</b>	<b>7,009</b>	<b>1,149</b>	<b>8,479</b>	<b>290,984</b>
<b>Depreciation and impairment At 1 April 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>
Depreciation Charge	(6,098)	(398)	(5)	(284)			<b>(6,785)</b>
Depreciation written out to the Revaluation Reserve	6,098	398					<b>6,496</b>
Derecognition - Disposals				127			<b>127</b>
Impairment							<b>0</b>
<b>At 31 March 2023</b>	<b>0</b>	<b>0</b>	<b>(397)</b>	<b>(2,780)</b>	<b>0</b>	<b>(1)</b>	<b>(3,178)</b>
<b>NET BOOK VALUE At 31 March 2023</b>	<b>247,242</b>	<b>26,616</b>	<b>92</b>	<b>4,229</b>	<b>1,149</b>	<b>8,478</b>	<b>287,806</b>
At 31 March 2022	227,802	22,975	97	3,675	1,149	14,239	269,937



	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 At 1 April 2021</b>	<b>202,837</b>	<b>21,997</b>	<b>489</b>	<b>5,316</b>	<b>1,071</b>	<b>2,708</b>	<b>234,418</b>
Additions	11,840	807	0	1,022	0	12,768	26,437
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	17,642	917	0	0	23	0	18,582
Revaluation Increases/(decreases) recognised in the surplus/deficit on the provision of services	0	(1,082)	0	0	55	0	(1,027)
Derecognition - Disposals	(5,416)	0	0	(40)	0	0	(5,456)
Assets reclassified	900	336	0	0	0	(1,236)	0
<b>At 31 March 2022</b>	<b>227,803</b>	<b>22,975</b>	<b>489</b>	<b>6,298</b>	<b>1,149</b>	<b>14,240</b>	<b>272,954</b>
<b>Depreciation and impairment 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	(5,607)
Depreciation written out to the Revaluation Reserve	4,756	532	0	0	0	0	5,288
Derecognition - Disposals	0	0	0	29	0	0	29
Impairment	0	0	0	0	0	(1)	(1)
<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 At 31 March 2022</b>	<b>227,803</b>	<b>22,975</b>	<b>97</b>	<b>3,675</b>	<b>1,149</b>	<b>14,239</b>	<b>269,938</b>
At 31 March 2021	202,837	21,997	104	2,976	1,071	2,708	231,693

## CAPITAL COMMITMENTS

The capital commitments at 31st March 2023 were £1.48m for Decent Homes and Estates works, Social Housing Decarbonisation Funded (SHDF) project and fire doors.

## REVALUATIONS

The Authority revalues its Property, Plant and Equipment annually with the last full valuation taking place in March 2023. 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 2023	0	0	0	0	1,149	0	<b>1,149</b>
valued at DHC as at: 31st March 2023	0	0	97	3,675	0	0	<b>3,772</b>
valued at current value as at: 31st March 2023	227,803	22,975	0	0	0	14,239	<b>265,017</b>
<b>Total</b>	<b>227,803</b>	<b>22,975</b>	<b>97</b>	<b>3,675</b>	<b>1,149</b>	<b>14,239</b>	<b>269,938</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.

2021/22 £'000		2022/23 £'000
3,852	Rental income from investment property	3,359
(479)	Direct operating expenses arising from investment property	(472)
<b>3,373</b>	<b>Net gain/(loss)</b>	<b>2,887</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.

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

2021/22 £'000		2022/23 £'000
42,415	Balance at 1 April	39,535
0	Additions	
(2,879)	Net gains/(losses) from fair value adjustments	(2,307)
<b>39,536</b>	<b>Balance at 31 March</b>	<b>37,228</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.

## **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

2021/22 £'000		2022/23 £'000
42,711	Balance at 1 April	43,824
596	New Service Loans	0
1,426	Valuation adjustments taken to pooled investments adjustment account	(2,932)
(38)	Change in Expected Credit Losses	(85)
(845)	Loans Repaid	(858)
(26)	Repayable within 12 months	(26)
<b>43,824</b>	<b>Balance at 31 March</b>	<b>39,923</b>
2,975	CCLA Diversified Income Fund	2,710
5,483	CCLA Property Fund	4,578
4,738	Investec Diversified Income Fund	4,482
4,875	Kames Diversified Monthly Income Fund	4,270
7,402	Schroder Income Maximiser Fund	7,012
4,588	UBS Global Income Fund	4,076
695	Sedgemoor Group Ltd - equity	695
1,314	Aspen Housing & Development Ltd - loan	1,283
11,754	Loans	10,817
<b>43,824</b>	<b>Balance at 31 March</b>	<b>39,923</b>

## Note 18 Short Term Investments

2021/22 £'000		2022/23 £'000
660	Balance at 1 April	685
(660)	Maturities	(685)
685	Long Term loans due within 12 months	711
<b>685</b>	<b>Balance at 31 March</b>	<b>711</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-22		31-Mar-23
£'000		£'000
2,147	Central Government Bodies	607
1,676	Other Local Authorities	3,071
1,485	Business Rates - Pool Dividend due	1,485
1,198	Collection Fund Business Rates - Sedgemoor Share	1,143
3,649	Collection Fund Business Rates - Major Preceptors	574
664	Collection Fund Council Tax - Sedgemoor Share	646
0	Collection Fund Council Tax - Major Preceptors	0
212	Other Entities and individuals	444
4,377	Sundry Debtors	3,320
353	Payments in Advance	359
29	Long Term due within 12 months	17
(1,387)	<i>Less bad debt provisions</i>	(1,203)
<b>14,403</b>		<b>10,463</b>

Collection Fund Business Rates and Council Tax – The Major Preceptors share fluctuates between being a debtor and a creditor, because of the additional reliefs given during the year.

## Note 20 Cash and cash equivalents

31-Mar-22		31-Mar-23
£'000		£'000
1	Cash held by the Authority	0
(1,073)	Bank Current Accounts	411
0	Short term deposits	0
5,757	Short term deposits held at fair value	6,051
<b>4,685</b>		<b>6,462</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 2021 £'000	Arising in year £'000	Utilised £'000	31st March 2022 £'000	Arising in year £'000	Utilised £'000	31st March 2023 £'000
Employee Benefits	339	339	(339)	339	339	(339)	339
Insurance	7	11	0	18	(6)	0	12
NDR Appeals	877	697	(347)	1,227	332	(947)	612
<b>Total</b>	<b>1,223</b>	<b>1,047</b>	<b>(686)</b>	<b>1,584</b>	<b>665</b>	<b>(1,286)</b>	<b>963</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 2023. These are likely to materialise throughout the year depending on the valuation office's time constraints.

## Note 22 Short term borrowing

31-Mar-22 £'000		31-Mar-23 £'000
301	Accrued interest on long and short term borrowing	287
4,706	PWLB loans due for repayment in the next 12 months	10,187
0	Non PWLB loans due for repayment in the next 12 months	0
27,000	Short Term borrowing from other local authorities - General Fund	39,000
<b>32,007</b>		<b>49,474</b>
27,077	General Fund	44,063
4,930	Housing Revenue Account	5,411
<b>32,007</b>		<b>49,474</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-22 £'000		31-Mar-23 £'000
3,648	Central Government Bodies	3,801
1,524	Department for Business, Energy & Industrial Strategy - Business Grants (Agent)	0
536	Other Local Authorities	350
2,033	Business Rates - Levy Payment due	2,168
256	Collection Fund Business Rates - Sedgemoor Share	309
738	Collection Fund Council Tax - Major Preceptors	1,050
166	Collection Fund Council Tax - Sedgemoor Share	191
1,682	Other Entities and Individuals	2,443
3,275	Sundry Creditors	354
	Receipts in Advance	
1,947	Commutated Sums, RLT2&3 Contributions	2,292
1,355	Flood Tariff	1,570
2,457	Hinkley Point C Development S106	2,247
1,811	Better Care Fund	2,223
581	Other S106	465
2,172	General	1,556
5,365	Business Rates - Preceptors Section 31 grant	0
6,785	Department for Business, Energy & Industrial Strategy - Business Grants (Principal)	0
<b>36,331</b>		<b>21,019</b>

The note shows a large reduction in short term creditors for 2022/23. This is mostly due to:

- 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 was treated as a receipt in advance in 2021/22.
- The Business Grants received for Covid 19 grants to businesses, were held as a creditor at the end of 2021/22 but by the end of 2022/23, were all paid out or returned to government.

## Note 24 Long term borrowing

2021/22 £'000		2022/23 £'000
61,059	Balance at 1 April	71,353
0	New borrowing advanced during the year - HRA	5,000
15,000	New borrowing advanced during the year - GF	0
(4,706)	less moved to short term borrowing - maturity within 12 months	(15,187)
<b>71,353</b>	Balance at 31 March	<b>61,166</b>
23,000	General Fund	13,000
48,353	Housing Revenue Account	48,166
<b>71,353</b>		<b>61,166</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 PWLB and other Councils.



## Note 25 Capital Grants Receipts in Advance

31-Mar-22		31-Mar-23
£'000		£'000
25	Mead Realisations - Isleport	25
15	George Wimpey	15
0	SCC Public Health fund - Celebration Mile	250
64	Community Housing Fund	49
75	HOSW LEP Fund	0
1,160	DLUHC Towns Funding	8,047
0	DLUHC LA Housing Grant	225
0	DLUHC Levelling up	2,062
0	DLHUC Changing Places toilets	61
0	BEIS Sustainable warmth HUG1	560
0	BEIS Green Homes Grant 1A	0
640	BEIS Green Homes Grant 1B	13
<b>1,979</b>	<b>Total Capital Grants Receipts in Advance</b>	<b>11,307</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 2022/23.

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**.

2021/22 £'000		2022/23 £'000
	<b>Balance at 1 April</b>	
87,712	opening balance, share of fund deficit, start of year	66,791
4,748	unfunded liabilities start of year, Actuary's estimate	4,210
(24,934)	remeasurement (gain)/loss	(51,862)
	<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>	
5,454	current service cost for year, Actuary's estimate	5,323
51	pensions administration cost	59
(53)	Liabilities/Settlements	0
1,811	pensions interest cost, Actuary's estimate	1,793
	<b>Employers pensions contributions and direct payments to pensioners payable in the year</b>	
(3,466)	actual employer's pension contributions for year	(3,792)
0	actual past service contributions for year	0
(322)	past service contributions for the year	(323)
<b>71,001</b>	<b>Balance at 31 March</b>	<b>22,199</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-22 £'000		31-Mar-23 £'000
104,395	Revaluation reserve	125,033
(25)	Financial instruments adjustment account	(21)
80,112	Capital adjustment account	66,908
(71,001)	Pensions reserve	(22,199)
(2,697)	Collection Fund Adjustment Account	(238)
(339)	Short Term Accumulating Compensated Absences Account	(339)
(939)	Pooled Investment Fund Adjustment Account	(3,871)
<b>109,506</b>		<b>165,273</b>

## 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.

2021/22			2022/23	
£'000	£'000		£'000	£'000
	80,808	Balance at 1 April		104,395
24,852		Upward revaluation of assets	21,101	
(982)		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the provision of services	(458)	
	23,870	Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services		20,643
	(283)	Difference between fair value depreciation and historical cost		(5)
		Disposals taken to revaluation reserve		
	<u>104,395</u>	<b>Balance at 31 March</b>		<u>125,033</u>

## Financial Instruments Adjustment Account

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 2023 will be charged to the General Fund over the next 10 years.

2021/22			2022/23	
£'000	£'000		£'000	£'000
(28)		balance at 1 April		(25)
3		Proportion of premiums incurred in the previous financial years to be charged against the General Fund Balance in accordance with statutory requirements		4
	<u>(25)</u>	<b>balance at 31 March</b>		<u>(21)</u>

## 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.

2021/22 £'000		2022/23 £'000
80,001	Balance at 1 April	80,112
	<b><i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</i></b>	
	Charges for depreciation and impairment of non-current assets	
(4,756)	depreciation – dwellings	(6,098)
(259)	depreciation – other HRA	(289)
(592)	depreciation – other general fund	(398)
(1,028)	Revaluation losses on Property, Plant & Equipment	(14,052)
(14)	Amortisation of intangible assets	(11)
(2,220)	Revenue expenditure funded from capital under statute	(3,829)
(5,427)	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	(845)
42	Expected Credit loss	(85)
(14,254)		(25,607)
282	Adjusting amounts written out of the Revaluation Reserve	5
	<b><i>Capital Financing Applied in the year</i></b>	
1,818	Use of capital receipts reserve to finance new capital expenditure	1,396
5,015	Use of major repairs reserve to finance new capital expenditure	6,387
1,813	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	4,664
0	Application of grants to capital financing from the capital grants unapplied	183
1,355	Statutory provision for the financing of capital investment charged against the general fund and HRA balances	1,365
6,961	Capital expenditure charged against the general fund and HRA balances	711
16,962		14,706
(2,879)	Movements in the market value of investment properties debited or	(2,308)
<b>80,112</b>	<b>Balance at 31 March</b>	<b>66,908</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.

2021/22 £'000		2022/23 £'000
	<b>Balance at 1 April</b>	
(87,712)	opening balance, share of fund deficit, start of year	(66,791)
(4,748)	unfunded liabilities start of year, Actuary's estimate	(4,210)
24,934	remeasurement gain/(loss)	51,862
	<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>	
(5,494)	Current service cost for the year (Actuary's estimate)	(5,323)
(53)	Pensions administration cost	(59)
53	Liabilities/Settlements	0
(1,811)	Pensions interest cost (Actuary's estimate)	(1,793)
	<b>Employers pensions contributions and direct payments to pensioners payable in the year</b>	
3,508	Actual contributions paid over to the fund	3,792
0	Past service contributions for the year	0
322	Unfunded pension payments	323
<b>(71,001)</b>	<b>Balance at 31 March</b>	<b>(22,199)</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.

2021/22 £'000		2022/23 £'000
(139)	Balance at 1 April	399
538	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	(26)
<u>399</u>	<b>Balance at 31 March</b>	<u>373</u>

### 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.

2021/22 £'000		2022/23 £'000
(7,751)	Balance at 1 April	(3,096)
4,655	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	2,485
<u>(3,096)</u>	<b>Balance at 31 March</b>	<u>(611)</u>

## 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.

2021/22 £'000		2022/23 £'000
(339)	Balance at 1 April	(339)
339	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>
0	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.

2021/22 £'000		2022/23 £'000
(2,364)	Balance at 1 April	(939)
(251)	Downward revaluation of investments	(2,932)
1,676	Upward revaluation of investments	0
<u>(939)</u>	<b>Balance at 31 March</b>	<u>(3,871)</u>

## Cashflow Notes

### Note 29 Cash flow statement

The cash flows for Operating Activities include the following items:

2021/22 £'000		2022/23 £'000
(2,084)	Interest Paid	(2,656)
<u>2,154</u>	Interest Received	<u>2,857</u>
<u>70</u>		<u>201</u>

## 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 2022/23 (2021/22 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-22			31-Mar-23	
	Long-Term £'000	Current £'000		Fair Value Level	Long-Term £'000
			<b>Investments at amortised cost:</b>		
	13,176	685	- principal element of loans advanced	12,102	711
	(108)	0	- loss allowance		0
			<b>At fair value through other comprehensive income</b>		
3	695	0	- equity investments elected FVOCI	3	695
			<b>At fair value through profit &amp; loss</b>		
1	30,061	0	- fair value of pooled funds	1	27,126
	<b>43,824</b>	<b>685</b>	<b>Total investments</b>	<b>39,923</b>	<b>711</b>
			<b>Cash &amp; cash equivalents at fair value through profit &amp; loss:</b>		
	0	5,757	- fair value of money market funds	0	6,462
	<b>0</b>	<b>5,757</b>	<b>Total cash &amp; cash equivalents</b>	<b>0</b>	<b>6,462</b>
			<b>Debtors at amortised cost:</b>		
	34	4,817	- trade receivables	24	4,123
	0	(803)	- loss allowance	0	(519)
	0	9,297	<i>Debtors that are not financial instruments</i>	0	6,859
	34	13,311	<b>Total Debtors - see note 19</b>	24	10,463
	<b>43,858</b>	<b>10,456</b>	<b>Total Financial Assets</b>	<b>39,947</b>	<b>10,777</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-22			31-Mar-23	
Long-Term	Current		Long-Term	Current
£'000	£'000		£'000	£'000
		<b>Loans at amortised cost:</b>		
71,353	31,706	- principal sum borrowed	61,166	49,187
0	301	- accrued interest	0	287
<b>71,353</b>	<b>32,007</b>	<b>Total Loans</b>	<b>61,166</b>	<b>49,474</b>
		<b>Cash &amp; cash equivalents at amortised cost:</b>		
0	1,072	- principal	0	0
<b>0</b>	<b>1,072</b>	<b>Total Cash &amp; Cash Equivalents</b>	<b>0</b>	<b>0</b>
		<b>Creditors at amortised cost:</b>		
0	3,167	- trade payables	0	1,328
0	32,072	<i>creditors that are not financial instruments</i>	0	19,691
<b>0</b>	<b>35,239</b>	<b>Total Creditors - see note 23</b>	<b>0</b>	<b>21,019</b>
<b>71,353</b>	<b>36,246</b>	<b>Total Financial Liabilities</b>	<b>61,166</b>	<b>70,493</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-22			31-Mar-23		
Carrying amount	Fair value		Carrying amount	Fair value	
£'000	£'000		£'000	£'000	
71,353	71,670	Loans - PWLB	61,166	53,603	
3,167	3,167	Creditors	1,048	1,048	

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

2021/22	2021/22	2021/22		2022/23	2022/23	2022/23
Amortised cost	Fair Value through Profit & Loss	Total	Financial Assets held at:	Amortised cost	Fair Value through Profit & Loss	Total
£'000	£'000	£'000		£'000	£'000	£'000
0	(1,425)	(1,425)	Loss/(gain) from changes in fair value		2,932	2,932
38	0	38	Loss allowances	85		85
<b>38</b>	<b>(1,425)</b>	<b>(1,387)</b>	<b>Net impact on CIES</b>	<b>85</b>	<b>2,932</b>	<b>3,017</b>
(38)	0	(38)	Loss trf to Capital Adjustment Account	(85)		(85)
0	1,425	1,425	(Loss)/gain allowance trf to Pooled Investment Fund Adj Account		(2,932)	(2,932)
<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-22 £'000		31-Mar-23 £'000
3,084	Less than three months old	2,601
510	Three to six months old	255
380	Six months to one year old	352
843	More than one year old	915
<b>4,817</b>		<b>4,123</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-22 £'000	Category of borrower	Exposure Type	Balance Sheet 31-Mar-23 £'000
8,298	Local Businesses	Loan at market rate	7,867
3,387	Local Charities	Loan at market rate	2,952
173	Parish Councils	Loan at market rate	0
1,318	Subsidiaries	Loan at market rate	1,285
<b>13,176</b>			<b>12,104</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-22 £'000		31-Mar-23 £'000
31,706	Less than one year	49,187
15,187	Between one and two years	10,631
23,314	Between two and five years	27,159
20,352	Between five and ten years	10,876
12,500	More than ten years	12,500
<b>103,059</b>		<b>110,353</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:

2021/22 £'000		2022/23 £'000
111	Increase in interest received on variable rate investments - money market funds	118
14	Increase in dividend received on variable rate investments - pooled funds	12
<u>(203)</u>	Decrease in fair value of investments held at FVPL	<u>(213)</u>
<u>(78)</u>		<u>(83)</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 2023 would result in a £0.370m (2022: £0.303m) 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 £18m excluding diversified funds with an equity element. A 5% fall in share prices at 31st March 2023 would result in a £0.693m

(2022:£0.804m) 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:

31-Mar-22 £'000		31-Mar-23 £'000
6	Not later than one year	6
8	Later than one year and not later than five years	2
0	Later than five years	0
<u>14</u>		<u>8</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-22</b>		<b>31-Mar-23</b>
<b>£'000</b>		<b>£'000</b>
2,886	not later than one year	2,873
11,409	later than one year and not later than five years	10,211
6,863	later than five years	4,561
<b><u>21,158</u></b>		<b><u>17,645</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.

2021/22 £'000		2022/23 £'000
424	Allowances	406
7	Expenses	8
<b>431</b>		<b>414</b>

### Note 34 Officers remuneration

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

2022/23					
Job Title	Salary	Taxable Benefits P11D	Total Remuneration	Pension Contribution	Total inc Pension
	£	£	£	£	£
Chief Executive	126,730		<b>126,730</b>	23,698	<b>150,428</b>
Deputy Chief Executive	111,164	1,293	<b>112,457</b>	20,546	<b>133,003</b>
Strategic Director & Section 151 Officer	92,874	57	<b>92,931</b>	17,356	<b>110,287</b>
Assistant Directors:					
Local Government Restructure	73,538		<b>73,538</b>	13,752	<b>87,289</b>
Unitary Service Integration	73,564	26	<b>73,590</b>	13,752	<b>87,342</b>
Customer Access	73,538		<b>73,538</b>	13,752	<b>87,289</b>
Environment & Regulation	70,298		<b>70,298</b>	13,146	<b>83,444</b>
Finance & Property	70,284		<b>70,284</b>	13,143	<b>83,427</b>
Housing, Health & Wellbeing	73,553		<b>73,553</b>	13,752	<b>87,304</b>
Inward Investment & Growth	73,604	66	<b>73,670</b>	13,751	<b>87,422</b>
Legal & Governance	70,284		<b>70,284</b>	13,143	<b>83,427</b>
	<b>909,430</b>	<b>1,443</b>	<b>910,873</b>	<b>169,790</b>	<b>1,080,663</b>

**2021/22**

Job Title	Salary £	Taxable Benefits P11D £	Total Remuner ation £	Pension Contribut ion £	Total inc Pension £
Chief Executive	123,446	0	<b>123,446</b>	23,019	<b>146,465</b>
Deputy Chief Executive	108,610	0	<b>108,610</b>	20,033	<b>128,643</b>
Strategic Director & Section 151 Officer	84,539	1,241	<b>85,780</b>	15,775	<b>101,556</b>
Assistant Directors:					
Local Government Restructure	24,849	0	<b>24,849</b>	4,647	<b>29,495</b>
Unitary Service Integration	60,242	0	<b>60,242</b>	11,226	<b>71,468</b>
Customer Access	72,452	0	<b>72,452</b>	13,419	<b>85,871</b>
Environment & Regulation 1/4/21-31/5/21	11,728	0	<b>11,728</b>	2,193	<b>13,921</b>
Environment & Regulation 1/6/21-31/3/22	58,047	0	<b>58,047</b>	10,845	<b>68,892</b>
Finance & Property	25,203	0	<b>25,203</b>	4,713	<b>29,916</b>
Housing, Health & Wellbeing	71,976	0	<b>71,976</b>	13,422	<b>85,397</b>
Inward Investment & Growth	70,176	0	<b>70,176</b>	13,114	<b>83,290</b>
Legal & Governance 1/4/21-30/11/21	46,911	0	<b>46,911</b>	8,772	<b>55,684</b>
Legal & Governance 1/12/21-31/3/22	22,934	0	<b>22,934</b>	4,289	<b>27,223</b>
	<b>781,113</b>	<b>1,241</b>	<b>782,354</b>	<b>145,467</b>	<b>927,821</b>

The Assistant Director Legal & Governance was appointed to a new post of Assistant Director Local Government Restructure on 1st December 2021 – full year salary would have been £71,598.

The Interim Assistant Director Finance and Property was appointed on 1st December 2021 – full year salary would have been £68,345.

The Assistant Director Legal & Governance was appointed to a new post of Assistant Director Local Government Restructure on 1st December 2021 – full year salary would have been £71,598.

The Interim Assistant Director L&G was appointed on 1st December 2021 – full year salary would have been £68,345.

The Assistant Director Environment & Regulation was appointed to a new post of Assistant Director Unitary Service Integration on 1st June 2021 – full year salary would have been £71,598.

The Interim Assistant Director Environment & Regulation was appointed on 1st June 2021 – full year salary would have been £68,345.

**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:**

2021/22 number of employees	remuneration band	2022/23 number of employees
4	£50,000 to £54,999	14
0	£55,000 to £59,999	1
0	£60,000 to £64,999	1
1	£65,000 to £69,999	0
0	£70,000 to £74,999	1

### Note 35 Termination benefits

Termination benefits are amounts payable as a result of a decision by the council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. These are charged on an accruals basis to the appropriate service or, where applicable, to the Non-distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the council can no longer withdraw the offer to those benefits or when the council recognises costs for a restructuring.

This disclosure note does not include any exit packages that may occur as a result of the Somerset Local Government reorganisation that resulted in the vesting of a new Council, Somerset Council, on 1 April 2023. All staff employed by Sedgemoor District Council were TUPE across to the new Council on 1 April 2023. Any subsequent exit packages and numbers will be reported in the Somerset Council accounts.

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	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
£0-£20,000	0	0	1	0	1	0	7,326	0
£20,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £100,000	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>7,326</b>	<b>0</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:

2021/22 £'000	2022/23 £'000
47 Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	91
22 Fees payable to Grant Thornton for the certification of grant claims and returns for the year	17
Refund from Public Sector Audit Appointments	
<b>69 TOTAL</b>	<b>108</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.

	<b>Credited to Taxation and Non Specific Grant Income</b>	
3,553	DLUHC Business Rates Baseline funding	3,553
21	DLUHC Revenue Support Grant	267
151	DLUHC Lower Teir Grant	163
1,491	DLUHC Business Rates Retention	4,621
1,063	DLUHC New Homes Bonus	990
0	DLUHC Levelling up	1,262
150	Homes England - Development grant	2557
1,663	Capital Grants	845
2,724	Community Infrastructure Levy	2,485
	<b>Covid related</b>	
3,383	DLUHC Business Rates Additional Reliefs	0
44	DLUHC Covid Sales Fess & Charges compensation	0
0	DLUHC Council Tax Income Guarantee	0
<b>14,243</b>	<b>Total Credited to Taxation and Non Specific Grant Income</b>	<b>16,743</b>
	<b>Credited to Services</b>	
17,791	DWP Housing Benefits	17,275
157	DWP Housing Benefits, Other	19
11	DWP Other	33
48	DLUHC/DWP New burdens	273
855	DLUHC Homelessness	754
262	DLUHC Other	262
128	DLUHC Local council tax support administration	119
905	DLUHC Grants paid for disabled adaptations	613
1	Other Government grants	37
	<b>Covid related</b>	
1,006	DLUHC Covid	0
172	DLUHC Covid New Burdens	50
174	DLUHC Council Tax Hardship fund	0
0	DWP Covid	0
2,803	BIES Additional Restrictions Grant	0
0	BIES Local Authority Discretionary Grant Fund	0
23	BIES Local Restrictions Support Grant Open	0
498	DHSC Test & Trace	132
<b>24,834</b>	<b>Total Credited to Services</b>	<b>19,567</b>
<b>39,077</b>	<b>Total Grant Income</b>	<b>36,310</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 2022/23 is shown in note **Members allowances**. In addition, the Grants Award Sub Committee paid grants totalling £4,057 to voluntary organisations in which members had positions on the governing body or were a member of the organisation. Additional grants and contributions totalling £1,204,330 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 £1,761,475).

Some members are also members of other public bodies within the area – 7 sit on Somerset County Council, 8 on Bridgwater Town Council, 6 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 2022/23 was £3.204 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 2022/23 was £9.757 million (2021/22: £9.126 million). £1.207 million was received from Homes in Sedgemoor Ltd for support services provided (2021/22: £1.210 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.

2021/22		2022/23	
£'000		£'000	£'000
<b>128,161</b>	<b>Opening Capital Financing Requirement</b>		<b>139,587</b>
<b>(41)</b>	Opening balance Adjustment		<b>0</b>
<b>128,120</b>	<b>Adjusted Opening Capital Financing Requirement</b>		<b>139,587</b>
	<i>Capital Investment</i>		
26,437	Property Plant & Equipment	18,907	
0	Investment Properties	0	
2,220	Revenue expenditure funded from capital under statute	3,829	
596	Service loans to organisations	0	
<b>29,253</b>			<b>22,736</b>
	<i>Sources of finance</i>		
(1,818)	Capital receipts	(1,396)	
(1,813)	Government grants & other contributions	(4,847)	
(5,015)	Major repairs reserve	(6,387)	
	<i>Sums set aside from revenue</i>		
(6,961)	Direct revenue contributions	(711)	
(1,355)	MRP contributions charged to revenue	(1,365)	
(824)	MRP contributions matched by loan repayments received	(836)	
<b>(17,786)</b>			<b>(15,542)</b>
<b>139,587</b>	<b>Closing Capital Financing Requirement</b>		<b>146,781</b>
	<i>Explanation of movements in year</i>		
11,467	Increase/(Reduction) in underlying need to borrow (unsupported by government financial assistance) *		7,194
<b>11,467</b>	<b>Increase/(Reduction) in Capital Financing Requirement</b>		<b>7,194</b>

\* During 2021/22 the Northgate yard project started and finished 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

## 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 2023 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 2023.

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

2021/22 £'000		2022/23 £'000
	<b>Cost of Services</b>	
5,494	Current service cost	5,323
0	Curtailments	0
(53)	Liabilities/Settlements	0
53	Administration Cost	59
	<b>Financing and Investment Income &amp; Expenditure</b>	
1,811	Net Interest Expense	1,793
<b>7,305</b>	<b>Total post employment benefit charged to the surplus or deficit on the provision of services</b>	<b>7,175</b>
	<b>Other post employment benefit charged to the Comprehensive Income &amp; Expenditure Statement</b>	
	Remeasurement of the net defined benefit liability comprising	
(6,621)	* Return on plan assets (excluding the amount included in the net interest payable)	4,874
(14,460)	* Remeasurement (gains) and losses arising on changes in demographic assumptions	0
(7,087)	* Remeasurement (gains) and losses arising on changes in financial assumptions	(70,492)
2,848	* Other changes	13,756
<b>(18,015)</b>	<b>Total post employment benefit charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>(44,687)</b>
	<b>Movement in Reserves Statement</b>	
(7,305)	Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the code	(7,175)
	<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>	
3,508	Employers' contributions payable to the scheme	3,792
322	Retirement Benefits paid to pensioners	323

The cumulative amount of remeasurement gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31<sup>st</sup> March 2023 is a gain of **£51,862,000**.

## 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-22 £'000		31-Mar-23 £'000
175,166	Present value of funded obligations	124,177
(108,375)	Fair value of plan assets (bid value)	(105,497)
4,210	Present value of unfunded obligations	3,519
<b>71,001</b>	<b>Net liability recognised in the Balance Sheet</b>	<b>22,199</b>

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

2021/22		2022/23
£'000		£'000
<b>100,795</b>	<b>Balance at 1 April</b>	<b>108,375</b>
2,009	Expected rate of return	2,808
6,621	Remeasurement gain/(loss)	(4,874)
(56)	Settlement	0
3,830	Employer contributions	4,115
729	Contributions by scheme participants	845
(53)	Administration expenses	(59)
(5,500)	Benefits paid	(5,713)
<b>108,375</b>	<b>Balance at 31 March</b>	<b>105,497</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

2021/22		2022/23
£'000		£'000
<b>193,255</b>	<b>Balance at 1 April</b>	<b>179,376</b>
5,494	Current service cost	5,323
3,820	Interest cost	4,601
0	Curtailments	0
(109)	Liabilities	0
729	Contributions by scheme participants	845
(18,699)	Remeasurement Loss/(gain)	(56,736)
(4,792)	Benefits paid	(5,390)
(322)	Unfunded pension payments	(323)
<b>179,376</b>	<b>Balance at 31 March</b>	<b>127,696</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-22			31-Mar-23		
%	£'000		%	£'000	
72	78,481	Government Securities	75	78,687	
5	5,453	Corporate Bonds	4	3,772	
10	10,458	Equities	10	10,962	
8	8,681	Property	8	8,465	
5	5,302	Cash	3	3,611	
0	0	Others			
<b>100</b>	<b>108,375</b>	<b>Total</b>	<b>100</b>	<b>105,497</b>	

£'000		Quoted £'000	Unquoted £'000	Total £'000
	<b>Fixed Interest Government Securities</b>			
2,534	UK		2,110	2,110
0	Overseas			0
	<b>Index Linked Government Securities</b>			
3,272	UK		2,110	2,110
0	Overseas			0
	<b>Corporate Bonds</b>			
7,590	UK		7,385	7,385
3,272	Overseas		3,165	3,165
	<b>Equities</b>			
19,634	UK		11,605	11,605
55,032	Overseas		63,297	63,297
	<b>Property</b>			
8,793	All		8,440	8,440
	<b>Others</b>			
3,272	Private Equity		4,220	4,220
0	Derivatives			0
4,976	Cash/Temporary Investments	3,165		3,165
<b>108,375</b>	<b>Total</b>	<b>3,165</b>	<b>102,332</b>	<b>105,497</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 2023.

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 2022 for the year to 31<sup>st</sup> March 2023). 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-22		31-Mar-23
Longevity at 65 for current pensioners:		
21.3 years	Men	21.4 years
23.2 years	Women	23.2 years
Longevity at 65 for future pensioners;		
22.6 years	Men	22.7 years
24.6 years	Women	24.7 years

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

31-Mar-22		31-Mar-23
2.6% pa	Discount Rate	4.8% pa
3.2% pa	Pension Increases	2.9% pa
4.2% pa	Salary Increases	3.9% 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 analysed 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	125,808	127,696	129,540
Projected service cost	2,168	2,243	2,320
<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	127,827	127,696	127,477
Projected service cost	2,244	2,243	2,241
<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	129,397	127,696	125,947
Projected service cost	2,321	2,243	2,167
<b>Adjustment to life expectancy assumptions</b>	<b>+1 year</b>	<b>none</b>	<b>-1 year</b>
Present value of total obligation	133,213	127,696	122,350
Projected service cost	2,326	2,243	2,162

## 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 2023. 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 £2,653,000 expected contributions to the scheme in 2023/24.



## 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.

2021/22 £'000		2022/23 £'000	note
	<b>Income</b>		
(16,414)	Dwelling rents	(17,265)	1
(582)	Non-dwelling rents	(524)	
(1,315)	Charges for services and facilities	(1,330)	
(70)	Leaseholders' charges for services and facilities	(68)	
(162)	Contributions towards expenditure	(97)	
(1,024)	Other income	(1,065)	
(17)	Movement in the allowance for bad debts, decrease	(17)	2
<b>(19,584)</b>	<b>Total Income</b>	<b>(20,366)</b>	
	<b>Expenditure</b>		
3,887	Repairs and maintenance	4,070	
5,611	Supervision and management	5,989	
388	Rents, rates and taxes and other charges	627	
5,015	Depreciation, impairment and revaluation of non-current assets	6,387	3
7	Movement in the allowance for bad debts, increase		
<b>14,908</b>	<b>Total Expenditure</b>	<b>17,073</b>	
<b>(4,676)</b>	<b>Net cost of HRA services as included in the Comprehensive Income &amp; Expenditure Statement</b>	<b>(3,293)</b>	
193	HRA services share of corporate & democratic core	194	
<b>(4,483)</b>	<b>Net cost of HRA services</b>	<b>(3,099)</b>	
1,752	Interest payable and similar charges	1,992	
(217)	Interest and investment income	(311)	
	<i>Items reversed in Movement in Reserves</i>		
2,606	Gain/(loss) on sale of HRA non current assets	(1,311)	
(150)	Capital grant	(2,557)	
20	Changes in Fair Value on Investment Properties	26	
<b>(472)</b>	<b>(Surplus)/Deficit for the year on HRA services</b>	<b>(5,260)</b>	

## Movement in Reserves on the Housing Revenue Account

For the year ended 31 March 2023	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Total Useable Reserves £'000
<b>Balance at 31 March 2022</b>	<b>9,349</b>	<b>0</b>	<b>9,349</b>
<b>Movement in reserves during 2022/23</b>			
Surplus or (deficit) for the year on the HRA Income and Expenditure Statement	5,260	0	5,260
Adjustments between accounting basis and funding basis under statute	(3,896)	0	(3,896)
<b>Increase/(Decrease) in year on the HRA</b>	<b>1,364</b>	<b>0</b>	<b>1,364</b>
<b>Balance at 31 March 2023 carried forward</b>	<b>10,713</b>	<b>0</b>	<b>10,713</b>
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>

## Notes to the Housing Revenue Account

### Note 1 Dwelling Rents

2021/22 £'000		2022/23 £'000
16,673	Gross rents due	17,573
(232)	Less voids	(258)
(27)	Write-offs	(50)
<b>16,414</b>	<b>Net rent due (before rebates)</b>	<b>17,265</b>

### Note 2 Bad or Doubtful Debts

2021/22 £'000		2022/23 £'000
	<b>Bad debt provision, unpaid rents</b>	
98	Balance at 1 April	81
(17)	Movement in provision	(4)
<b>81</b>	<b>Balance at 31 March</b>	<b>77</b>
295	Arrears at year end	303
27%	Provision as percentage of arrears	26%
	<b>Bad debt provision, other debts</b>	
6	Balance at 1 April	14
8	Movement in provision	(13)
<b>14</b>	<b>Balance at 31 March</b>	<b>1</b>
<b>(9)</b>	<b>Net movement in provision</b>	<b>(17)</b>

### Note 3 Depreciation, impairment & revaluation losses of non current assets

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

2021/22 £'000		2022/23 £'000
	Depreciation:	
4,756	Dwellings	6,098
259	Block garages	289
<b>5,015</b>	<b>TOTAL</b>	<b>6,387</b>

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

2021/22 £'000		2022/23 £'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>	
10,301	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)	7,167
<b>10,301</b>	<b>Total Adjustments to Revenue Resources</b>	<b>7,167</b>
	<b>Adjustments between Revenue &amp; Capital Reserves</b>	
	<b>Capital Receipts Reserve</b>	
(2,810)	Transfer of cash proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,066)
	<b>Major Repairs Reserve</b>	
(5,015)	Reversal of notional Major Repairs Allowance	(6,387)
	<b>Capital Adjustment Account</b>	
(5,171)	Capital expenditure charged against the HRA Balance	(2,610)
<b>(12,996)</b>	<b>Total Adjustments between Revenue &amp; Capital Reserves</b>	<b>(11,063)</b>
<b>(2,695)</b>		<b>(3,896)</b>

#### Note 5 ALMO Management Fee Analysis

2021/22 £'000		2022/23 £'000
	<b>Income</b>	
996	Other income	964
<b>996</b>	<b>Total income</b>	<b>964</b>
	<b>Expenditure</b>	
3,872	Repairs & maintenance	3,907
3,941	Supervision & management general	4,235
1,047	Supervision & management special services	1,134
266	Rents rates & taxes	481
<b>9,126</b>	<b>Total expenditure</b>	<b>9,757</b>
<b>8,130</b>	<b>Net management fee</b>	<b>8,793</b>

#### Note 6 Housing Stock

31-Mar-22		analysed by type of property	31-Mar-23	
number	%		number	%
665	16.5	Low rise flats	667	16.6
713	17.7	Medium rise flats	711	17.7
56	1.4	High rise flats	56	1.4
2,521	62.5	Houses and bungalows	2,504	62.4
<b>3,955</b>	<b>98.1</b>		<b>3,938</b>	<b>98.1</b>
76	1.9	Shared ownership dwellings	76	1.9
<b>4,031</b>	<b>100.0</b>	<b>TOTAL</b>	<b>4,014</b>	<b>100.0</b>

31-Mar-22		analysed by number of bedrooms	31-Mar-23	
number	%		number	%
124	3.1	Bedsits	124	3.1
1,269	31.5	One	1,269	31.6
1,008	25	Two	1,001	25
1,569	38.9	Three	1,558	38.8
61	1.5	Four or more	62	1.5
<b>4,031</b>	<b>100.0</b>	<b>TOTAL</b>	<b>4,014</b>	<b>100.0</b>

31-Mar-22		analysed by year of construction	31-Mar-23	
Number	%		Number	%
586	14.5	pre 1945	582	14.5
1,664	41.3	1945 – 1964	1,649	41.1
797	19.8	1965 – 1974	796	19.8
984	24.4	post 1974	987	24.6
<b>4,031</b>	<b>100.0</b>	<b>TOTAL</b>	<b>4,014</b>	<b>100.0</b>

31-Mar-22	Number of dwellings adjusted for shared ownership	31-Mar-23
4,031.0	Actual number	4,014.0
(38.4)	Adjustment for shared ownership	(38.4)
<b>3,992.6</b>	<b>TOTAL</b>	<b>3,975.6</b>

31-Mar-22	number of leaseholders (flats)	31-Mar-23
112.0	Actual number	110.0
<b>112.0</b>	<b>TOTAL</b>	<b>110.0</b>

## Balance Sheet values of assets

31-Mar-22 £'000		31-Mar-23 £'000	Balance Sheet classification
143,701	Dwellings	155,963	Council dwellings
84,101	Land	91,278	Council dwellings
3,150	Block garages	4,305	Other land & buildings
1,141	Shops	1,116	Non-operational assets
<b>232,093</b>	<b>TOTAL</b>	<b>252,662</b>	

The vacant possession value of dwellings at 31<sup>st</sup> March 2023 was £706 million (£632 million 31<sup>st</sup> March 2022), 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 7 Major Repairs Reserve

2021/22 £'000		2022/23 £'000
0	Balance at 1 April	0
	Depreciation transferred from HRA:	
4,756	Dwellings	6,098
259	Block garages etc	289
(5,015)	Used to fund HRA capital expenditure on dwellings	(6,387)
<b>0</b>	<b>Balance at 31 March</b>	<b>0</b>

## Note 8 Capital Expenditure

2021/22 £'000		2022/23 £'000
9,954	Dwellings improvements	6,384
4,582	New council housing expenditure	5,181
303	Adaptations for disabled people	213
58	Estate sewerage scheme upgrade	21
<b>14,897</b>		<b>11,799</b>
	Funded by	
3,281	Borrowing	2,126
1,280	Use of Capital Receipts	677
150	Grants and contributions	2,557
5,015	Transfer from Major Repairs Reserve	6,386
5,171	Revenue	53
<b>14,897</b>		<b>11,799</b>

## Note 9 Disposal of Assets

2021/22 £'000		2022/23 £'000
	Right to buy sales	
3,351	Buildings	467
2,065	Land	288
<u>5,416</u>	<b>Capital Receipts from sale of Housing Revenue Account assets</b>	<u>755</u>

## Note 10 Rent Arrears

31-Mar-22 £'000		31-Mar-23 £'000
295	Arrears at 31 March	302
(45)	Less former tenants' arrears	(40)
<u>250</u>	<b>Current tenants' arrears</b>	<u>262</u>
16,673	Gross rents	17,573
250	Current tenants' arrears	262
1.50%	As a percentage of rent collectable	1.49%

## 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.

2021/22			2022/23		
Business Rates £'000	Council Tax £'000	Total £'000	Business Rates £'000	Council Tax £'000	Total £'000
<b>Income</b>					
(36,246)	0	<b>(36,246)</b>	(36,624)	0	<b>(36,624)</b>
0	(81,630)	<b>(81,630)</b>	0	(85,585)	<b>(85,585)</b>
0	(22)	<b>(22)</b>	0	(31)	<b>(31)</b>
(9,817)	0	<b>(9,817)</b>	(4,065)	0	<b>(4,065)</b>
(7,912)	(232)	<b>(8,144)</b>	(3,252)	0	<b>(3,252)</b>
(1,829)	(1,293)	<b>(3,122)</b>	(732)	0	<b>(732)</b>
(198)	(88)	<b>(286)</b>	(81)	0	<b>(81)</b>
0	(228)	<b>(228)</b>	0	0	<b>0</b>
<b>(56,002)</b>	<b>(83,493)</b>	<b>(139,495)</b>	<b>(44,754)</b>	<b>(85,616)</b>	<b>(130,370)</b>
<b>Expenditure</b>					
18	0	<b>18</b>	(45)	0	<b>(45)</b>
0	0	<b>0</b>	0	0	<b>0</b>
0	0	<b>0</b>	0	288	<b>288</b>
0	0	<b>0</b>	0	1,597	<b>1,597</b>
0	0	<b>0</b>	0	105	<b>105</b>
0	0	<b>0</b>	0	285	<b>285</b>
<b>18</b>	<b>0</b>	<b>18</b>	<b>(45)</b>	<b>2,275</b>	<b>2,230</b>
<b>Precepts, Demands and Shares</b>					
21,339	0	<b>21,339</b>	19,722	0	<b>19,722</b>
17,072	9,980	<b>27,052</b>	15,777	10,535	<b>26,312</b>
3,841	55,483	<b>59,324</b>	3,550	58,423	<b>61,973</b>
427	3,689	<b>4,116</b>	394	3,847	<b>4,241</b>
0	9,887	<b>9,887</b>	0	10,528	<b>10,528</b>
<b>42,679</b>	<b>79,039</b>	<b>121,718</b>	<b>39,443</b>	<b>83,333</b>	<b>122,776</b>
<b>Charges to Collection Fund</b>					
13	0	<b>13</b>	133	0	<b>133</b>
399	223	<b>622</b>	186	211	<b>397</b>
877	0	<b>877</b>	(1,540)	0	<b>(1,540)</b>
170	0	<b>170</b>	172	0	<b>172</b>
231	(39)	<b>192</b>	194	0	<b>194</b>
<b>1,690</b>	<b>184</b>	<b>1,874</b>	<b>(855)</b>	<b>211</b>	<b>(644)</b>
<b>(11,615)</b>	<b>(4,270)</b>	<b>(15,885)</b>	<b>(6,211)</b>	<b>203</b>	<b>(6,008)</b>
19,354	1,111	<b>20,465</b>	7,739	(3,159)	<b>4,580</b>
<b>7,739</b>	<b>(3,159)</b>	<b>4,580</b>	<b>1,528</b>	<b>(2,956)</b>	<b>(1,428)</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 2023. This amount is then adjusted for the authority's share of the surplus/deficit at 31st March 2023 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 2023. This amount is then adjusted for the authority's share of the surplus/deficit of 31st March 2023 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)

2021/22		2022/23
£109,710,494	total non-domestic rateable value at end of year (31 March)	£109,811,591
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

2021/22 band D equivalents	2022/23 property band	2022/23 number of properties		2022/23 conversion factor	2022/23 band D equivalents
		valuation list	after discounts etc		
10.45			20.47	5/9	11.37
5,821.49	A	13,487	8,881.50	6/9	5,921.00
7,647.32	B	12,904	10,030.28	7/9	7,801.33
9,148.57	C	12,461	10,562.39	8/9	9,388.79
7,193.90	D	8,293	7,347.14	9/9	7,347.14
6,001.58	E	5,384	4,976.02	11/9	6,081.80
3,652.38	F	2,774	2,583.68	13/9	3,731.98
2,176.41	G	1,410	1,318.57	15/9	2,197.62
66.51	H	60	33.25	18/9	66.51
<b>41,718.61</b>		<b>56,773</b>	<b>45,753.30</b>		<b>42,547.54</b>
627.80		allowance for new properties			882.70
<b>42,346.41</b>					<b>43,430.24</b>
40,991.35	ESTIMATED TAX BASE				41,910.15
96.80%	assuming collection rate of				96.50%

### Note 3 Council Tax Amounts

2021/22 £	Council Tax Amounts Band D	2022/23 £
1,353.53	Somerset County Council	1,394.00
241.20	Avon & Somerset Police Crime Commissioner	251.20
90.00	Devon & Somerset Fire & Rescue Service	91.79
172.32	Sedgemoor District Council (district element)	177.32
71.14	Sedgemoor District Council (average parish element)	74.05
<b>1,928.19</b>	<b>Average Council Tax Band D</b>	<b>1,988.36</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.

**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 2023	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 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>109,506</b>	<b>159,508</b>	<b>2,616</b>	<b>(6,791)</b>	<b>155,333</b>
<b>Movement in reserves during 2022/23</b>											
Surplus or (deficit) on provision of services	(20,158)	5,280	0	0	0	(14,878)	72,504	57,626	(2,453)	9,618	64,791
Adjustments between accounting basis and funding basis under regulations	17,329	(3,916)	0	1,022	2,303	16,738	(16,738)	0	2,074	(2,074)	0
<b>Increase/Decrease in year</b>	<b>(2,829)</b>	<b>1,364</b>	<b>0</b>	<b>1,022</b>	<b>2,303</b>	<b>1,860</b>	<b>55,766</b>	<b>57,626</b>	<b>(379)</b>	<b>7,544</b>	<b>64,791</b>
<b>Balance at 31 March 2023 carried forward</b>	<b>25,693</b>	<b>10,713</b>	<b>0</b>	<b>5,229</b>	<b>10,227</b>	<b>51,862</b>	<b>165,272</b>	<b>217,134</b>	<b>2,237</b>	<b>753</b>	<b>220,124</b>

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>57,725</b>	<b>110,586</b>	<b>3,328</b>	<b>(8,515)</b>	<b>105,399</b>
<b>Movement in reserves during 2021/22</b>											
Surplus or (deficit) on provision of services	(354)	472	0	0	0	118	48,804	48,922	(1,667)	2,679	49,934
Adjustments between accounting basis and funding basis under regulations	(3,781)	(2,695)	0	775	2,724	(2,977)	2,977	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>51,781</b>	<b>48,922</b>	<b>(712)</b>	<b>1,724</b>	<b>49,934</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>109,506</b>	<b>159,508</b>	<b>2,616</b>	<b>(6,791)</b>	<b>155,333</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.

2021/22			2022/23		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
	962	(59)	903	Chief Executive	1,660
	2,081	(1,172)	909	Customer Services	823
	11,240	(4,322)	6,918	Environment & Regulation	7,788
	22,771	(20,514)	2,257	Finance & Property	269
	8,737	(3,998)	4,739	Housing, Health & Wellbeing	6,540
	6,920	(5,395)	1,525	Inward Investment & Growth	2,950
	5,215	(425)	4,790	Legal, Governance, Central Support	18,275
	13	(21)	(8)	Trading Company	(109)
	16,648	(19,770)	(3,122)	Local Authority housing (HRA)	(911)
	<b>74,587</b>	<b>(55,676)</b>	<b>18,911</b>	<b>Cost of Services</b>	<b>37,285</b>
			5,750	Other Operating Expenditure	3,300
			208	Financing and Investment income & expenditure	4,440
			(23,319)	Taxation and non-specific grant income and expenditure	(26,602)
			0	Taxation expense	
			<b>1,550</b>	<b>DEFICIT (SURPLUS) FOR THE YEAR</b>	<b>18,423</b>
			(23,870)	Surplus or deficit on revaluation of non current assets	(20,746)
			(17,199)	Remeasurement of the net defined benefit liability/(asset)	(51,862)
			<b>(41,069)</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>(72,608)</b>
			<b>(39,519)</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>(54,185)</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-22		31-Mar-23		
£'000		£'000	£'000	note
269,938	Property, Plant & Equipment	287,806		
521	Heritage Assets	521		
42,196	Investment properties	39,888		5
112	Intangible assets	101		
41,811	Long term investments	37,942		6
34	Long term debtors	24		
354,612	<b>Long term assets</b>		366,282	
654	Short Term Investments	678		
0	Assets Held for Sale	0		
26	Inventories	22		
14,849	Short Term Debtors	11,171		7
8,257	Cash & cash equivalents	9,782		8
23,786	<b>Current assets</b>		21,653	
(1,584)	Short Term Provisions	(963)		
(32,007)	Short Term Borrowing	(49,474)		
(37,595)	Short Term Creditors	(22,701)		9
(71,186)	<b>Current liabilities</b>		(73,138)	
(71,353)	Long Term Borrowing	(61,166)		
(1,979)	Capital Grants Receipts in Advance	(11,307)		
(88,446)	Other Long Term Liabilities	(22,199)		15
(151,879)	<b>Long Term Liabilities</b>		(94,672)	
<b>155,333</b>	<b>NET ASSETS</b>		<b>220,125</b>	
52,618	Usable Reserves		54,099	10
102,715	Unusable Reserves		166,026	10
<b>155,333</b>	<b>TOTAL RESERVES</b>		<b>220,125</b>	

## 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.

2021/22 £'000		2022/23 £'000
1,550	Net (surplus) or deficit on the provision of services	18,422
	<b><i>Adjustments to net surplus or deficit on the provision of services for non cash movements</i></b>	
(5,607)	Depreciation	(6,785)
(3,908)	Impairment and downward valuations	(16,360)
(14)	Amortisation	(11)
400	(Increase)/decrease in impairment for bad debts	285
3,949	(Increase)/decrease in creditors	13,719
1,409	Increase/(decrease) in debtors	(1,807)
10	Increase/(decrease) in inventories (stock)	(4)
(4,605)	Movement in pension liability	(5,859)
(5,426)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(845)
8,586	Other non-cash items charged to the net surplus or deficit on the provision of services.	3,651
<b>(5,206)</b>	<b>Total Adjustments to net surplus or deficit on the provision of services for non cash movements</b>	<b>(14,016)</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>	
2,867	Other Capital cash receipts	2,418
<b>2,867</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>2,418</b>
<b>(789)</b>	<b>Net Cashflow from Operating Activities</b>	<b>6,824</b>
25,731	Purchase of Property, Plant & Equipment, investment property and intangible assets	20,290
596	Purchase of short term & long term investments	0
2,464	Other payments for investing activities	3,861
(2,867)	Proceeds from the sale of Property Plant & Equipment, investment property and intangible assets	(2,418)
(814)	Proceeds from long & short term investments	(827)
(4,272)	Capital grants received	(16,478)
<b>20,838</b>	<b>Total cashflow from Investing Activities</b>	<b>4,428</b>
(52,000)	Cash receipts of short- and long-term borrowing	(17,467)
50,000	Repayments of short- and long-term borrowing	10,173
(3,569)	Net increase in Council Tax	(357)
(12,071)	Net (increase)/decrease in National Non Domestic Rates (NNDR)	(5,126)
<b>(17,640)</b>	<b>Total cashflow from Financial Activities</b>	<b>(12,777)</b>
2,409	Net (increase)/decrease in cash and cash equivalents	(1,525)
(10,666)	Cash & Cash equivalents at the beginning of the reporting period	(8,257)
<b>(8,257)</b>	Cash & Cash equivalents at the end of the reporting period	<b>(9,782)</b>



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 2022/23 and will be presented to the Homes in Sedgemoor Ltd Board on 26<sup>th</sup> July 2023 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 £8.803m (£8.130m 2021/22).

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 2023.

**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 2023.

**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.

<b>For the year ended 31 March 2023</b>	<b>Net Expenditure Chargeable to the General Fund and HRA Balances</b>	<b>Adjustments between Funding and Accounting Basis</b>	<b>Net Expenditure in the Comprehensive Income and Expenditure Statement</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Chief Executive	1,661	0	1,661
Customer Services	807	16	823
Environment & Regulation	7,637	151	7,788
Finance & Property	234	35	269
Housing, Health & Wellbeing	3,572	2,967	6,539
Inward Investment & Growth	2079	871	2,950
Legal & Governance	3,228	1,267	4,495
Central Support Services	(451)	14,231	13,780
Trading Company	(109)	0	(109)
Local Authority housing (HRA)	(9,658)	6,387	(3,271)
<b>Net cost of services</b>	<b>9,000</b>	<b>25,925</b>	<b>34,925</b>
Other income and expenditure	(9,676)	(10,769)	(20,445)
<b>Surplus or deficit</b>	<b>(676)</b>	<b>15,156</b>	<b>14,480</b>
Opening Balances at 31 March	(40,487)		
Movement on Balance in Year	(676)		
Closing Balances at 31 March *	<b>(41,163)</b>		

<b>For the year ended 31 March 2022</b>	<b>Net Expenditure Chargeable to the General Fund and HRA Balances</b>	<b>Adjustments between Funding and Accounting Basis</b>	<b>Net Expenditure in the Comprehensive Income and Expenditure Statement</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Chief Executive	903	0	903
Customer Services	888	21	909
Environment & Regulation	6,259	659	6,918
Finance & Property	2,250	7	2,257
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>8,224</b>	<b>10,687</b>	<b>18,911</b>
Other income and expenditure	(1,329)	(16,032)	(17,361)
<b>Surplus or deficit</b>	<b>6,895</b>	<b>(5,345)</b>	<b>1,550</b>
Opening Balances at 1st April	(47,574)		
Movement on Balance in Year	6,895		
Closing Balances at 31 March *	<b>(40,679)</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:

<b>For the year ended 31 March 2023</b>	<b>Adjustments for Capital Purposes</b>	<b>Net change for the Pensions</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
	<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Chief Executive	0	0	0	0
Customer Services	16	0	0	16
Environment & Regulation	151	0	0	151
Finance & Property	35	0	0	35
Housing, Health & Wellbeing	2,967	0	0	2,967
Inward Investment & Growth	871	0	0	871
Legal & Governance		1,267	0	1,267
Central Support Services	451	0	0	451
Local Authority housing (HRA)	6,387	0	0	6,387
<b>Net cost of services</b>	<b>10,878</b>	<b>1,267</b>	<b>0</b>	<b>12,145</b>
Other income and expenditure	(11,861)	0	0	(11,861)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit</b>	<b>(983)</b>	<b>1,267</b>	<b>0</b>	<b>284</b>

For the year ended 31 March 2022	Adjustments for Capital Purposes (1) £'000	Net change for the Pensions (2) £'000	Other Differences (3) £'000	Total Adjustments £'000
	0	0	0	0
	21	0	0	21
	659	0	0	659
	7	0	0	7
	1,819	0	0	1,819
	0	0	0	0
	0	1,839	0	1,839
	1,327	0	0	1,327
	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	(12,180)	2,766	(6,619)	(16,033)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit</b>	<b>(3,332)</b>	<b>4,605</b>	<b>(6,619)</b>	<b>(5,346)</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:

<b>2021/22</b>		<b>2022/23</b>
<b>Income from</b>		<b>Income from</b>
<b>Services</b>		<b>Services</b>
<b>£'000</b>		<b>£'000</b>
(59)	Chief Executive	(85)
(1,172)	Customer Services	(1,067)
(4,322)	Environment & Regulation	(3,423)
(20,514)	Finance & Property	(20,388)
(3,998)	Housing, Health & Wellbeing	(4,097)
(5,395)	Inward Investment & Growth	(2,999)
(425)	Legal & Governance	(452)
(186)	Trading Account	(190)
(19,770)	Housing Revenue Account	(20,719)
<b>(55,841)</b>	<b>Net cost of services</b>	<b>(53,420)</b>

### Note 3 Expenditure and Income Analysed by Nature

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

2021/22 £'000		2022/23 £'000
	<b>Expenditure</b>	
23,967	Employee expenses	22,245
46,445	Other service expenses	48,657
18,164	Support Service recharges	19,606
11,748	Depreciation, amortisation and impairment	26,964
2,084	Interest Payments	2,656
4,591	Precepts & Levies	4,865
274	Payments to Housing Capital Receipts Pool	0
2,560	Gain or Loss on Disposal of Fixed Assets	(1,573)
<b>109,833</b>	<b>Total operating expenses</b>	<b>123,420</b>
	<b>Income</b>	
(56,562)	Fees, charges & other service income	(60,925)
(3,568)	Interest and investment income	218
(10,286)	Income from council tax	(10,797)
1,210	Income from business rates	(156)
(40,169)	Government grants and contributions	(36,310)
<b>(109,375)</b>	<b>Total Income</b>	<b>(107,970)</b>
<b>458</b>	<b>Surplus or deficit on the provision of services</b>	<b>15,450</b>

### Note 4 Financing and Investment Income and Expenditure

2021/22 £'000		2022/23 £'000
2,084	Interest payable and similar charges	2,656
(2,099)	Interest Receivable & similar income	(2,857)
200	Net Deficit/(Surplus) from Trading Services	212
(3,373)	Net Investment Property Income	(2,886)
	<i>Reversed in Movement in Reserves</i>	
2,879	Changes in Fair Value on Investment Properties	2,308
1,984	Pensions Interest Cost & Return on Assets	1,793
(42)	Expected Credit Loss	85
(1,425)	Financial Investments Revaluations	2,932
<b>208</b>		<b>4,243</b>

## Note 5 Investment Properties

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

2021/22 £'000		2022/23 £'000
44,385	Balance at 1 April	42,196
0	Additions	
(2,189)	Net gains/(losses) from fair value adjustments	(2,959)
<u>42,196</u>	<b>Balance at 31 March</b>	<u>39,237</u>

### 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

2021/22 £'000		2022/23 £'000
40,666	Balance at 1 April	41,811
596	New Service Loans	0
1,425	Valuation adjustments taken to pooled investments adjustment account	(2,932)
(38)	Expected Credit Loss	(85)
(814)	Loan Repayments	(827)
(24)	Repayable within 12 months	(25)
<b>41,811</b>	<b>Balance at 31 March</b>	<b>37,942</b>
2,975	CCLA Diversified Income Fund	2,711
5,482	CCLA Property Fund	4,578
4,738	Investec Diversified Income Fund	4,482
4,875	Kames Diversified Monthly Income fund	4,270
7,402	Schroder Income Maximiser Fund	7,010
4,588	UBS Global Income Fund	4,075
11,751	Service Loans	10,816
<b>41,811</b>		<b>37,942</b>

## Note 7 Short Term Debtors

31-Mar-22 £'000		31-Mar-23 £'000
2,147	Central Government Bodies	607
1,676	Other Local Authorities	3,071
1,485	Collection Fund Business Rates - Sedgemoor	1,485
1,198	Collection Fund Business Rates - Preceptors	1,143
3,649	Business Rates - Pool Dividend	574
664	Collection Fund Council Tax - Sedgemoor	646
0	Collection Fund Council Tax - Preceptors	0
448	Other Entities and individuals	359
4,587	Sundry Debtors	4,113
353	Payments in Advance	359
29	Long Term Debtors due within 1 year	17
(1,387)	<i>Less bad debt provisions</i>	(1,203)
<b>14,849</b>		<b>11,171</b>

## Note 8 Cash & Cash Equivalents

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

31-Mar-22 £'000		31-Mar-23 £'000
1	Cash held by the Authority	1
2,499	Bank Current Accounts	3,731
5,757	Short term deposits	6,050
<b>8,257</b>		<b>9,782</b>



## Note 9 Short Term Creditors

£'000		£'000
3,648	Central Government Bodies	3,801
1,524	Department for Business, Energy & Industrial Strategy - Business Grants	0
536	Other Local Authorities	350
2,033	Business Rates - Pool Levy Due	2,168
256	Collection Fund Business Rates - Sedgemoor	309
738	Collection Fund Business Rates - Preceptors	191
166	Collection Fund Council Tax - Sedgemoor	1,050
938	Other Entities and Individuals	909
5,283	Sundry Creditors	3,570
22,473	Receipts in Advance	10,353
<b>37,595</b>		<b>22,701</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-22 £'000		31-Mar-23 £'000	£'000
<b>Usable Reserves</b>			
28,522	General Fund balance	25,693	
9,349	Housing Revenue Account balance	10,713	
0	Major Repairs reserve	0	
4,207	Capital Receipts reserve	5,229	
7,924	Capital Grants Unapplied account	10,227	
0	Deferred Capital Receipts Reserve	0	
2,616	Subsidiary Profit & Loss reserve	2,237	
<b>52,618</b>			<b>54,099</b>
<b>Unusable Reserves</b>			
104,395	Revaluation reserve	125,033	
(25)	Financial instruments adjustment account	(21)	
80,112	Capital adjustment account	66,908	
(71,001)	Pensions reserve	(22,199)	
(2,697)	Collection Fund Adjustment account	(238)	
(339)	Short Term Accumulating Compensated Absences	(339)	
0	Available for sale reserve	0	
(939)	Pooled Investment Fund Adjustment Account	(3,871)	
754	Subsidiary Unusable reserve	0	
(7,545)	Subsidiary Pensions reserve	753	
<b>102,715</b>			<b>166,026</b>
<b>155,333</b>	<b>Total Reserves</b>		<b>220,125</b>

## Note 11 Cash Flow Statement

The cash flows for Operating Activities include the following items:

2021/22			2022/23	
£'000			£'000	
(2,084)	Interest paid		(2,656)	
2,099	Interest received		2,857	
<u>15</u>			<u>201</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-22			Fair Value Level	31-Mar-23	
	Long-Term £'000	Current £'000			Long-Term £'000	Current £'000
			<b>Investments at amortised cost:</b>			
	11,858	654	- principal element of loans advanced		12,102	711
	(108)	0	- loss allowance		0	0
			<b>At fair value through profit &amp; loss</b>			
1	30,061	0	- fair value of pooled funds	1	27,126	0
	<b>41,811</b>	<b>654</b>	<b>Total investments</b>		<b>39,228</b>	<b>711</b>
			<b>Cash &amp; cash equivalents at amortised cost:</b>			
	0	2,499	- principal			(1,069)
			<b>Cash &amp; cash equivalents at fair value through profit &amp; loss:</b>			
	0	5,757	- fair value of money market funds			6,050
	<b>0</b>	<b>8,256</b>	<b>Total cash &amp; cash equivalents</b>		<b>0</b>	<b>4,981</b>
			<b>Debtors at amortised cost:</b>			
	34	5,264	- trade receivables		24	3,952
	0	(803)	- loss allowance			(814)
	0	8,558	<i>Debtors that are not financial instruments</i>			2,864
	<b>34</b>	<b>13,019</b>	<b>Total Debtors</b>		<b>24</b>	<b>6,002</b>
	<b>41,845</b>	<b>13,371</b>	<b>Total Financial Assets</b>		<b>39,252</b>	<b>8,830</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-22			31-Mar-23	
Long-Term	Current		Long-Term	Current
£'000	£'000		£'000	£'000
		<b>Loans at amortised cost:</b>		
71,353	31,706	- principal sum borrowed	61,166	44,000
0	301	- accrued interest	0	287
<b>71,353</b>	<b>32,007</b>	<b>Total Loans</b>	<b>61,166</b>	<b>44,287</b>
		<b>Creditors at amortised cost:</b>		
0	5,949	- trade payables	0	1,048
0	29,816	<i>creditors that are not financial instruments</i>	0	18,865
<b>0</b>	<b>35,765</b>	<b>Total Creditors</b>	<b>0</b>	<b>19,913</b>
<b>71,353</b>	<b>37,956</b>	<b>Total Financial Liabilities</b>	<b>61,166</b>	<b>45,335</b>

## Note 13 Officers Remuneration

### Senior Employees

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

**2022/23**

Job Title	Salary	Taxable Benefits P11D	Total Remuneration	Pension Contribution	Total inc Pension
	£	£	£	£	£
Chief Executive	112,283		<b>112,283</b>	14,447	<b>126,730</b>
Deputy Chief Executive	92,842	1,293	<b>94,134</b>	17,030	<b>111,164</b>
Strategic Director & Section 151 Officer	83,626	57	<b>83,683</b>	9,189	<b>92,872</b>
Assistant Directors:					
Local Government Restructure	66,258		<b>66,258</b>	7,280	<b>73,538</b>
Unitary Service Integration	56,757	26	<b>56,784</b>	16,780	<b>73,564</b>
Customer Access	66,257		<b>66,257</b>	7,280	<b>73,538</b>
Environment & Regulation	63,339		<b>63,339</b>	6,960	<b>70,298</b>
Finance & Property	63,206		<b>63,206</b>	7,078	<b>70,284</b>
Housing, Health & Wellbeing	66,257		<b>66,257</b>	7,280	<b>73,538</b>
Inward Investment & Growth	66,257	66	<b>66,324</b>	7,280	<b>73,604</b>
Legal & Governance	63,326		<b>63,326</b>	6,958	<b>70,284</b>
E-Government Advisor	66,257		<b>66,257</b>	7,280	<b>73,538</b>
Building Control Manager	52,724	1,331	<b>54,055</b>	4,898	<b>58,952</b>
Corporate Manager: Head of IS	51,085	153	<b>51,239</b>	4,746	<b>55,984</b>
Environmental Protection Manager	48,117		<b>48,117</b>	4,470	<b>52,587</b>
Housing & Homelessness Manager	47,576	43	<b>47,619</b>	4,420	<b>52,038</b>
Service Manager Economic Development	47,277		<b>47,277</b>	4,375	<b>51,653</b>
Service Manager - Policy	47,263	48	<b>47,310</b>	4,390	<b>51,701</b>
Unit Manager (Private Sector)	47,262	1,239	<b>48,501</b>	4,390	<b>52,892</b>
Elections Manager	47,174		<b>47,174</b>	3,938	<b>51,112</b>
Food Safety & Civil Cont Mgr	47,000	1,242	<b>48,242</b>	3,632	<b>51,874</b>
Harbour Master	46,755		<b>46,755</b>	4,343	<b>51,099</b>
	<b>1,348,900</b>	<b>5,498</b>	<b>1,354,398</b>	<b>158,445</b>	<b>1,512,843</b>

**2021/22**

<b>Job Title</b>	<b>Salary</b>	<b>Taxable Benefits P11D</b>	<b>Total Remuneration</b>	<b>Pension Contribution</b>	<b>Total inc Pension</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive	122,068	0	<b>122,068</b>	23,019	<b>145,087</b>
Chief Executive - HIS	99,321	0	<b>99,321</b>	18,254	<b>117,574</b>
Deputy Chief Executive	106,235	1,242	<b>107,477</b>	20,033	<b>127,510</b>
Strategic Director and Section 151 Officer	93,421	0	<b>93,421</b>	16,498	<b>109,919</b>
<b>Assistant Directors:</b>					
Local Government Restructure	24,849	0	<b>24,849</b>	4,647	<b>29,495</b>
Unitary Service Integration	60,242	0	<b>60,242</b>	11,226	<b>71,468</b>
Customer Access	72,452	0	<b>72,452</b>	13,419	<b>85,871</b>
Environment & Regulation 1/4/21-31/5/21	11,728	0	<b>11,728</b>	2,193	<b>13,921</b>
Environment & Regulation 1/6/21-31/3/22	58,047	0	<b>58,047</b>	10,845	<b>68,892</b>
Finance & Property	25,203	0	<b>25,203</b>	4,713	<b>29,916</b>
Housing, Health & Wellbeing	71,976	0	<b>71,976</b>	13,422	<b>85,397</b>
Inward Investment & Growth	70,176	0	<b>70,176</b>	13,114	<b>83,290</b>
Legal & Governance 1/4/21-30/11/21	46,911	0	<b>46,911</b>	8,772	<b>55,684</b>
Legal & Governance 1/12/21-31/3/22	22,934	0	<b>22,934</b>	4,289	<b>27,223</b>
Neighbourhoods - HIS	70,702	0	<b>70,702</b>	12,994	<b>83,696</b>
Asset Management & Safety - HIS	67,956	0	<b>67,956</b>	12,322	<b>80,278</b>
Finance & Performance - HIS	67,956	0	<b>67,956</b>	12,489	<b>80,446</b>
	<b>1,092,177</b>	<b>1,242</b>	<b>1,093,419</b>	<b>202,249</b>	<b>1,295,667</b>

The Assistant Director Legal & Governance was appointed to a new post of Assistant Director Local Government Restructure on 1st December 2021 – full year salary would have been £71,598.

The Interim Assistant Director Finance and Property was appointed on 1st December 2021 – full year salary would have been £68,345.

The Assistant Director Legal & Governance was appointed to a new post of Assistant Director Local Government Restructure on 1st December 2021 – full year salary would have been £71,598.

The Interim Assistant Director L&G was appointed on 1st December 2021 – full year salary would have been £68,345.

The Assistant Director Environment & Regulation was appointed to a new post of Assistant Director Unitary Service Integration on 1st June 2021 – full year salary would have been £71,598.

The Interim Assistant Director Environment & Regulation was appointed on 1st June 2021 – full year salary would have been £68,345.

**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 2021/22	remuneration band	number of employees 2022/23
5	£50,000 to £54,999	8
1	£55,000 to £59,999	2
0	£60,000 to £64,999	9
0	£65,000 to £69,999	0
1	£70,000 to £74,999	0
0	£100,000 to £124,999	1
0	£125,000 to £129,999	2

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 [(b)+(c)]		(e) Total cost of exit packages in each band	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
£0-£20,000	0		1		1		7,326	
£20,001 - £60,000	0		0		0		0	
£80,001 - £100,000	0		0		0		0	
<b>Total</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>7,326</b>	<b>0</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 2022/23 is shown in note **Members allowances**. In addition, the Grants Award Sub Committee paid grants totalling £4,057 to voluntary organisations in which members had positions on the governing body or were a member of the organisation. Additional grants and contributions totalling £1,204,330 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 £1,761,475).

Some members are also members of other public bodies within the area – 7 sit on Somerset County Council, 8 on Bridgwater Town Council, 6 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 2022/23 was £3.204 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 2023 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 2023.

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		
2021/22		2022/23
£'000		£'000
	<b>Cost of Services</b>	
6,846	Current service cost	5,323
(53)	Curtailments/Settlements/Liabilities	0
57	Administration Cost	59
	<b>Financing and Investment Income &amp; Expenditure</b>	
1,978	Net Interest Expense	1,793
<b>8,828</b>	<b>Total post employment benefit charged to the surplus or deficit on the provision of services</b>	<b>7,175</b>
	<b>Other post employment benefit charged to the Comprehensive Income and Expenditure Statement</b>	
	Remeasurement of the net defined benefit liability comprising	
(8,150)	* Return on plan assets (excluding the amount included in the net interest payable)	4,874
0	* Other actuarial gains/(losses) on assets	0
0	* Remeasurement loss arising on changes in demographic assumptions	0
(9,543)	* Remeasurement loss arising on changes in financial assumptions	(70,492)
494	* Other changes	13,756
<b>(8,371)</b>	<b>Total post employment benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>(44,687)</b>
	<b>Movement in Reserves Statement</b>	
(8,828)	Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the code	(7,175)
	<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>	
3,901	Employers contributions payable to the scheme	3,792
322	Retirement Benefits paid to pensioners	323

The cumulative amount of actuarial gain recognised in the Comprehensive Income and Expenditure Statement to the 31<sup>st</sup> March 2023 is £51,862,000.



## 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:-

31-Mar-22 £'000		31-Mar-23 £'000
205,333	Present value of funded obligations	124,177
(121,635)	Fair value of plan assets (bid value)	(105,497)
4,748	Present value of unfunded obligations	3,519
<b>88,446</b>	<b>Net liability recognised in the Balance Sheet</b>	<b>22,199</b>

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

2021/22 £'000		2022/23 £'000
100,795	<b>Balance at 1 April</b>	108,375
2,009	Expected rate of return	2,808
6,621	Remeasurement gain/(loss)	(4,874)
3,830	Employer contributions	4,115
(56)	Settlements	0
(53)	Administration expenses	(59)
729	Contributions by scheme participants	845
(5,500)	Benefits paid	(5,713)
<b>108,375</b>	<b>Balance at 31 March</b>	<b>105,497</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

2021/22 £'000		2022/23 £'000
193,255	<b>Balance at 1 April</b>	179,376
(18,699)	Remeasurement Loss/(gain)	(56,736)
5,494	Current service cost	5,323
3,820	Interest cost	4,601
0	Curtailements	
(109)	Liabilities Assumed	
729	Contributions by scheme participants	845
(4,792)	Benefits paid	(5,390)
(322)	Unfunded pension payments	(323)
<b>179,376</b>	<b>Balance at 31 March</b>	<b>127,696</b>

## Constitution of the fair value of the scheme assets

31-Mar-22			31-Mar-23		
%	£'000		%	£'000	
72	87,693	equities	75	78,687	
5	6,475	gilts	4	3,772	
10	12,113	other bonds	10	10,962	
8	9,805	property	8	8,465	
5	5,549	other - cash	3	3,611	
<b>100</b>	<b>121,635</b>	<b>TOTAL</b>	<b>100</b>	<b>105,497</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 2023.

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 2023). 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:

31-Mar-22		31-Mar-23	
	Longevity at 65 for current pensioners:		
23.1 years	Men	21.4 years	
23.2 years	Women	23.2 years	
	Longevity at 65 for future pensioners;		
24.4 years	Men	22.7 years	
26.1 years	Women	24.7 years	

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

31-Mar-22		31-Mar-23	
2.6% pa	Discount Rate	4.8% pa	
3.2% pa	Pension Increases	2.9% pa	
4.2% pa	Salary Increases	3.9% 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	125,808	127,696	129,540
Projected service cost	2,168	2,243	2,320
<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	127,827	127,696	127,477
Projected service cost	2,244	2,243	2,241
<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	129,397	127,696	125,947
Projected service cost	2,321	2,243	2,167
<b>Adjustment to life expectancy assumptions</b>	<b>+1 year</b>	<b>none</b>	<b>-1 year</b>
Present value of total obligation	133,213	127,696	122,350
Projected service cost	2,326	2,243	2,162

## 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 2023. 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 £2,653,000 expected contributions to the scheme in 2022/23.

## **ANNUAL GOVERNANCE STATEMENT 2022-23**

### **SCOPE OF RESPONSIBILITY**

Sedgemoor District Council (SDC) is responsible under the Local Government Act 1999 for ensuring the following;

- that its business is conducted in accordance with the law and proper standards,
- that public money is safeguarded and properly accounted for and
- for ensuring that all money expended is used economically, efficiently and effectively and in so doing ensures continuous improvement in the ways its services are delivered.

In discharging this overall responsibility, SDC, through its members and officers is also responsible for ensuring that there is a *sound system of internal control* in the delivery of its services and the management of risk.

### **THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve priorities and objectives. It can provide only reasonable assurances that assets are safeguarded and that transactions are authorised and recorded properly & not absolute assurance of effectiveness.

The system of internal control is based on a framework of regular management information, standing orders, financial regulations, administrative procedures and processes, management supervision and a system of delegation and accountability. Development and maintenance of this system is undertaken by officers within the Council. The system of internal control is based on an ongoing process designed to identify, control and mitigate risks that may inhibit the delivery of the Council's main aims and objectives.

This system is currently in place for the year 2022/23 and will end with the end of Sedgemoor DC on 31<sup>st</sup> March 2023.

It comprises the following key elements –

- Compliance with established policies, procedures, laws and regulations
- Code of Corporate Governance
- Ensuring the economical, effective and efficient use of resources in achieving the Council's priorities
- Comprehensive financial and service planning process
- A corporate approach to risk management and equalities.

### **THE INTERNAL CONTROL ENVIRONMENT**

#### **COMPLIANCE WITH ESTABLISHED POLICIES, PROCEDURES, LAWS AND REGULATIONS**

The statutory framework within which local authorities are required to operate is strictly adhered to by the Authority in all its business. The financial management arrangements are reviewed on an annual basis to ensure that they conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

The Section 151 Officer and Monitoring Officer are members of Management Team and involved in all key decisions and both are required to make comments on all reports submitted to committees to ensure compliance in all decisions taken. The legal section closely monitors all legislative and regulation changes and circulates regular updates to managers. The Monitoring Officer meets regularly with the

Chief Executive and Chief Financial Officer (Section 151 Officer) specifically to discuss any legal or regulatory issues that may be of concern.

SDC has established whistle-blowing and fraud and corruption strategy and policy, details of which are published on the Council's intranet, which is accessible by all staff. The anti-fraud, theft, bribery and corruption policy and whistle-blowing policy have clear processes for officers to follow and are reviewed annually to ensure they are still up to date and fit for purpose. The Section 151 Officer has the Audit Client role and is responsible for commissioning investigations, if a potential fraud is suspected.

## **THE COUNCIL'S CONSTITUTION AND DECISION MAKING PROCESSES**

The following bodies govern the Council.

SDC has a published Constitution that sets out its decision-making arrangements and the responsibilities for different functions. There are clear rules of procedure for the running of business meetings and details of delegated authorities to individuals. The Council in response to the Covid 19 pandemic introduced virtual meetings to ensure the democratic process could continue. The Government provided guidance on how meetings should be conducted virtually until such a time as face to face meetings could resume. This Council implemented processes to ensure the decisions were still made following the requirements of the constitution. The temporary legislation brought in during the Covid pandemic ended 6<sup>th</sup> May 2021 and as such the Council has resumed face to face meetings where required for decision making.

There is also a robust budget and policy framework, and detailed financial regulations and contract procedure rules, which are monitored by the Section 151 Officer and Monitoring Officer. The constitution, financial regulations and contract procedure rules are reviewed annually, and considered by members of the Audit & Standards Committee and Council.

All reports are reviewed for legal and financial considerations, human resource implications, equality impact assessments, environmental and community safety implications, economic development implications and risk management, along with the link to the Council's corporate priorities prior to being presented to members for formal decision-making. The Section 151 Officer and Monitoring Officer have specified roles within the Constitution to ensure reports prepared for Member decision comply with the budget and policy framework, in addition to compliance with legislation and regulations.

### **The Council**

The Council is the body that collectively agrees the policies for the Authority, contributing to good governance and encouraging community participation and citizen involvement in decision-making

### **The Executive**

The Executive is the committee charged with Governance within the Council. It has a published Timetable and Notice of Proposed Key Decisions to be taken and meets in public three times during an eight week period. This, together with an appropriate level of delegation to senior managers enables speedy decision-making. In addition to the regular Executive meetings a specific performance Executive is held quarterly. The Executive also has a Sub-Committee known as the Property Investment Board which makes decisions on the acquisition of Investment properties in line with the Council's Property Investment Strategy.

### **The Scrutiny Committees**

Scrutiny of Executive decisions and performance is carried out through two scrutiny committees. Community Scrutiny primarily considers external issues impacting on the community, and Corporate Scrutiny focuses on internal issues. These committees can call in decisions made by the Executive before implementation; they also have the freedom to make recommendations on future policy options, and to review the general policy and service delivery of the Council. A joint meeting of the members on the Scrutiny committees is held annually to review the Leaders High Level budget proposals.

### **The Audit and Standards Committee**

The Audit & Standards Committee considers all internal and external audit reports, approve the Statement of Accounts and deal with regular governance issues. This committee has specific

responsibility for risk management, equalities and treasury management. The committee will also have responsibilities regarding the operation of the Council's adopted Member Code of Conduct, for training Members in respect of the Code and assessing and investigating complaints against members of Sedgemoor District Council and Parishes in Sedgemoor. It also deals with various other matters designed to ensure that high ethical standards are maintained and promoted.

### **The Management Team**

The Management Team includes the Chief Executive (Head of Paid Service), Deputy Chief Executive, Strategic Director (Section 151 Officer), Monitoring Officer, Corporate Relations Officer and six Assistant Directors. The team meets every week and provides the strategic direction of the Council in delivering Members' requirements. The Authority's performance is monitored against the items on the corporate dashboard. This includes high-level actions, operational actions, audit recommendations and performance indicators, all of which are also monitored on the Council's performance management system Pentana Performance. They have regular reports on the Council's strategic risk register and an annual report on the council's approach to delivery of its equality objectives and responsibilities.

### **Wholly owned Companies**

The Council also fulfils a governance role in relation to three companies that it wholly owns namely:-

Homes in Sedgemoor – A council wholly owned arms length management organisation which manages the Council's housing stock. The Company is a private company limited by guarantee without share capital. The Council has a Management Agreement with the Company which is overseen by the Council's Executive. In addition, the Board has three Council member representatives.

Aspen Housing and Development Limited – A Council wholly owned private limited company which manages private sector housing. The Company is overseen by the Executive and has three Council officer representatives on the Board.

Sedgemoor Group Limited - A Council wholly owned private limited company which is the parent company of Aspen Housing. The Company is overseen by the Executive and has two Council officer representatives on the Board.

## **CODE OF CORPORATE GOVERNANCE**

The Code as approved in March 2016 is based on the Delivering Good Governance Framework which suggests that Authorities have 4 key roles:

- To engage in effective partnerships
- To ensure the delivery of high-quality local services whether directly or in partnership or by commissioning
- To perform a stewardship role which protects the interests of local people and makes the best use of resources
- To develop citizenship and local democracy

The Council recognises that the six core principles of Good Governance are:

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
- Members and officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Developing the capacity and capability of members and officers to be effective
- Engaging with local people and other stakeholders to ensure robust public accountability

## **ENSURING THE ECONOMICAL, EFFECTIVE AND EFFICIENT USE OF RESOURCES IN ACHIEVING THE COUNCIL'S PRIORITIES**

The Council last updated its Corporate Strategy in September 2021. Sedgemoor still remains determined to keep Council Tax low, it is 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. The strategy is based on delivery of programmes being, Customers & Efficiency, Housing, Health and Wellbeing and Growth and Infrastructure. The Corporate Strategy gives a clear lead for financial and service planning decisions. The priorities identified in the strategy are:

### **Customers & Efficiency**

We will do all we can to ensure our activities are managed effectively and efficiently, in order to keep standards high and protect the essential services people of the district value. We remain committed to low Council Tax and high performance.

### **Housing, Health & Wellbeing**

Housing is a real challenge for Sedgemoor - we will work hard to provide affordable and decent housing through a planned development programme working with partners to maximise the outcomes. This priority along with the overall Council aspirations supports improved health and quality of life for every resident in the district.

### **Growth & Infrastructure**

We are committed to working with residents and businesses to grow the local economy to ensure the district can benefit and prosper from the growth. This priority theme includes working with external partners to deliver the Hinkley programme, Parrett Barrier and to secure sustainable funding for the flooding issues.

## **COMPREHENSIVE FINANCIAL AND SERVICE PLANNING**

The Corporate Strategy is the Council's key planning document which is intrinsically linked to the Medium Term Financial Plan and the Housing Revenue Account Business plan.

All performance targets, priority outcomes, operational actions, service standards, key programme actions and audit actions are now managed by use of the Council's adopted computerised performance management system (Pentana), which allows officers and members to interrogate and report on their targets at any time. Reporting functionality within this system allows senior managers and members to track performance within their services and identify where specific projects or performance targets assigned to specific staff have slipped.

The Council produces an initial Medium Term Financial Plan (MTFP) in September and a full MTFP in November. This provides the parameters within which budgets will be set and managed over a five year period. The plan takes account of anticipated changes to funding, legal requirements and performance targets along with the local aspirations as captured within the Corporate Strategy and gained through annual budget consultation. This Council has continued with the managed use of balances strategy approved in 2012 in order to deliver a balanced budget in the medium term. To mitigate the impacts of the economic climate and significant reductions in Government funding Sedgemoor built up its general fund balances in excess of the minimum £1.5 million. This has assisted with the managed use of balances strategy which spreads the reductions over a five year period rather than significant reductions in one year. When the budget is approved it includes a five year plan of reductions/increased income needed

to deliver a sustainable medium term budget. The Council has continued with these initiatives and the plan along with the figures have been updated where appropriate.

The Government's decision to create one unitary Council for Somerset was announced in July 2021, this has an impact on the production of the MTFP. The final plan for Sedgemoor District Council has been produced for the period up to 31<sup>st</sup> March 2023

The Council produces a five-year capital strategy, which sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes. As from 1 April 2018 the Prudential Code for Capital Finance in Local Authorities introduced a framework requiring capital expenditure plans to be affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice and full understanding of the risk. The Capital Strategy is the overarching document which is supported by the Treasury Management strategy and these documents were approved by Council in March 2022.

## **8. A CORPORATE APPROACH TO RISK MANAGEMENT**

The Risk Management Strategy is reviewed every 2 years. The policy is designed to set the approach the Council will take identifying, scoring and managing the risks of the Council. The strategy clearly sets out roles and responsibilities across the Council as follow

- Operational Management Team - responsible for strategic risks, which is a risk score of 16 or above, across the Council as a whole. These are reviewed every month in line with the Strategy.
- Assistant Directors - responsible for the operational risks, which are risks with a score of 15 or less within their service area. These are reviewed every quarter in line with the Strategy
- Audit and Standards Committee - oversee the risk registers of the Council, and receive a 6 monthly report on the registers, the updated strategy and any other relevant information
- *Staff – responsible for raising issues, which upon investigation, could become a risk for the Council*

The Risk Management Strategy was last reviewed by Sedgemoor in September 2021, with the new Somerset Council strategy being signed off in December 2022.

All committee reports are required to include a risk management matrix detailing the impact, probability, implications and mitigating actions, as are bids for additional funding or proposals to reduce costs. The Council has made significant progress in this area and a risk-based approach is used for all decision-making and service delivery. The Council has also developed a robust approach to risk management at programme level. There are now monitored risk registers for both Customer Access and Hinkley with ongoing work to develop one for the housing programme board.

All risks are monitored through the Council's performance management systems, Pentana and by using this system we have been able to build a history of the risks the council has faced and continue to face.

The internal audit plan was developed by the Council's internal auditors, South West Audit Partnership (SWAP) along with the Section 151 Officer and Operational Management Team using a risk based approach.

## **9. REVIEW OF EFFECTIVENESS**

The Section 151 Officer has the responsibility for conducting on behalf of SDC, at least annually, a review of the effectiveness of the system of internal control. This is reported to members of the Audit & Standards Committee who are responsible for both internal and external audit issues. This review is informed by:

- Internal Audit's annual opinion report
- the internal audit review;
- external auditors' reports;
- Annual Governance Review – Senior Managers Assurance Statements; and



- reports to the Audit & Standards committee during the year;

The process that has been applied to maintaining and reviewing the effectiveness of the governance framework includes;

- The Monitoring Officer has a duty to monitor and annually review the Constitution.
- The Section 151 Officer has the responsibility for reviewing the financial regulations and reporting annually to members.
- The Council has a call in process, which allows any decision made by the Executive to be called in before implementation. This does however need to be in line with the Constitution.
- The Audit & Standards Committee approves the Annual Statement of Accounts, the Annual Governance Statement and the Review of Internal Audit. It receives regular reports from both internal and external audit.
- The Council’s internal audit function is provided via an agreement with SWAP. The internal audit function operates to the standards set out in the ‘Code of Practice for Internal Audit in Local Government in the UK’. SWAP is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate the audit plan, it is put together by the Section 151 Officer and Assistant Director (SWAP) and considered by the Operational Management Team and approved annually by the Audit & Standards Committee.
- A quarterly report is submitted to members of the Audit & Standards Committee. The report includes a brief summary of each audit completed, along with an opinion on the level of assurance granted by the auditor. All internal audit reports are circulated to the relevant Assistant Director, Section 151 Officer and Monitoring Officer. Audit reports include an ‘opinion’ giving management an independent assurance judgement on the adequacy and effectiveness of internal controls.
- Agreed actions arising from all audits are monitored using the council’s performance framework and performance management computer software (Pentana). All overdue audit actions are reported to Operational Management Team on a monthly basis. In addition all overdue actions considered to be High/Medium Risk (1 & 2) are identified on exception reports and subject to examination by the Audit & Standards Committee. Members do call in officers to update on audits with “partial” or “no” assurance and high risk actions which are overdue.
- The work of SWAP is subject to regular review by the Council’s external auditors. Where appropriate, the external auditors place reliance on SWAP’s work. The external auditors provide an opinion on the annual Statement of Accounts and data quality.
- In order to gain assurance for all areas of the Council, as audits cannot be carried out for each function every year, all members of the Council’s Operational Management Team are required to complete a Senior Managers Assurance Statement to review their adherence to the governance framework. Each review is assessed by the Section 151 Officer for compliance and any apparent organisational improvements are included in the action plan.

**10. SIGNIFICANT INTERNAL CONTROL ISSUES**

During the year the Assistant Director (SWAP Internal Audit Services) as part of the quarterly progress reports has highlighted control issues identified during audits to the members of the Audit & Standards Committee. The opinion of the SWAP Assistant Director is that an overall judgement of ‘**Reasonable Assurance**’ should be given, based on the balance of audit work and the assurance levels provided, profile of each audit and outcomes together with the response from Senior Management who have a commitment to address findings and open to requesting audits in high risk areas.

**Progress on Actions in 2021/22 Annual Governance Statement**

Issue/Project	Owner	Progress
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Ensure all Documents are stored in compliance with GDPR	Melanie Wellman	Ongoing
Development of the Enterprise Zone, including Business Rates Retention and implementation process	Stuart Houlet	Ongoing
Assess and put in place resource requirements for delivering single unitary and maintaining business as usual.	Bob Brown	Ongoing
Continue to monitor the service and performance provided by the Waste and Recycling Contractor along with SWP	Sarah Dowden	Ongoing

The Government approved the business case for a single unitary in Somerset in July 2021. Since that decision was made Sedgemoor District Council have been working with the other four councils in Somerset to ensure the New Council is delivered by vesting day 1<sup>st</sup> April 2023. As such the attention has been on delivering LGR and maintaining Business as Usual.

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.

**Billing authority**

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.

**Budget**

Is a financial statement that expresses an organisation's service, delivery plans and capital programmes in monetary terms.

**Budget requirement**

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.

**Business Rates (Non-Domestic Rate – NDR)**

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.

**Business Rates Retention**

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).

**Capital Adjustment Account**

Is a reserve created from the balances on the Capital Financing Account and Fixed Asset Restatement Account as at 31 March 2007. This account 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.

**Capital Charges**

Represent the cost to services for the use of fixed assets in the provision of their services; the charges reflect depreciation and impairment.

**Capital Contributions/Grants**

Are monies received from external bodies towards the financing of capital expenditure on a particular service or scheme.

**Capital Expenditure**

Expenditure on the acquisition of a non current asset or expenditure which adds to and not merely maintains the value of an existing asset.

The statutory definition extends to:

- The acquisition, reclamation, enhancement or laying out of land, exclusive of roads, buildings and other structures;
- The acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures;
- The acquisition, installation or replacement of movable or immovable plant, machinery and apparatus and vehicles and vessels;
- 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;
- The acquisition of share or loan capital in any body corporate.

<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>