SOMERSET WEST AND TAUNTON COUNCIL

STATEMENT OF ACCOUNTS 2019/20

AUDIT GOVERNANCE AND STANDARDS COMMITTEE

1 February 2021

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Narrative Report

STATEMENT BY THE ASSISTANT DIRECTOR – FINANCE (S151 OFFICER)

INTRODUCTION

Somerset West and Taunton Council (SWTC) was formed on 1 April 2019, as a single new district council delivering the services and functions previously provided by its predecessor councils: Taunton Deane Borough Council and West Somerset Council. The two councils worked in partnership from 2013, sharing a single team of staff and a Chief Executive. A business case was developed and proposals made to the Government for the councils to create a single new council. This was approved by the Secretary of State for Housing, Communities and Local Government in May 2018.

There are 59 councillors, following elections in May 2019, serving the same geographical area as the two former councils.

All the assets, liabilities, rights and obligations from the former councils transferred to Somerset West and Taunton on 1 April, and this document presents the first annual Statement of Accounts for SWTC.

This report highlights some of the most important matters reported in the accounts and provides a management commentary on the financial performance and standing of the Council. The commentary is focused both on the performance in the past year and on issues affecting the Council going forward.

The COVID-19 pandemic is clearly having a major impact worldwide, and started to impact on the Council's services, costs and income late in the financial year. This is expected to have a significant impact during 2020/21 in particular.

SOMERSET WEST AND TAUNTON COUNCIL – KEY INFORMATION

Somerset West and Taunton is a local government district in the County of Somerset. It has an area of 469 square miles and an estimated population of 152,300. The district includes the county town of Taunton and an attractive mix of urban, rural and coastal towns and villages.

As a shire district, the Council delivers local services within a two-tier structure of principal local government authorities, with 'upper tier' services provided by Somerset County Council and 'lower tier' services provided by SWTC. The Council maintains responsibility for the management and ownership of its own social housing stock (more than 5,600 dwellings) transferred from Taunton Deane, with the costs and income for this being accounted for separately in a ring-fenced Housing Revenue Account. The Council is responsible for a wide range of services including (but not limited to):

- Housing policy and enabling
- Housing – management of own stock
- Housing options and homelessness
- Planning
- Waste collection and recycling
- Crematorium and bereavement services
- Economic development
- Regulatory services such as environmental health and licensing
- Council tax and business rates administration
- Housing benefits
- Provision of off-street parking
- Electoral registration and elections
- Building control
- Leisure and arts

THE GOVERNANCE FRAMEWORK

The governance framework consists of the systems and processes, and culture and values, by which the Council is directed and controlled and through which it accounts to, engages with and leads the community. It enables us to monitor the achievement of our objectives and to consider whether these have led to the delivery of appropriate, cost effective services.

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

Further information is included in the Annual Governance Statement.

THE CORPORATE STRATEGY AND PLAN

Following the formation of the new Council in April and the election of the new political administration in May 2019, the Council has developed a new Corporate Strategy which was approved in October 2019. The Strategy provides a clear direction for the Council to follow, with four key themes where the Council will concentrate its efforts and resources:

Our environment and economy	Outcome: A low-carbon, clean, green and prosperous district that attracts high quality employment opportunities and encourages heathy lifestyles.
A transparent and customer focused Council	Outcome: A Council which informs and engages openly with our stakeholders and which consistently delivers excellent customer service.
Homes and communities	Outcome: A financially self-sufficient Council which has expanded its commercial activity and generated more income in order to support service provision.
Clarity on the role and purpose of the Council	Outcome: A district which offers a choice of good quality homes for our residents, whatever their age and income, in communities where support is available for those who need it.

The Corporate Strategy is not intended to capture everything that the Council does nor does it include the detail of our work and projects. That is the role of the Corporate, Operational and Individual Plans which will flow from the Corporate Strategy.

DECISION MAKING AND RESPONSIBILITIES

The Council consists of 59 elected Members, with an Executive of Lead Members who are supported and held to account by Scrutiny Committees. Our Constitution sets out how the Council operates, how decisions are made and the procedures for ensuring that the Council is efficient, transparent and accountable to local people. It contains the basic rules governing the Council's business including responsibilities and functions of the Council, committees, the Exectuive and officers. It also contains the rules, protocols and codes of practice under which the Council, its Members and officers operate. The Constitution sets out the functions of key governance officers, including the statutory posts of Chief Executive, Monitoring Officer and Section 151 (Chief Finance) Officer. It explains the role of these officers for ensuring that processes are in place for enabling the Council to meet its statutory obligations and also for providing advice to Members, officers and committees on staff management, financial, legal and ethical governance issues.

MANAGING RISK

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

Senior management meet to identify the principal risks to the Council. These risks are recorded in a Corporate Risk Register. Each Service Area also keeps a separate risk register for its area. These registers also record the controls necessary to manage the risks. The registers are regularly reviewed and challenged by senior management and by the Audit Governance and Standards Committee. Specific assurance is sought concerning those risks associated with the key elements of the Governance Framework and that any necessary improvements to controls have been implemented. The Governance

Framework cannot eliminate all risk of failure to meet the targets in our policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

FINANCIAL MANAGEMENT

The Council is financially resilient with a good level of revenue reserves. During 2019/20 the Council has operated with higher than normal degree of risk due to the scale of disruption within the organisation through the major transformation programme running alongside the creation of the new council. The Shadow Council for SWTC set a balanced budget for 2019/20 which reflected transitional costs needed to maintain services during the period whislt operating efficiencies were fully designed and delivered. Significant staff changes took place within the former councils during the previous financial year and this continued in the early months of 2019/20 as the programme of recruitment to new roles was finalised.

The Council set a budget for 2019/20 based on the operating model designed through the transformation programme, with the budget restructured for the start of 2019/20 to fit with this new design. The operating model flexed during the year and the new leadership agreed the appointment of new Directors, who were appointed at the beginning of 2020. The leadership team and finance officers have worked through a process to further restructure budgets to reflect the new Directorate structure ready for 2020/21 financial year. Responsibility for budgets has therefore changed through the year as new staff have been recruited within services and within the finance team, and as budgets have been reorganised to adapt to changes in the management structure.

Despite the challenges due to the scale of change it is pleasing to report the Council has operated within budget for the year, reporting an underspend against budget and an increase in general reserves of £1.67m. This included the net effect of a range of underspends and overspends across services, and also the release of surplus financial provisions set aside in the previous year for the estimated costs of staff exits.

Looking forward, the focus remains on realising the financial benefits of modernising working practices to be more ‘lean’ and customer focused, as well as delivering ambitious income generation plans. The financial landscape within local government remains challenging, with years of ongoing reductions in grant funding from government driving the need to make savings and deliver income growth through other sources. With this in mind the Council has approved a commercial investment strategy during the year with the aim of prudently diversifying income sources and generating essential funds to enable local service priorities to be delivered.

There are reasonable arrangements for effective financial control through our accounting procedures, key financial systems and the Financial Regulations. These include established budget planning procedures and regular financial performance reports to Councillors. A key focus for the leadership team and finance officers during 2020/21 is to stabilise responsibility for and organisation of budgets, and invest in improved, more regular financial reporting to leadership and management to strengthen budgetary control and reporting of financial performance. Our treasury management arrangements, where the Council invests and borrows funds to meet its operating requirements, follow professional practice and are subject to regular review.

The Council’s financial statements and arrangements for securing value for money are reviewed each year by our external auditor. The Council has opted in to the Public Sector Auditor Appointments framework, as an efficient approach to procuring external audit services. Grant Thornton UK LLP is our appointed auditor for 2019/20.

COUNCIL’S PERFORMANCE

The Council’s Annual Plan sets out the focus for 2020/21 as well as a look back at some of the highlights for 2019/20. This includes many achievments within the corporate strategy themes, with examplesset out below:

Our Environment and Economy

- The Council has declared a climate emergency, we have undertaken public consultation on a Carbon Neutrality and Climate Resilience framework for our District.
- We have offered all parish and town councils the opportunity to apply for grants of between £500 and £1,500 towards the installation of electric vehicle charging points in communities throughout the district.
- In November 2019, working with the Somerset West Private Sector Housing Partnership and the Centre for Sustainable Energy we made a successful bid for more than £900k, into the Warmer Homes Fund. This will help Private Sector Households across Somerset access ways to improve energy efficiency of their homes, to improve heating systems, and energy efficiency within 175 SWT council-owned homes.
- We have started the process for creating a new Local Plan for the new District.
- There has been a great deal of progress developing feasibility studies and engaging with Network Rail, Great Western Railways, Mid-Devon District Council and others regarding the possibility of opening a railway station in Wellington.
- In the winter, a section of the Watchet harbour wall failed. The Council promptly arranged for temporary repairs to be made and have approved a budget to provide a long-term solution to safeguard the integrity of this important harbour.
- Throughout the year we have supported various events designed to bring people into Taunton, increase spend and make the town centre more vibrant. Particular highlights include supporting the extremely successful Cricket World Cup, held at the County Ground during May and June. We also enhanced Taunton's festive offer last year by funding a real ice rink on Castle Green, which was also extremely popular.

A Transparent and Customer-focused Council

- We have created new and improved online services to report an abandoned vehicle, make a freedom of information request, make a compliment or complaint, Council Tax and business rates paperless billing requests, and report a tree, hedge or grass problem to enable our customers to do more with the Council from the comfort of their homes, 24/7.
- The Council went live with a new website in April 2019 which has been independently rated by Sitemorse (www.sitemorse.com) 9th best local authority website in the UK; against 8 assessment categories, including accessibility and performance.
- We have installed audio visual equipment in our public meeting rooms at the Deane House and West Somerset House. This will enable the live streaming of meetings of the Council, to enhance participation in the democratic process for those unable to, or who don't wish to attend, our meetings in person.

Homes and Communities

- The Council approved a 30-Year Business Plan for its housing services, including a commitment to add 1,000 new homes for social rent.
- We purchased 46 properties for social rent during the last year.
- Good progress has been made on Phase A of the North Taunton regeneration project. The site has been cleared and an experienced contractor, capable of delivering good quality, energy efficient homes that the Council and community can be proud of has been appointed.
- The Council has been using money awarded from the Government's 'Rough Sleepers Initiative Fund' to pay for specialist support to settle rough sleepers into permanent homes. The Streetwise Team have also set up monthly visits from the award-winning charity Dogs on the Streets to provide veterinary care, equipment and advice to the homeless community with dogs. We have also been successful in bidding for Severe Weather Provision funding of £35,000 and have been able to work with partners to provide a night shelter over the weekends during the Winter period as well as any nights when the weather becomes too severe.

An Enterprising Council

- The Council has approved a Commercial Investment Strategy that will deliver essential income towards the cost of delivering services to our communities.
- We have commenced a new contract with SLM (trading as Everyone Active) to deliver leisure services and at the same time deliver significant financial savings to the Council.
- We have let office space at Deane House and are actively pursuing further letting to generate additional income to the Council.

FINANCIAL PERFORMANCE

Economic Environment

It has been well documented that Local Government has seen major cuts over the last decade. The core finance settlement (adding together the 2 former councils' positions for comparison) has reduced in real terms of £8.5m or 66% between 2013/14 and 2019/20. The future funding remains uncertain, making longer term financial planning more difficult. The funding position for SWTC was set by adding together the funding baseline of the two former councils. The Government's Spending Review planned for 2019 was replaced with a 1-year Spending Round, with the full 3-year Review postponed until 2020, resulting in a one-year only settlement provided for 2020/21.

Housing growth has generally had a positive impact on our funding, with New Homes Bonus (NHB) Grant funding of £3.8m in 2019/20 as well as a steady increase in the council tax base. The Council participates in the Somerset Business Rates Pool together with Somerset County Council (SCC) and other 3 District Councils within the SCC administrative boundary. The Pool was successful in bidding to become a one-year only Pilot for 75% business rates retention for 2019/20, which together with a lower provision for appeals, provided significant increase in funding for the year.

Looking ahead, the funding position remains uncertain with key funding developments to be resolved including:

- The Spending Review 2020 – how much funding will be provided for local government services in future?
- The Fair Funding Review – what share of the funding will each authority receive?
- Business Rates Retention system review – how will local authorities benefit from business rates growth, how long for, and will there be pooling incentives?
- Business Rates Reset – how much of historic business rates growth will be removed at the Reset?
- New Homes Bonus – the scheme is due to be reviewed by Government during 2020, and it is assumed this funding will disappear over the next 3 years. How will housing growth be incentivsed and local authorities be funded for increased demand on services?

There is significant wider economic uncertainty due to Brexit, and now what the impact of COVID-19 will have on the local and national economy and demand for services and welfare support.

We continue to act prudently in the face of these uncertainties and risks, and have acted prudently to try and protect services to the local communities and businesses, as well as ensure the Council remains financially resilient.

FINANCIAL OVERVIEW

General Fund Revenue Budget and Reserves

The Council's Original Net Budget for 2019/20 was £22.378m, representing the net cost of General Fund services funded by business rates and council tax as shown in the following table.

	£k
Business Rates	9,368
New Homes Bonus	3,809
Council Tax	9,201
Total	**22,378**

As 2019/20 is the first year of the new Council, we harmonised the council tax charges to residents so that these are uniform across the whole area. The rates for the former councils were similar, and the approach was taking to apply the lower of the two councils 2018/19 plus an increase of £5 on the Band D average. This meant that the Band D Council Tax rate became £159.63 including £1.75 collected on behalf of the Somerset Rivers Authority.

The Council's actual net expenditure in 2019/20 was £20.981m which together with a funding surplus of £438k for business rates results in a reported net underspend of £1.836m (8.2% of final Net Budget). The net underspend arose due to variances in several budget areas. The most significant underspends have been reported against homelessness, planning, leisure services, and bereavement services. The underspend also included accounting adjustments for the release of provisions previously set aside for redundancy costs, where the actual costs arising during the year were lower than previously estimated. These together with other smaller underspends have enabled the Council to offset budget overspends/shortfalls in arriving at the net position. The following table provides a summary of the financial results for the year compared to budget.

General Fund Outturn 2019/20	**Budget £k**	**Outturn £k**	**Variance £k**	**% **
Performance and Governance	14,019	12,177	-1,842	-8.2
Communication and Engagement	562	567	5	0.0
Customer	-3,454	-3,173	281	1.3
Localities	4,026	4,352	326	1.5
Commercial Investment	2,107	2,257	150	0.7
Strategy	606	628	22	0.1
Net Cost of Services	**17,866**	**16,808**	**-1,058**	**-4.8**
Interest and Investment Income	-473	-993	-520	-2.3
Investment Properties	-496	-514	-18	-0.1
Transfers to/from Earmarked Reserves	7,124	7,529	405	1.8
Transfers from General Reserves	-171	-171	0	0
Capital and Other Adjustments	-1,471	-1,677	-206	-0.9
Net Budget	**22,379**	**20,981**	**-1,398**	**-6.2**
Funding	-22,379	-22,817	-438	-2.0
Variance	**0**	**-1,836**	**-1,836**	**-8.2**

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

The General Fund Reserves have increased from £2.857m at the start of the year to £4.522m at 31 March 2020. The minimum assessed balance for adequate reserves is £2.4m therefore the balance provides a good level of resilience against financial risks in the year ahead, which will be particularly important if reserves are needed to offset the impact of COVID on costs and income in 2020/21.

The Council also carries Earmarked Reserve balances, which represent funds that have been set aside to support specific spending in future years. The General Fund Earmarked Reserves balance at 31 March 2020 stands at £20.586m. This balance covers a wide variety of known planned spending commitments, including: Business Rates funding deficit; New Homes Bonus Growth Reserve; Creating a New Council; and Garden Village together with several other smaller commitments which we have prudently put aside.

CAPITAL SPENDING AND RESERVES

In addition to our spending on day-to-day service provision, the Council spends money on assets such as land and buildings, vehicles and equipment, systems and technology, and contributions to jointly-financed schemes. Capital expenditure in the year totalled £36.760m, comprising £20.073m on General Fund schemes and £16.687m on HRA capital works, as summarised in the table below. The General Fund capital spending related to a wide range of projects which included costs for the Coal Orchard development in Taunton. Seaward Way development in Minehead, a capital loan to the Somerset Waste Partnership for

new vehicles, strategic purchase of land at ex-bus station site in Taunton for regeneration, and a variety of other projects. HRA capital works are largely related to purchase of additional properties, progressing the North Taunton housing regeneration scheme, maintining and improving housing standards including heating systems, insulation, fire safety, and other related works.

General Fund Capital Schemes	£k	HRA Capital Schemes	£k
Coal Orchard work in progress	3,957	Heating improvements	916
Waste partnership capital loan	4,125	Fasciae and soffits	770
Investment properties	2,204	Insulation	613
Seaward Way employment site	1,617	Asbestos works	461
Watchet Harbourside regeneration	1,211	Accessibility adaptations	387
Land at ex-Taunton Bus Station site	1,004	Environmental improvements	325
Taunton Technology Park	944	Other major repairs and improvements	2,175
Stogursey Victory Hall capital grant	663	Housing acquisitions	7,557
Firepool infrastructure	405	North Taunton housing regeneration	3,483
Watchet Splashpoint sea defence repairs	296		
Hinkley impact mitigation projects	765		
S106 General	855		
Various other capital projects	2,027		
Total	**20,073**	**Total**	**16,687**

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

Sources of Capital Funding	£k
Revenue Funding	1,184
Earmarked Reserves	1,050
Capital Grants and Contributions	4,368
Capital Receipts	3,197
Borrowing	21,063
Major Repairs Reserve (HRA)	5,898
Total	**36,760**

The General Fund Capital Programme has budgeted capital spending in future years of £146.400m. The HRA Capital Programme has budgeted capital spending into future years of £31.633m.

The Council plans to support future spending largely through a combination of existing capital reserves, capital receipts, external funding, and borrowing. Capital reserves reflect funds set aside to fund investment in capital items in future years, and largely comprise grants, contributions and capital receipts that are committed on projects to be completed in the current approved capital programme. The Council currently holds £31.073m of capital reserves.

Balance Sheet

Below is an extract from our Balance Sheet showing the position at year end and the comparison with the balances transferred to the Council on 1 April 2019.

Balance Sheet extract	1 April 2019 £k	31 March 2020 £k
Long term assets	435,592	448,253
Net current assets – debtors, stock and cash less short term creditors and liabilities	6,267	-4,124
Long term liabilities and provisions	-185,407	-187,757
Net assets	**256,452**	**256,372**
Represented by: Usable reserves	50,092	60,530
Represented by: Unusable reserves	206,360	195,842
Total Reserves	**256,452**	**256,372**

Housing Revenue Account (HRA) Budget and Reserves

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

The Net Budget for the HRA is £Nil, reflecting the self-financing nature of the account. However, financial performance is measured against the Gross Income budget, which is £26.475m for the year. The HRA has reported a small net surplus of £0.008m for 2019/20.

HRA Outturn 2019/20	**Budget**	**Outturn**	**Variance**	
	£k	**£k**	**£k**	**%**
Gross Income	-26,475	-26,718	-243	0.92
Service Expenditure	14,102	14,071	-31	-0.22
Other Operating Costs and Income	9,382	9,852	470	5.01
Earmarked Reserve Transfers	0	26	26	0
Capital Financing and Debt Repayment	2,991	2,761	-230	-7.69
Net Variance	**0**	**-8**	**-8**	**-0.03**

The Housing Revenue Account Reserve has decreased from £2.718m at the start of the year to £2.701m at 31 March 2020 (a budgeted transfer out in year of £0.025m and a small in year surplus from an underspend of £0.008m). The year-end balance is still well above the minimum level set within the Council's financial strategy of £1.800m, providing some resilience for financial and service risks and opportunities.

The HRA Earmarked Reserve balance at 31 March 2020 is £1.648m, a decrease of £1.071m in the year. The reserves are committed predominantly to support Social Housing Development Fund (£1.232m) to support new build and acquisition of additional homes, and a range of other smaller reserves.

Treasury Management

Total cash and cash equivalents plus short term investments at 31 March 2020 were £33.717m. The main factors that would affect cash in the future are:

- Acquisition and disposals relating to the capital programme
- The value of reserve balances
- Appeals provisions
- Grants and contributions unapplied

	1 April 2019	**31 March 2020**
	£k	**£k**
Cash and other cash equivalents	22,028	28,691
Short term investments	17,055	5,026
Total	**39,083**	**33,717**

Pensions

The Council's share of the overall Pension Fund deficit increased from £105.7m at 1 April 2019 to £111.9m at 31 March 2020. The deficit has increased by 5.9%.

FUTURE DEVELOPMENTS AND OUTLOOK

During 2019/20 the Council focused on stabilising and improving services following the period of disruption as the transformation programme was implemented. A balanced budget 2020/21 was approved in February 2020, and the medium term financial plan projected a budget gap by 2024/25 of £1.7m. This relies on savings targets agreed in the Financial Strategy set in 2019 being delivered. Due to the level of uncertainty on future funding the financial projections will need to be monitored carefully and reviewed as new information becomes available.

COVID-19: The Government's lockdown, announced on 20th March 2020, has had a significant impact upon the Council with significant additional costs and loss of income. These additional costs have not had a dramatic impact on the financial outturn for 2019/20 as the pandemic only started to make a notable impact on the public's and businesses' behaviour in the last two weeks of March. However, the true scale of its impact on the Council's finances will be felt during 2020/21. There have been significant additional costs in supporting our most vulnerable, and also a major reduction in income in particular through fees and charges for car parking.

It is difficult to quantify the impact with certainty at this stage, but the impact will be carefully monitored during 2020/21. It is highly likely that, despite the receipt of additional emergency funding from Government, there will be net losses that will need to be covered by the Council's reserves. Through last year's outturn and plans to be considered in the updated financial strategy this year we are strengthening the Council's reserves to ensure we remain financial resilient, and can support the impact on our communities and the economic recovery moving forward.

The Council has been instrumental to date in supporting the local community, quickly implementing the Government's business rates holiday scheme for 2020/21 (estimated £28m discounts applied) and processing grants to small businesses and to the retail, hospitality and leisure sector (estimated £42m).

The Government has announced the Fair Funding Review and Business Rates Retention review have been deferred and will not be implemented in April 2021 as originally planned. We will continue to engage and monitor developments to ensuring financial planning and decision making is based on reasonable assumptions and reliance information.

EXPLANATION OF ACCOUNTING STATEMENTS

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

- The **Comprehensive Income and Expenditure Statement** (page 17) brings together details of the Council's day-to-day revenue spending and income on its services, and other gains and losses in the year.
- The **Movement in Reserves Statement** (page 18) shows the changes in the Council's financial resources over the year, by showing the movement on the different reserves held, analysed into 'usable reserves' (that can be used to fund spending) or other reserves
- The **Balance Sheet** (page 19) provides a snapshot of the Council's financial position at 31 March and sets out what is owned and what is owed.
- The **Cash Flow Statement** (page 20) summarises the flows of cash into and out of the Council during the year.
- The **Notes to the Financial Statements** (pages 21 to 82) provide supplementary information on some of the figures contained within the primary statements. They also include accounting policies, which guide the treatment of income and expenditure, and disclosures relating to the assets and liabilities of the Council.

A more detailed explanation is included alongside each of these main statements within the Statement of Accounts.

FURTHER INFORMATION

Further information on the contents of these statements, easy to read summary versions and additional copies of this booklet can be obtained from:

P Fitzgerald ACMA CGMA, Assistant Director – Finance (Section 151 Officer), Deane House, Belvedere Road, Taunton, TA1 1HE
Telephoning: (01823) 217557
E-mail to: S151@somersetwestandtaunton.gov.uk

The Statement of Responsibilities for the Statement of Accounts

The Council is required to:

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

The Strategic Finance Advisor is required to:

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

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

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

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

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

Certification of the Accounts

This Statement of Accounts gives a true and fair view of the financial position of Somerset West and Taunton Council at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.

P Fitzgerald ACMA, CGMA
Assistant Director Finance (S151 Officer)

1 February 2021

Approval of the Accounts

This draft Statement of Accounts is unaudited and as published may be subject to change. The audited Statement of Accounts will be presented to be approved by resolution of the Audit, Governance and Standards Committee as soon as practicable following the conclusion of the audit, under powers allocated by the constitutional arrangements of the Council, and signed by the Chair of the Committee.

Independent Auditor's Report

The Auditor's opinion will appear here when issued.

Please see Appendix E to the Audit Findings Report from Grant Thornton.

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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). Councils raise taxation (and rents) to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

	Notes	2019/20 Gross Expenditure £000	2019/20 Gross Income £000	2019/20 Net Expenditure £000
Commercial Investment		14,565	-1,398	13,167
Communications & Engagement		763	-150	613
Customer		42,454	-42,192	262
Localities		9,165	-3,544	5,621
Performance and Governance		18,155	-1,673	16,482
Strategic Board		1,111	-1	1,110
Strategy		1,096	-576	520
Housing Revenue Account		22,759	-26,737	-3,978
Cost of Services		**110,068**	**-76,271**	**33,797**
Other Operating Expenditure	**11**			1,001
Financing and Investment Income and Expenditure	**12**			5,647
Taxation and Non-Specific Grant Income	**13**			-32,995
(Surplus) or Deficit on Provision of Services				**7,450**
(Surplus) or deficit on revaluation of Property, Plant and Equipment assets				-6,706
Remeasurement of the net defined benefit liability				-664
Other Comprehensive Income and Expenditure				**-7,370**
Total Comprehensive Income and Expenditure				**80**

Somerset West and Taunton Council came into existence on 1st April 2019. All operations were acquired from the predecessor councils and, therefore, there are no prior year comparative details available.

Movement in Reserves Statement

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

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
2019/20								
Balance at 1 April 2019	**-21,100**	**-5,437**	**-15,242**	**-2,712**	**-5,601**	**-50,092**	**-206,360**	**-256,452**
Movement in Reserves during 2019/20								
Total Comprehensive Income and Expenditure	9,241	-1,791				**7,450**	-7,370	**80**
Adjustments between accounting basis and funding basis under regulations (note 8)	-13,249	2,879	-2,540	-996	-3,982	**-17,888**	17,888	**0**
(Increase) / Decrease in 2019/20	**-4,008**	**1,088**	**-2,540**	**-996**	**-3,982**	**-10,438**	**10,519**	**80**
Balance at 31 March 2020	**-25,108**	**-4,349**	**-17,782**	**-3,708**	**-9,583**	**-60,530**	**-195,842**	**-256,372**

Somerset West and Taunton Council came into existence on 1st April 2019. All operations were acquired from the predecessor councils and, therefore, there are no prior year comparative details available.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example 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'.

	Notes	31 March 2020 £000
Council Dwellings		296,914
Other Land and Buildings		105,256
Vehicles, Plant and Equipment		6,402
Infrastructure Assets		10,543
Community Assets		7,876
Surplus Assets		177
Assets Under Construction		6,925
Total Property, Plant and Equipment	**15**	**434,093**
Heritage Assets		141
Investment Property	**16**	6,763
Intangible Assets		647
Long-term Investments	**17**	3
Long-term Debtors	**19**	6,606
Long Term Assets		**448,253**
Short Term Investments	**17**	5,026
Assets Held for Sale	**18**	3,260
Inventories		172
Short Term Debtors	**19**	13,524
Cash and Cash Equivalents	**20**	28,691
Current Assets		**50,673**
Short Term Borrowing	**17**	-25,507
Short Term Creditors	**21**	-28,345
Provisions	**22**	-945
Current Liabilities		**-54,797**
Long Term Borrowing	**17**	-75,601
Other Long Term Liabilities	**36**	-111,912
Long Term Creditors		-244
Long Term Liabilities		**-187,757**
Net Assets		**256,372**
Usable Reserves	**23**	60,530
Unusable reserves	**24**	195,842
Total Reserves		**256,372**

Cash Flow Statement

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

	Notes	2019/20 £000
Net surplus or (deficit) on the provision of services	**CIES**	**-7,450**
Adjustments to net surplus or deficit on the provision of services for non cash movements	**25**	19,042
Adjustments for items included in the net surplus on the provision of services that are investing and financing activities	**25**	-5,562
Net cash flows from Operating Activities		**6,030**
Investing Activities	**26**	-7,867
Financing Activities	**27**	8,500
Net increase or decrease in cash and cash equivalents		**6,663**
Cash and cash equivalents at the beginning of the reporting period	**20**	22,028
Cash and cash equivalents at the end of the reporting period	**20**	**28,691**

Notes to the Core Financial Statements

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

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end on 31 March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

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

The accounts have been prepared on a going concern basis.

ii. Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

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

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

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

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

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in one month or less from the date of the balance sheet and that are readily convertible to known amounts of cash with insignificant risk of change in value. As the majority of the Council's own bills are due in one month or less, the Council treats cash on deposit for more than one month (and so not immediately available to pay bills) as a short-term investment rather than a cash equivalent available alongside cash itself.

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

iv. 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 prior period adjustment.

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

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

v. 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 non-current (fixed) assets during the year:

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

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

The Council's adopted Minimum Revenue Provision (MRP) Policy is the Equal Instalment Method whereby MRP is linked to weighted asset life. This is considered to be a prudent approach as it takes into account the materiality of each asset and its remaining useful life. MRP in respect of Capital Grants is calculated on a straight-line basis over 25 years.

vi. Council Tax and Non-Domestic Rates

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

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be

credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

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

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

vii. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post-Employment Benefits

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

The Local Government Pension Scheme

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

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

- Liabilities are discounted to their value at current prices, using a discount rate of 2.35% (based on the annulaised Merrill Lynch AA rated corporate bond yield curve, where the spot curve is assumed to be flat beyond the 30 year point).

- The assets of the SCC pension fund attributable to the Council are included in the Balance Sheet at their fair value:

  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.

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

Service cost comprising:

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

Remeasurements comprising:

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

Contributions paid to the SCC pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance and Housing Revenue Account balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the

Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund and Housing Revenue Account of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

viii. 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.

ix. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective rate of interest is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund balance to be spread over future years. The Council 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 Comprehensive Income and Expenditure Statement 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 Assets

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

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI).

The Council'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).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective interest rate for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

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

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

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are 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 Council can access at the measurement date.

- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

- Level 3 – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

x. Government Grants and Contributions

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

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

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

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

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

xi. Business Improvement District

A Business Improvement District (BID) scheme applies to the town of Minehead within the West Somerset district. The scheme is funded by a BID levy paid by non-domestic ratepayers within Minehead. The Council acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

xii. Community Infrastructure Levy

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

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

xiii. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible assets held by the Council meet this criterion and they are, therefore, carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xiv. Investment Property

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund balance. However, revaluation and disposal gains are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any proceeds greater than £10,000) the Capital Receipts Reserve.

xv. Leases

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

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

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

The Council as Lessee

Operating Leases

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

The Council as Lessor

Operating Leases

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

xvi. Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

xvii. Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. The Council has a discretionary de minimis level for recognising property, plant and equipment of £10,000.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of an asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings – current value, determined using the existing use value for social housing (EUV-SH)
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- All other assets – 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 current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the 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 by:

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

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

Impairment

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

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

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

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

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic 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 certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and Other buildings – straight-line allocation over the life of the property as estimated by the valuer
- Vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- Infrastructure – straight-line allocation over 25 years (or the life of the asset if less).

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 components are depreciated separately.

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

Disposals and Non-Current Assets Held for Sale

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

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other

Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals is payable to the government. The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

xviii. Provisions and Contingent Liabilities

Provisions

Provisions are made where an event has taken place that gives the Council 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 Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks 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 met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

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

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

Contingent Assets

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

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

xix. Reserves

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

Separate reserves are maintained for capital and revenue spending; in line with legislation and accounting practice, capital reserves cannot be used to support general revenue spending although revenue reserves may be used to support capital spending.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, and retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

xx. Revenue Expenditure Funded from Capital under Statute

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

xxi. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue & Customs (HMRC). VAT receivable is excluded from income.

xxii. Fair Value Measurement of non-financial assets

The Council measures some of its non-financial assets such as investment properties and some of its financial instruments such as Money Market Funds 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:

a) in the principal market for the asset or liability, or

b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council 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 Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

- Level 3 – unobservable inputs for the asset or liability.

2. Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the new or amended standards within the 2020/21 Code.

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

- Amendments to IAS 28 Investment in Associates and Joint Ventures: Long Term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement
- IFRS16 Leases - This standard will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities rather than expense the rental charge through the Comprehensive Income and Expenditure Statement. CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2021. An estimated impact of this standard will need to be reported in the 2020/21 Statement of Accounts, so the authority is continuing to assess the potential impact. At the time of writing, its currently not possible to estimate the likely impact as we are still in the process of identifying the lease arrangements most likely to be affected.

None of these changes are expected to have a material impact on the Council's statements.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies the Council has had to make judgements about complex transactions or those involving uncertainty about future events.

The main critical judgement made in this Statement of Accounts is the high degree of uncertainty about future levels of funding for local government, and the extent to which income risk rests with the Council instead of central government. This was already the case before the Covid-19 pandemic due to the one year financial settlement for 2020/21 and the government review into local government funding – the Fair Funding Review. The Council has determined that this uncertainty is not sufficient to indicate that any of its assets might be impaired as a result of a need to close facilities or reduce levels of service provision.

The Covid-19 pandemic impacted from March 2020 therefore the full impact is not reflected in the Statement of Accounts, but principally in 2020/21.

4. Notes to the Balance Sheet

2019/20 is the first year of Somerset West and Taunton Council which came into existence on 1st April 2019. All operations were acquired from the predecessor councils and, therefore, there are no prior year comparative details available.

However, in accordance with the requirements of the Code of Practice, this note shows the opening balance sheet on the creation of Somerset West and Taunton Council on 1st April 2019.

	1 April 2019 £000
Council Dwellings	286,386
Other Land and Buildings	90,001
Vehicles, Plant and Equipment	7,352
Infrastructure Assets	10,206
Community Assets	7,775
Surplus Assets	1,046
Assets Under Construction	7,714
Total Property, Plant and Equipment	**410,480**
Heritage Assets	141
Investment Property	19,821
Intangible Assets	728
Long-term Investments	2,161
Long-term Debtors	2,261
Long Term Assets	**435,592**
Short Term Investments	17,055
Assets Held for Sale	1,290
Inventories	156
Short Term Debtors	13,549
Cash and Cash Equivalents	22,028
Current Assets	**54,078**
Short Term Borrowing	-13,501
Short Term Creditors	-30,792
Provisions	-3,518
Current Liabilities	**-47,811**
Long Term Borrowing	-79,105
Other Long Term Liabilities	-105,732
Long Term Creditors	-570
Long Term Liabilities	**-185,407**
Net Assets	**256,452**
Usable Reserves	50,092
Unusable reserves	206,360
Total Reserves	**256,452**

5. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

The items in the Council's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Significant Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment (PPE)	Due to the COVID-19 pandemic, our valuers have indicated that there is a material uncertainty with the valuations provided. However, they are of the view that as at the valuation date the valuations produced are appropriate based on the comparable and cost data available at the valuation date. **This material uncertainty applies to all property assets - General Fund PPE and Investment properties, Surplus Assets, the HRA (Housing Revenue Account), and Pension Fund property valuations.**	If valuation assumptions are different to actual results, this will result in either a revaluation upwards or impairment charge being applied to the assumptions currently included within long term assets on the balance sheet.
Property, Plant and Equipment (PPE)	PPE assets are depreciated over useful lives that are chosen based on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. If the working lives change significantly as a result of the Council's review of its services then those useful lives may lengthen or shorten.	Depreciation is calculated to spread the cost of an asset over its estimated working life. If the working life is reduced, depreciation goes up and carrying-value goes down; if the working life is extended, depreciation goes down and so carrying value goes up. For example, changing trends in use of buildings and the extent to which these are categorised as PPE or investment.
	The carrying values of assets such as council houses depend very much on outside factors; for example, the significant revaluation in 2016/17 was due to a change in the discount factor applied nationally to social housing. This factor depends on market conditions such as the value of similar properties in an open market and rent yields for the private sector. The discount factor for the south-west in 2015/16 was 31%; in 2019/20 it is 35%.	With council housing having a balance-sheet value of around £297m, each 1% change in the social housing discount factor moves the valuation up or down by £3.0m while having no effect on the actual housing stock itself.

Item	Significant Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimates of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The Council works in partnership with other local authorities to engage a firm of consulting actuaries to provide expert advice about the assumptions to be applied, and reviews those assumptions in discussion with its partner Councils. Part of the annual accounts process is to review previous assumptions and test them against what actually happened, to provide further data for future assumptions.	The effects on the net pension liability of many changes in individual assumptions can be measured. For example, if the discount rate were to change by plus or minus 0.1% from its assumed 2.35%, then the projected service cost would be between £4.958m to £5.248m. A similar change of 1 year in the mortality age range assumption means the projected service cost could be from £4.948m to £5.258m.
	With so much national debate and change in pension provisions, the assumptions are both difficult to predict from historical data and likely to change significantly in the short to medium term. The pension liability and its underlying data is therefore very much a carefully-reasoned estimate of the most likely combination of factors, but by its very nature is significantly uncertain.	However, the assumptions interact in complex ways; for example, pension membership may fall, the proportion of commutable pension exchanged by members for cash on retirement may go up while members live longer and equity yields improve.
Business Rates Appeals Provision	Estimates have been made for the provision for refunding ratepayers who have successfully appealed against the rateable value of their properties. This includes the current and previous financial years. The estimate is based on those ratepayers who have appealed.	There is uncertainty and risk surrounding the calculation of the provision as future events may affect the amount required to settle an obligation. This could be to an extent that is greater than the Business Rates smoothing reserve (equalisation fund) in Earmarked Reserves, and would require mitigating action.

6. Material Items of Income and Expense

During the year, there have been 45 sales of Council dwellings to Council tenants; this has resulted in a gain shown in the Comprehensive Income and Expenditure Statement of £1.449m.

The Council incurs a significant proportion of spend on benefit payments, which is funded predominantly by Government grant. Housing Benefit and subsidy payments are included within Customer on the face of the Comprehensive Income and Expenditure Statement and payments amounted to £30.261m 2019/20. Housing Benefit subsidy amounted to (£30.128m) in 2019/20.

7. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Assistant Director – Finance (S151 Officer) on 13 August 2020. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Britain leaving the Eurpoean Union - There is a level of uncertainty about the implications of Britain's departure from the European Union. At the current time it is not possible to predict the agreement that will be reached at the end of the transition period in December 2020, therefore it is not possible to predict whether non-current asset values, investments or the discount rate of the pension fund liability will consequently change. Since 31 March 2020 there has been no impact on the value of these balances which would affect the understanding and financial position of the Council's balance sheet.

Hinkley Point Power Station – Business Rates appeal. A decision was received from the Valuation Officer on 15 December 2020. This identified that there will be a refund due the shutdown of a reactor on 20 February 2020 for maintenance. The financial impact relating to 2019/20 is a refund of £511k, of which 44% will relate to SWT i.e. £225k. This sum is not a material change to these accounts. However, there will also be a further shutdown during 2020/21, and the financial impact on the 2020/21 accounts will be a reduction in business rates income for 2020/21 of up to £8.7m of which 40% will relate to SWT i.e. up to £3.5m.

The Council has included a provision of £0.925m for backdated Business Rate Appeals and refunds for the period to 31 March 2020 (Note 22. SWT's 44% share of a total appeals provision of £2.104m). The decision of the Valuation Office is beyond the worst case envisaged when the provison was made. Even with a Business Rates smoothing earmarked reserve of £3.303m, this decision creates potential financial pressures.

The loss of revenue in 2020/21 should be partly mitigated by the Tax Income Guarantee Scheme announced by Government in response to COVID, which will cover up to 75% of any reduction in tax revenues compared to the original budget assumptions for the year. Overall, whilst the situation will not impact on the Council's position as a viable going concern, it will necessitate a carefully considered, strategic response that will ensure the net loss in funding ~~this~~ is addressed both in year (2020/21) and in the Medium Term Financial Plan for 2021-24. Further in regard to the medium term, EDF announced in late 2020 that Hinkley B power station is due to start decommissioning in July 2022, which is a year earlier than previously assumed.

There have been no other events after the balance sheet date of 31 March 2020 that require the financial statements or notes to be adjusted for 2019/20.

8. 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 Councils in comparison with those resources consumed or earned by Councils in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	As Reported for Resource Management	Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances (Note 7a)	2019/20 Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis (Note 7a)	Net Expenditure in the CIES
	£000	£000	£000	£000	£000
Commercial Investment	2,257	1,374	3,631	9,535	13,166
Communications & Engagement	567	37	604	9	613
Customer	-3,173	875	-2,298	2,560	262
Localities	4,352	-909	3,443	2,178	5,621
Performance and Governance	12,177	-529	11,648	4,834	16,482
Strategic Board		1,110	1,110	1	1,111
Strategy	628	-117	511	9	520
Housing Revenue Account	-5,130	-6,442	-11,572	7,261	-4,311
Net Cost of Services	**11,678**	**-4,601**	**7,077**	**26,387**	**33,464**
Other Income and Expenditure	-13,522	3,525	-9,997	-16,017	-26,014
(Surplus) or Deficit	**-1,844**	**-1,076**	**-2,920**	**10,370**	**7,450**

Opening General Fund and HRA Balance	-26,537
Less/Plus Surplus or (Deficit) on General Fund and HRA Balance in Year	-2,920
Closing General Fund and HRA Balance at 31 March *	**-29,457**

For a split of this balance between the General Fund and the HRA - see the Movement in Reserves Statement

Adjustments btween Funding Basis and Accounting Basis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Statutory Differences	Total Adjustment Between Funding and Accounting Basis
	Note 1 £000	Note 2 £000	Note 3 £000	£000
2019/20				
Commercial Investment	9,517	14	4	9,535
Communications & Engagement		2	7	9
Customer	2,416	89	55	2,560
Localities	2,127	69	-18	2,178
Performance and Governance	1,257	3,919	-342	4,834
Strategic Board		7	-6	1
Strategy		8	1	9
Housing Revenue Account	7,133	103	25	7,261
Net Cost of Services	**22,450**	**4,211**	**-274**	**26,387**
Other Income and Expenditure from the Expenditure and Funding Analysis	**-19,173**	**2,633**	**524**	**-16,017**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**3,277**	**6,844**	**250**	**10,370**

Adjustments for capital purposes - Note 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** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net change for the pensions adjustments - Note 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 statutory adjustments - Note 3

Other statutory adjustments 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 statutory adjustments column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under **Taxation and non-specific grant income** represents the difference between what is chargeable under statutory regulations for council tax and NNDR 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.

9. Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

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

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year, however the balance is not available to be applied to fund Housing Revenue Account (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 Council is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year-end.

Capital Receipts Reserve

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

Capital Grants Unapplied

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

The table below shows the adjustments that have been made between the accounting basis and funding basis:

2019/20	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements					
Pension costs (transferred to or from the Pensions Reserve)	5,925	919			
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	1,491				
Council Tax and NNDR (transfers to or from the Collection Fund)	-967				
Holiday Pay (transferred to or from the Accumulated Absences Account)	-299	25			
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)	8,799	11,001			3,982
Total Adjustment to Revenue Resources	**14,949**	**11,945**	**0**	**0**	**3,982**
Adjustment between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	0	-5,562	5,562		
Administrative costs of non-current asset disposals (funded by a contribution form the Capital Receipts Reserve)		59	-59		
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)		382	-382		
Posting of HRA resources from revenue to the Major Repairs Reserve		-6,894		6,894	
Statutory provision for the repayment of debt (transfer from the capital adjustment account)	-455	-1,821	-334		
Capital expenditure financed from revenue balances	-1,245	-988			
Total Adjustments between Revenue and Capital Resources	**-1,700**	**-14,824**	**4,787**	**6,894**	**0**
Adjustments to Capital Resources					
Use of the Capital Receipts reserve to finance capital expenditure			-2,581		
Use of the Major Repairs Reserve to finance capital expenditure				-5,898	
Application of capital grants to finance capital expenditure					
Deferred Debtors repaid			334		
Total Adjustments to Capital Resources	**0**	**0**	**-2,247**	**-5,898**	**0**
Total Adjustments 2019/20	**13,249**	**-2,879**	**2,540**	**996**	**3,982**

10. Movements in Earmarked Reserves

The table below shows the amounts set aside from the General Fund and HRA balances in capital or revenue earmarked reserves to provide financing for future expenditure plans. It also shows the movement in each major earmarked reserve where amounts have either been posted to the reserve or back to meet General Fund and HRA expenditure in 2019/20. Reserves indicated with an asterisk (*) are held for capital purposes.

Earmarked Reserves	Balance at 01/04/2019 £000	Transfers Out £000	Transfers In £000	Balance at 31/3/2020 £000
General Fund				
Asset Maintenance & Compliance	**233**			**233**
Asset Management - Leisure	**137**	-62	62	**136**
Brewhouse Refurbishment	**150**			**150**
Business Rates Smoothing Reserve	**3,547**	-4,254	4,010	**3,303**
Capital Financing Reserve *	**650**	-482	288	**456**
Carry Forwards	**1,135**	-1,135	61	**61**
CEO Initiatives	**50**	-50		**0**
Contingency (Negative RSG)	**0**	-20	128	**108**
Corporate Training	**99**			**99**
DLO Vehicle Replacement Reserve *	**239**			**239**
Eco Towns Projects	**238**	-90	90	**238**
Economic Development & Growth Initiatives	**193**	-125	1,200	**1,268**
Elections Reserve	**156**	-136		**20**
Enterprising Minehead	**64**	-46	7	**25**
Garden Village	**944**	-827	697	**814**
Homelessness Prevention	**44**		120	**164**
Housing Enabling	**20**	-137	147	**30**
Hurlestone Bothy	**50**	-50	50	**50**
Investment Risk Reserve	**0**		3,500	**3,500**
Local Plan Development and Inspection Costs	**311**	-166	33	**178**
Minehead Esplanade	**59**	-64	50	**45**
Monkton Heathfield	**347**	-357	199	**189**
Neighbourhood Planning Grant	**122**	-87	41	**76**
New Homes Bonus Reserve	**6,168**	-2,425	3,117	**6,860**
Parking	**243**	-75		**168**
Performance & Client Consultancy	**40**	-40		**0**
Planning Policy	**84**			**84**
Planning Reserve	**50**			**50**
Resources Service Costs	**33**			**33**
Rough Sleepers Initiative	**0**		81	**81**
Self Insurance Fund	**200**			**200**
Strategic Housing Market Area Assessment	**576**	-7		**569**
Strategy - Future High Street	**0**		80	**80**
Steam Coast Trail	**93**			**93**
Sustainability Reserve	**78**			**78**
SWP Recycle More	**55**	-55		**0**
Transformation Reserve	**564**	-402	164	**326**
Transition	**262**	-507	386	**141**
Travel Plan	**192**	-30	30	**192**
Waste Earmarked Reserve	**106**	-129	89	**66**
Other Earmarked Reserves	**710**	-635	108	**183**
Total General Fund	**18,242**	**-12,393**	**14,737**	**20,586**

Earmarked Reserves	Balance at 01/04/2019 £000	Transfers Out £000	Transfers In £000	Balance at 31/3/2020 £000
Housing Revenue Account (HRA)				
Carry Forwards	**186**	-186	0	**0**
Electrical Testing	**474**	-474	0	**0**
Employment & Skills	**102**	0	0	**102**
Asbestos Surveys	**0**	-68	170	**102**
One Teams	**50**	-13	0	**37**
Social Housing Development Fund	**1,339**	-107	0	**1,232**
Transformation Reserve	**379**	-204	0	**175**
Transition	**178**	-178	0	**0**
Other Earmarked Reserves	**10**	-10	0	**0**
Total HRA	**2,718**	**-1,240**	**170**	**1,648**

The purposes for which individual reserves with balances in excess of £1 million are held are as follows:-

- Business Rates Smoothing Reserve – to smooth the effect of successful business rates appeals
- Economic Development & Growth Initiatives Reserve – monies set aside from the business rates pooling gain to aid economic development and growth initiatives
- Investment Risk Reserve – to manage commercial investment net income volatility
- New Homes Bonus Reserve - to receive and distribute the New Homes Bonus Grant
- Social Housing Development Fund – to provide funding towards Social Housing Development

11. Other Operating Expenditure

The note below details what is included in the 'Other Operating Expenditure' line in the Comprehensive Income and Expenditure Statement.

	2019/20 £000
Parish Council precepts	2,072
Payments to the Government Housing Capital Receipts Pool	382
Pension Administration Costs	92
(Gains)/Losses on the disposal of non-current assets	-1,545
Total	**1,001**

12. Financing and Investment Income and Expenditure

The note below details what is included in the 'Financing and Investment Income and Expenditure' line in the Comprehensive Income and Expenditure Statement.

	2019/20 £000
Interest payable and similar charges	2,486
Net interest on the net defined liability (asset)	2,541
Interest receivable and similar income	-855
Income and expenditure in relation to investment properties and changes in their fair value	-33
Bad Debt Impairment Allowance	-27
Investment Expected Credit Losses	1,535
Total	**5,647**

13. Taxation and Non Specific Grant Income

The note below details what is included in the 'Taxation and Non-Specific Grant Income' line in the Comprehensive Income and Expenditure Statement.

	2019/20 £000
Council tax income	-11,091
Non domestic rates income and expenditure	-10,956
Non-ringfenced Government grants	-3,809
Capital grants and contributions	-7,139
Total	**-32,995**

More details of grants the Council has received can be found in Note 32 Grant Income.

14. Expenditure and Income Analysed by Nature

The Council's expenditure and income is analysed as follows:

	2019/20 £000
Expenditure	
Employee Benefits Expenses	29,785
Other Services Expenses	57,592
Depreciation, Amortisation, Impairment and Revenue Expenditure funded from Capital under Statute	22,450
Loss / (Gain) on the Disposal of Assets	-1,545
Interest Payments	6,562
Precepts and Levies	2,072
Payments to Housing Capital Receipts Pool	382
Total Expenditure	**117,298**
Income	
Fees, Charges and Other Service Income	-41,631
Income from Council Tax, Non-Domestic Rates, District Rate Income	-22,047
Government Grants and Contributions	-45,282
Income and Expenditure in relation to investment properties and changes in their fair value	-33
Interest and Investment Income	-855
Total Income	**-109,848**
(Surplus) or Deficit on the Provision of Services	**7,450**

Segmental Income

Fees, charges and other service income received on a segmental basis is analysed below:

	2019/20 £000
Commercial Investment	-912
Communications & Engagement	-149
Customer	-9,751
Financing & Investment Income	-27
Localities	-3,281
Performance and Governance	-1,088
Strategic Board	-1
Strategy	-18
Housing Revenue Account	-26,404
Income analysed on a segmental Basis	**-41,631**

15. Property, Plant and Equipment

The table below details the movement on the Council's assets shown on the Balance Sheet as property plant and equipment.

2019/20	Council Dwellings £000	Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Cost or Valuation								
At 1 April 2019	**286,386**	**89,302**	**13,548**	**17,565**	**7,852**	**1,046**	**7,715**	**423,414**
Adjustment to Opening Balance		**1,852**						**1,852**
Additions	16,625	1,980	309		2		6,292	**25,208**
Revaluation increases / (decreases) recognised in the Revaluation reserve	-132	-96			-189	-238		**-655**
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services		-6,798			-124	-211		**-7,133**
Derecognition - Disposals	-3,233	-91						**-3,324**
Assets reclassified within Property, Plant and Equipment		6,086		1,036	380	-420	-7,082	**0**
Assets reclassified (to)/from Investment Property		14,739			32			**14,771**
Assets reclassified (to)/from Held for Sale	-2,732							**-2,732**
At 31 March 2020	**296,914**	**106,974**	**13,857**	**18,601**	**7,953**	**177**	**6,925**	**451,401**
Accumulated Depreciation and Impairment								
At 1 April 2019	**0**	**-1,151**	**-6,196**	**-7,359**	**-77**	**0**	**0**	**-14,783**
Depreciation charge	-6,805	-1,261	-1,259	-699				**-10,024**
Depreciation written out to the Revaluation Reserve	6,805	683						**7,488**
Depreciation written out to the Surplus/Deficit on the Provision of Services		10						**10**
Derecognition - Disposals		1						**1**
At 31 March 2020	**0**	**-1,718**	**-7,455**	**-8,058**	**-77**	**0**	**0**	**-17,308**
Net Book Value								
At 31 March 2020	**296,914**	**105,256**	**6,402**	**10,543**	**7,876**	**177**	**6,925**	**434,093**

Depreciation

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

- Council Dwellings – Various components over useful lives of between 15-100 years
- Other Land and Buildings – Straight Line allocation over a useful life of up to 60 years
- Vehicles Plant and Equipment – Straight line basis over a useful life of up to 20 years
- Infrastructure – Depreciation on a straight line basis over 25 years

The major commitments on the Council's General Fund and Housing Revenue Account Capital Programme in 2019/20 are shown below.

General Fund

The Council is currently under contract for the development of the site at Coal Orchard in Taunton, and the Seaward Way site in Minehead. The total commitment on these sites at 31st March 2020 is £11.1m

The Council has also entered into a contract to commit a contribution of £1.5m towards the M5 Junction 25 Capacity Improvement Scheme.

Some sites were reviewed as to whether they should be categorised as Land and Buildings within PPE or as Investments, depending on whether their prime use is towards the benefit of the community or as income generators. One of these, Thales, was found to have changed to PPE on 28 March 2019, so the opening balance in 2019/20 has been amended to reflect this. The others were recatogorised or confirmed as PPE in 2019/20. These sites were: Firepool, Land at Ash Meadows, Blenheim Gardens Café, Watchet West Pier (Sea Scouts Changing Facilities), Goodlands Gardens, Taunton, The Shed Café, Minehead Kiosk on Harbour, and Harbour Studios (Formerly Marina Office on the East Wharf).

Housing Revenue Account

Housing Revenue Account capital works are largely related to purchase of additional properties, progressing the North Taunton housing regeneration scheme, for which there is an approved budget of £14.1m as at 31st March 2020, maintining and improving housing standards including heating systems, insulation, fire safety, and other related works.

Revaluations

The Council carries out a rolling programme of asset valuations to ensure that all property, plant and equipment required to be measured at fair value is revalued at least every five years.

Valuations at 31 March 2020 have been carried out by Wilks Head & Eve, Chartered Surveyors. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest prices adjusted for the condition of the asset.

The significant assumptions applied by the Valuers in estimating the current values of property, plant and equipment are as follows:

- Planning Proposals
    - We have not made formal written enquiries of the Local Authority Planning Departments to ascertain if there are any adverse proposals likely to affect specific properties. We are instructed, however, that for the purposes of this Valuation Certificate, we should assume that there are no planning proposals that are likely to have an effect on the value of the properties unless these were specifically notified to us

- Construction and State of Repair
    - Structural / Condition surveys have not been undertaken of the properties nor have the service installations been tested.
    - We have not carried out a structural survey nor have we inspected those parts of the properties that are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition. We cannot express an opinion about or advise upon the condition of uninspected parts and this report should not be taken as making any implied representation or statement about such parts.
    - No allowances have been made for rights, obligations or liabilities arising from the Defective Premises Act 1972.
    - Unless we are aware that a specific property has a limited economic life, we have assumed that the assets are at a suitable level of condition for service provision, and that all internal and external repairs and maintenance have been carried out. We have assumed that these repairs do not constitute improvement to the properties and do not have a material effect on asset value
- Hazardous or Deleterious Materials
    - We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of these properties or has since been incorporated and we are therefore unable to report that the properties are free from risk in this respect. For the purpose of this report we have assumed that such investigation would not disclose the presence of any such material in any adverse condition
- Contaminated Land
    - We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the property and which may draw attention to any contamination or possibility of any such contamination. In undertaking our work, we have been instructed to assume that no contaminative or potentially contaminative uses have ever been carried out on the property. We have not carried out any investigation into past or present uses either of the properties or of any neighbouring land to establish whether there is any potential for contamination from these sites to the subject property and have therefore assumed that none exists
    - Should it however be established subsequently that contamination exists at any of the properties or any neighbouring land or that the properties have been or are being put to a contaminative use this might reduce the values now reported
- Plant and Machinery
    - Any plant and machinery that has been considered to form part of the property or service installations is included in the valuation. Where there is doubt as to the correct classification, assets installed primarily to provide services to the properties have been valued with the land and buildings and assets primarily serving the commercial or industrial process have been excluded. Any departure from this is stated on the relevant Valuation Statement.
- Lotting
    - Where applicable, properties have been lotted. No allowance or discount has been made for any flooding of the market which might, in practice, happen if several properties were offered for sale simultaneously. The figure reported is the aggregate of the values on separate properties.
- Taxation
    - No allowance has been made for liability for taxation which may arise on disposal, whether actual or notional. Where possible VAT and Capital Gains Tax are specifically excluded,

and our valuation does not reflect costs of realisation unless specifically requested by the client. No additions have been made for Stamp Duty Land Tax (SDLT).

- Acquisition and Disposal Costs

  - No notional directly attributable acquisition costs or selling costs have been applied to or deducted from the Current Value and Fair Value figures provided within this report.

  - For indicative purposes only, the Valuer would expect purchaser's cost to be in the region of 0.5% and 5.0% (plus or minus) dependant on the overall value of the asset and property type on an acquisition or disposal respectively.

  - The Valuer has made no allowance for any vendor's costs or taxation (actual or notional) nor has any allowances been made for any capital or annual grants or incentives to which a purchaser may be entitled.

  - The Valuer has not been asked by the client to specifically reflect these costs separately.

  - Guidance on this matter is provided within UKVS 1 Paragraph 1.7 Costs to be excluded of the Red Book:

    - The valuer must not include directly attributable acquisition or disposal costs in the valuation. When asked by the client to reflect costs, these must be stated separately.

    - In determining the figure to enter into the balance sheet (the 'carrying amount'), FRS 15 requires the addition of notional, directly attributable acquisition costs, where material, to the EUV. Likewise, where property is surplus to the entity's requirements and valued on the basis of market value, there should be a deduction for expected, directly attributable selling costs, where material. If requested to advise on these costs, the Valuer should report them separately and not amalgamate them with either the EUV or market value. The valuation should reflect the Valuer's opinion of the consideration that would appear in the hypothetical sale and purchase contract.

    - FRS 15 states that directly attributable costs can include stamp duty, import duties and non refundable purchase taxes, as well as professional fees, the Valuer is alerted to a potential problem with a property that would, or would potentially, be subject to VAT in any transaction but the entity may not be able to reclaim the VAT. The decision whether or not to treat this as a directly attributable acquisition cost should be determined by the entity, together with its auditors. Even if this is the case the Valuer should state clearly in the report what assumptions have been made and the likely impact of VAT in any transaction.

    - In the case of surplus properties, directly attributable selling costs that are material may need to be itemised separately. If this is the case, they will include not only the transaction costs but also any marketing costs that can be reasonable anticipated.

- Energy Performance Certificates

  - In England and Wales, the Energy Performance of Buildings Directive requiring Energy Performance Certificates (EPC) is relevant.

  - This directive re quires all properties to have an Energy Performance Certificate (EPC) covering the residential and commercial sectors. The Certificate is valid for ten years and includes an Energy Efficient Rating of between A and G.

- Since 26th March 2015 the minimum energy efficiency standard (MEES) has been introduced.
- This minimum standard applies to both domestic and non domestic property and from 1st April 2018 Landlords have been unable to let an F or G rated commercial property on a new or renewed tenancy / lease.
- From 1st April 2020, the regulations apply to all property leases, initially for domestic properties, and then in 2023 non domestic properties too.
- Exceptions include leases of less than six months and leases of longer than 99 years as well as listed buildings.
- For these purposes we have assumed that all properties valued within the portfolio meet the E or higher required rating for letting purposes.

- Deminimis Levels of Value
  - Only those properties the value of which is considered likely to exceed the “deminimis” level of value determined by The Authority are included separately in this valuation. In all cases, we have included the valuation within the main body of the report as well as summarising them in letter format even if the Authority chooses not to include these within their financial statements.

The table below shows the values against the latest valuation dates for each group of assets:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Asset Under Construction £000	Total £000
Valued at Fair Value	0	0	0	0	0	177	0	**177**
Valued at Historic Cost	0	0	6,402	10,543	7,876	0	6,925	**31,746**
Valued at:								
31 March 2017	304	180	0	0	0	0	0	**484**
31 March 2018	0	36,852	0	0	0	0	0	**36,852**
31 March 2019	32	12,102	0	0	0	0	0	**12,134**
31 March 2020	296,578	56,122	0	0	0	0	0	**352,700**
Total Net Book Value	**296,914**	**105,256**	**6,402**	**10,543**	**7,876**	**177**	**6,925**	**434,093**

16. Investment Property

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

	2019/20 £000
Rental income from investment property	-525
Costs Related to investment property	492
Total	**-33**

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

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

	2019/20 £000
Balance at start of the year	19,821
Additions	2,204
Disposals	0
Net gains/(losses) from fair value adjustments	-491
Transfers:	
(To)/from Property, Plant & Equipment	-14,771
Balance at end of the year	**6,763**

Fair Value Measurement of Investment Property

Details of the Council's investment properties and information about the fair value hierarchy are as follows:

Significant Unobservable Inputs (Level 2)	2019/20 £000
Commercial Buildings	5,376
Commercial Land	1,387
Investment Property	**6,763**

Significant Unobservable Inputs – Level 2

The commercial land and buildings located in the Council's area are measured using the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. The approach has been developed using the Council's own data requiring it to factor in assumptions such as the duration and timing of cash inflows and outflows, rent growth, occupancy levels, bad debt levels, maintenance costs, etc.

The Council's commercial land and buildings are, therefore, categorised as Level 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 Council's investment properties, the highest and best use of the properties is their current use.

Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

17. Financial Instruments

The definition of a financial instrument is: 'Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity'.

The term 'financial instrument' covers both financial assets and financial liabilities. These range from straightforward trade receivables and trade payables to more complex transactions such as financial guarantees, derivatives and embedded derivatives. The Council's borrowing, finance leases and investment transactions are also classified as financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The Council's non-derivative financial liabilities held during the year are measured at amortised cost and comprised:

- Long-term loans from the Public Works Loan Board and commercial lenders
- Short-term loans from other local authorities
- Trade payables for goods and services received

Financial Assets

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

Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) comprising:

- Cash in hand
- Bank current and deposit accounts with NatWest Bank
- Fixed term deposits with banks and building societies
- Loans made to Somerset CCC, Somerset Waste Partnership and others for service purposes
- Trade receivables for goods and services delivered

Fair value through profit and loss (all other financial assets) comprising:

- Money market funds and other collective investment schemes
- Covered bonds issued by building societies
- Property funds managed by fund managers

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

Financial Instruments - Balances

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

Financial Liabilities	31 March 2020 Long Term £000	31 March 2020 Short Term £000
Loans at amortised cost:		
Principal sum borrowed	-75,500	-25,500
Accrued interest	-101	-7
Total Borrowing	**-75,601**	**-25,507**
Liabilities at amortised cost:		
Trade payables	0	-3,683
Included in Creditors	**0**	**-3,683**
Total Financial Liabilities	**-75,601**	**-29,190**

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

Financial Assets	31 March 2020 Long Term £000	31 March 2020 Short Term £000
At amortised cost		
Principal	3	2,931
Accrued interest	0	3
Loss Allowance	0	0
At fair value through profit & loss		
Fair value	0	2,092
Total Investments	**3**	**5,026**
At amortised cost		
Principal	0	4,286
Accrued interest	0	4
Loss Allowance	0	0
At fair value through profit & loss		
Fair value	0	24,401
Total Cash and Cash Equivalents	**0**	**28,691**
At amortised cost		
Trade receivables	0	1,245
Loans made for service purposes	6,606	0
Included in Debtors	**6,606**	**1,245**
Total Financial Assets	**6,609**	**34,962**

Soft Loans

Soft loans are those advanced at below market rates in support of the Council's service priorities. The Council has no material outstanding soft loans and has made no material soft loans in 2019/20.

Financial Instruments - Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

	2019/20			
	Financial Liabilities Amortised Cost	Financial Assets		Total
		Amortised Cost	Fair Value through Profit & Loss	
	£000	£000	£000	£000
Interest expense	2,486	0	0	2,486
Losses on derecognition	0	0	0	0
Interest payable and similar charges	**2,486**	**0**	**0**	**2,486**
Interest income	0	137	718	855
Gains from changes in fair value	0	4	0	4
Interest and investment income	0	141	718	859
Net impact on surplus/deficit on provision of services	**2,486**	**141**	**718**	**3,345**
Losses on revaluation	0	0	-1,487	-1,487
Impact on other comprehensive income	**0**	**0**	**-1,487**	**-1,487**
Net Gain/(Loss) for the year	**2,486**	**141**	**-769**	**1,858**

Financial Instruments – Fair Values

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

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2020, using the following methods and assumptions:

• Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.

• The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.

• No early repayment or impairment is recognised for any financial instrument.

• The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

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

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices

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

Financial Liabilities	Fair Value	31 March 2020 Carrying Amount £000	Fair Value £000
Financial Liabilities held at Amortised Cost			
Long Term Loans from PWLB	2	76,063	86,383
LOBO Loan	2	3,038	5,199
Other Short Term Loans	2	22,007	22,007
Total		101,108	**113,589**
Liabilities for which fair value is not disclosed	*	3,683	
Total Financial Liabilities		**104,791**	
Recorded on Balance Sheet as:			
Short Term Creditors		3,683	
Short Term Borrowing		25,507	
Long Term Borrowing		75,601	
		104,791	

Financial Assets	Fair Value	31 March 2020 Carrying Amount £000	Fair Value £000
Financial Assets held at Fair Value			
Bond Funds	1	16,632	16,632
Covered Bonds	1	2,092	2,092
Deposit Fund	1	1,000	1,000
Money Market Funds	1	6,769	6,769
Financial Assets held at Amortised Cost			
Bank Accounts	*	2,393	2,393
Term Deposits	*	4,834	4,834
Loans made for Service Purposes	2	6,606	6,606
Total		**40,326**	**40,326**
Assets for which fair value is not disclosed	*	1,245	
Total Financial Assets		**41,571**	
Recorded on Balance Sheet as:			
Long Term Investments		3	
Long Term Debtors		6,606	
Short Term Investments		5,026	
Short Term Debtors		1,245	
Cash & Cash Equivalents		28,691	
Total Financial Liabilities		**41,571**	

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

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

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

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

18. Assets Held for Sale

The table below details the balances of Assets Held for Sale at 31 March. For an asset to be classified as held for sale it must meet the following criteria:

- Be available for sale in its present condition
- The sale must be highly probable and have Member approval
- The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value
- The sale must be expected to be completed within one year of classification (in some circumstances if it is expected to take longer than a year to complete but still meets the other criteria it may be included as a non-current asset held for sale).

Also included as assets held for sale are Right-To-Buy (RTB) applications where it is highly probable the Council Dwelling will be sold through the RTB process.

Assets Held for Sale are revalued every year at 31 March and are recognised at the lower of carrying value and fair value less costs to sell. The maximum amount at which an asset is carried is the amount at which it was initially recognised as Held for Sale. All valuations were carried out in accordance with standards set out by the Royal Institution of Chartered Surveyors (RICS).

	Current 31 March 2020 £000
Balance outstanding at start of the year	**1,290**
Assets newly classified as held for sale:	
Property, Plant and Equipment	2,732
Assets declassified as held for sale:	
Property, Plant and Equipment	0
Surplus assets not held for sale	0
Downward Revaluation	-127
Assets sold	-635
Balance outstanding at year end	**3,260**

19. Debtors

The table below details the Council's debtors at 31 March. Debtors are amounts owed to the Council but remain unpaid at 31 March. Included in the figures per classification is an allowance for the impairment of the debts.

Current Debtors:

	31 March 2020 £000
Trade receivables	1,245
Prepayments	402
Other receivable amounts	11,877
Total	**13,524**

Long term Debtors:

Long term debtors are debtors that are due in over 12 months.

	31 March 2020 £000
Sundry Mortgages	183
Car/Bike Loans to Employees	3
Somerset CCC Loan	675
Somerset Waste Partnership Loan	4,901
COACH Loan	33
Hestercombe Loan	79
YMCA Loan	716
Sundry Debtors	50
Expected Credit Losses	(34)
Total	**6,606**

Debtors for Local Taxation:

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

	31 March 2020 £000
Less than one year	1,140
One to two years	504
Two to three years	323
More than three years	874
Total	**2,841**

20. Cash and Cash Equivalents

The table below shows how the balance of cash and cash equivalents held by the Council at 31 March is made up. Cash and cash equivalents are highly liquid investments that are readily convertible into known amounts of cash. The details of what is included in as cash and cash equivalents is detailed in (iii) of Accounting Policies.

	31 March 2020 £000
Cash held by the Council	53
Bank current accounts	537
Call Accounts	1,800
Bond Funds	16,632
Deposit Funds	1,000
Debt Management Office	1,906
Money Market Fund	6,769
Unpresented Cheques / BACS	-6
Total Cash and Cash Equivalents	**28,691**

21. Creditors

The table below details the Council's creditors at 31 March. Creditors are amounts owed by the Council at 31 March in respect of goods and services received before the end of the financial year.

	31 March 2020 £000
Trade payables	-3,683
Other payables	-24,662
Total	**-28,345**

Long Term Creditors

Capital Grants Receipts in Advance	31 March 2020 £000
	-244
Total	**-244**

22. Provisions

	Current		
	NNDR Appeals £000	Other Provisions £000	Total £000
Balance at start of year	**2,805**	**713**	**3,518**
Additional provisions made in year	281		**281**
Amounts used in year	-223	-693	**-916**
Unused amounts reversed in year	-1,938		**-1,938**
Balance at year-end	**925**	**20**	**945**

Business Rates Appeals

The Local Government Finance Act 2012 introduced changes to the accounting arrangements for Business Rates. These changes require the Council to put in a provision for appeals for refunding ratepayers who have appealed against the rateable value of their properties on the rating list. The Council has to put in its best estimate of the expenditure required to settle the present obligation which totals £0.925m in respect of the Business Rates Collection Fund (SWT's 44% share of a total appeals provision of £2.104m). There has not been any significant increase in the number of appeals during 2019/20 but the Council continues to take a prudent approach to evaluating the risk.

Other Provisions

The balance of £20k is in respect of the Deposit Protection Scheme run by the Council to enable tenants to obtain private sector rented accommodation.

23. Usable Reserves

The table below details the Council's usable reserves which can be applied to fund expenditure or reduce local taxation. Further detail can be found with the Movement in Reserves Statement on page 18.

	31 March 2020 £000
General Fund Balance	4,523
General Fund Earmarked Reserves	20,586
Housing Revenue Account Balance	2,700
Housing Revenue Account Earmarked Reserves	1,648
Capital Receipts Reserve	17,782
Major Repairs Reserve	3,708
Capital Grants Unapplied Account	9,583
Total Usable Reserves	**60,530**

24. Unusable Reserves

The table below details the Council's unusable reserves. These are reserves that cannot be applied to fund expenditure or reduce local taxation – they are not usable resources.

	2019/20 £000
Revaluation Reserve	125,399
Capital Adjustment Account	181,969
Pensions Reserve	-111,912
Collection Fund Adjustment Account	1,959
Accumulated Absences Account	-82
Available-for-sale Financial Instruments Reserve	-1,491
Total Unusable Reserves	**195,842**

Revaluation Reserve

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

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation
- Disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, this is the date which the reserve was created. Accumulated gains arising before this date are consolidated into the balance on the Capital Adjustment Account.

The table below shows the transactions that have gone through the revaluation reserve:

		2019/20 £000
Balance as at 1 April		**119,129**
Upward revaluation of assets	14,694	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-7,988	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		6,706
Difference between fair value depreciation and historical cost depreciation	-403	
Accumulated gains on assets sold or scrapped	-33	
Amount written off to the Capital Adjustment Account		-436
Balance as at 31 March		**125,399**

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. The account is credited with amounts set aside by the Council as finance for the cost of acquisition, construction and subsequent costs.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains and losses on Property, Plant and Equipment before 1 April 2007 - the date that the Revaluation Reserve was created to hold such gains.

Note 9 – Adjustments between Accounting Basis and Funding Basis under Regulations, provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2019/20 £000	
Balance as at 1 April		**192,327**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for Depreciation and impairment of non current assets	-10,022	
Revaluation losses on Property, Plant and Equipment	-7,124	
Amortisation of intangible assets	-269	
Revenue expenditure funded from capital under statute	-5,034	
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-3,958	
		-26,407
Adjusting amounts written out of the Revaluation Reserve		436
Net written out amount of the cost of non current assets consumed in the year		**-25,971**
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	2,581	
Use of Major Repairs Reserve to finance new capital expenditure	5,899	
Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing	2,713	
Application of grants to capital financing from the Capital Grants Unapplied Account	403	
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	2,610	
Capital expenditure charged against the General Fund and HRA balances	2,232	
		16,438
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		-491
Deferred Debtors repaid		-334
Balance as at 31 March		**181,969**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns in any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to the pension fund or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that the funding will have been set aside by the time the benefits come to be paid.

Transactions in the pension reserve are as shown in the table below:

	2019/20 £000
Balance as at 1 April	**-105,732**
Remeasurement of the net defined benefit liability/(assets)	664
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	-12,112
Employer's pension contributions and direct payments to pensioners payable in the year	5,268
Balance as at 31 March	**-111,912**

Collection Fund Adjustment Account

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

The balance shown on the Collection Fund Adjustment Account represents the Council's share of the Collection Fund surplus or deficit.

	2019/20		
	Council Tax £000	**Business Rates £000**	**Total £000**
Balance as at 1 April	**215**	**777**	**992**
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	-218	1,185	967
Balance as at 31 March	**-3**	**1,962**	**1,959**

Accumulated Absences Account

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

	2019/20	
	£000	£000
Balance as at 1st April		**-356**
Settlement or cancellation of accrual made at the end of the preceding year	356	
Amounts accrued at the end of the current year	-82	
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.		274
Balance as at 31st March		**-82**

Available for Sale Financial Instrument Reserve

	2019/20 £000
Balance as at 1st April	**0**
Balance transferred to General Fund on adoption of IFRS 9	
Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	-1,491
Balance as at 31st March	**-1,491**

25. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2019/20 £000
Interest received	785
Interest paid	-2,483
	-1,698

The surplus/deficit on the provision of services has been adjusted for the following non-cash movements:

	2019/20 £000
Depreciation	10,024
Impairment and downward valuations	7,124
Amortisation	269
Movement in fair value of investment property	491
Increase/(decrease) in impairment for bad debts	521
(Decrease)/increase in creditors	-2,445
(Increase)/decrease in debtors	-4,828
(Increase)/decrease in inventories	-17
Movement in pension liability	6,844
(Decrease)/Increase in Capital RIA	-326
Carrying amount of non-current assets sold or derecognised	3,958
Increase/(decrease) in provisions	-2,573
	19,042

The surplus or deficit on the provision of services has also been adjusted for the following items that are investing or financing activities: (Notes 26 and 27 below):

	2019/20 £000
Proceeds from the sale of property plant and equipment, investment property and intangible assets	-5,562
	-5,562

26. Cash Flow Statement – Investing Activities

	2019/20 £000
Purchase of Property, Plant and Equipment, Investment Property and intangible assets	-27,602
Purchase of short-term & long-term investments	-22,128
Other payments for investing activities	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5,562
Proceeds from short-term and long-term investments	36,301
Other receipts from investing activities	0
Net cash flows from investing activities	**-7,867**

27. Cash Flow Statement – Financing Activities

	2019/20 £000
Cash receipts of short-term and long-term borrowing	22,000
Repayment of short-term and long-term borrowing	-13,500
Net cash flows from financing activities	**8,500**

Reconciliation of Liabilities Arising From Financing Activities

	2019/20 £000
As at 1 April	
Long Term Borrowings	79,000
Short Term Borrowings	13,500
	92,500
Financing Cash Flows	
As at 31 March	**92,500**
Long Term Borrowings	75,500
Short Term Borrowings	25,500
Total	**101,000**

28. Members' Allowances

The table below shows the amounts payable to Members of the Council as allowances and expenses during the year. More details of what was paid to our Members is available on our website: www.somersetwestandtaunton.gov.uk

	2019/20 £000
Allowances	399
Expenses	24
Allowances paid in the year	**423**

29. Officers' Remuneration

The remuneration of those senior officers on the payroll of Somerset West and Taunton Council were as follows:

Post holder information (Post Title)		Salary, Fees and Allowances	Compensation for Loss of Office	Expenses Allowances	Total Remuneration excluding pension contributions	Pension Contributions	Total Remuneration	Annualised Salary
		£	£	£	£	£	£	£
Chief Executive	**2019/20**	117,300	0	0	**117,300**	18,064	**135,364**	117,300
Deputy Chief Executive and Director of Operations	**2019/20**	46,008	97,827	0	**143,835**	7,405	**151,240**	92,016
Director for Housing & Communities	**2019/20**	91,069	0	310	**91,379**	14,025	**105,403**	91,069
Head of Communications & Engagement	**2019/20**	85,982	0	0	**85,982**	0	**85,982**	81,600
Head of Localities	**2019/20**	66,116	0	0	**66,116**	10,182	**76,298**	86,603
Head of Customer	**2019/20**	78,030	0	310	**78,340**	12,017	**90,357**	78,030
Head of Strategy	**2019/20**	78,030	0	315	**78,345**	12,017	**90,362**	78,030
Head of Performance & Governance	**2019/20**	64,929	0	0	**64,929**	9,999	**74,928**	81,600
Assistant Director & S151 Officer	**2019/20**	70,155	0	1,851	**72,006**	10,804	**82,810**	70,155

The table below shows the number of other employees, (excluding the senior employees in the table above) whose remuneration, (excluding employer's pension contributions) was £50,000 or more for the year in bands of £5,000 were:

Remuneration Band	2019/20 Number of employees Total
£50,000 - £54,999	19
£55,000 - £59,999	3
£60,000 - £64,999	1
£65,000 - £69,999	1

30. Termination Benefits

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

Exit Package Cost Band (including special payments)	Number of Other Departures Agreed 2019/20	Number of Compulsory Redundancies 2019/20	Total Number of Exit Packages By Cost Band 2019/20	Total Cost of Exit Packages In Each Band (£) 2019/20 £000
£0 - £20,000	10	0	10	127,461
£20,001-£40,000	3	0	3	89,388
£60,001-£80,000	1	0	1	67,500
Total included in the CIES	**14**	**0**	**14**	**284,349**

31. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts:

	2019/20 £000
Fees payable to external auditors with regards to external audit services carried out by the appointed auditor for the year	61
Fees paid to external auditors for the certification of grant claims and returns for the year	23
Total	**84**

32. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20:

	2019/20 £000
Credited to Taxation and Non Specific Grant Income	
Revenue Support Grant	0
New Homes Bonus	-3,809
Other Non Specific Government Grants	0
Capital Grants	-7,139
Total	**-10,948**
Credited to Services	
Rent Allowances	-20,949
Rent Rebates	-9,180
Housing Benefit Admin	-371
Other Grants and Contributions	-4,479
Total	**-34,979**
	-45,927

33. Related Parties

The Council 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 Council.

UK Central Government

UK Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, housing benefits). Grant income is shown in Note 30.

Transactions to and from the Pension Fund are detailed in Note 34.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2019/20 is shown in Note 26.

During 2019/20, works and services to the value of £18,218 were commissioned from an organisation in which one Member had an interest. Contracts were entered into in full compliance with the Council's standing orders. In addition, the Council paid grants totalling £294,253 to voluntary organisations in which five Members held positions of trustees within the various organisations. In all instances, the grants were made with proper consideration of declarations of interest. Details of all these interests are recorded in the Register of Members Interests, open to public inspection at the Council office during office hours.

The Council also purchased a private property owned by a Councillor as part of acquiring additional Housing Revenue Account dwellings for social rent, in order to increase the Council's stock of affordable housing.

Officers

During 2019/20 works and services to the value of £31,263 were commissioned from an organisation in which one senior officer held a position. Contracts were entered into in full compliance with the Council's standing orders.

The Council is a member of South West Audit Partnership Limited, a company limited by guarantee which provides internal audit services to its twenty four members (including this Council). SWAP is wholly owned and controlled, as an in-house company, by the members and is a Local Authority Controlled Company for the purposed of Part V of the Local Government and Housing Act 1989. The liability of each member is limited to £1, being the amount that each member undertakes to contribute to the assets of the Company in the event of it being wound up while the Authority is a member or within one year after the Authority ceases to be a member. During the year the Governance Manager replaced the Head of Performance and Governance as a Director of South West Audit Partnership Limited.

34. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR) which is a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of the note.

	2019/20 £000
Opening Capital Financing Requirement	**123,483**
Capital investment	
Property, Plant and Equipment	25,209
Loans made for service provision	4,125
Intangible Assets	188
Investment Properties	2,205
Revenue Expenditure Funded from Capital under Statute	5,033
	36,760
Sources of finance	
Capital receipts	-3,197
Government Grants and Other Contributions	-4,368
Major Repairs Allowance	-5,898
Sums set aside from revenue	
Direct revenue contributions	-2,234
Minimum Revenue Provision (MRP / VRP)	-2,610
	-18,307
Closing Capital Financing Requirement	**141,936**

Explanation of movements in the Capital Financing Requirement in year:	
Increase / (Decrease) in underlying need to borrowing (unsupported by Government financial assistance)	18,453
Increase/(decrease) in Capital Financing Requirement	**18,453**

35. Leases

The Council has leased a number of vehicles for its own use (lessee) and, as lessor, has leased some of its own property to third-party users. IAS17 Leases (the relevant International Accounting Standard) sets out a range of factors to decide whether a lease is an operating lease or a finance lease. The factors are simple in principle but can be complex in practice; in summary, a lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership while a lease is classified as an operating lease simply if it is not a finance lease.

The accounting treatment is quite different. Finance leases are in effect a way of transferring ownership, assets leased under finance leases are shown in the Council's balance sheet as assets, and the cost of the lease is shown as a liability. Operating leases are in effect a way of obtaining the use of an asset, so the lease costs are charged directly to services and the asset is not shown in the balance sheet.

Council as Lessor

Operating Leases

As part of its work to support local communities, the Council has granted leases in respect of a number of its properties (principally commercial premises and business units) which are treated as operating leases.

Due to the nature of leases granted by the Council, and in particular its aim of tackling community deprivation and sustainable community deprivation mixed with its commercial awareness, the gross investment in the lease and the minimum lease payments that will be received over the following periods are subject to significant and sometimes unpredictable variables such as property values at rent-review intervals and the subsequent change in lease payments. For example, particularly in the current economic climate, it is in practice impossible to reliably predict how long a new or renewing leaseholder may be prepared to commit to. The figures in the table below are therefore a reasoned estimate assuming that annual lease income remains constant.

	2019/20 £000
Not later than one year	-872
Later than one year and not later than five years	-2,714
Later than five years and not later than ten years	-2,463
Total payments due in future years	**-6,049**

The minimum lease payments above do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. Due to the inherent variability of rental income in the medium to long term, the information in this note has been closed-off at ten years. This will be reviewed in future years if less volatile information becomes available.

Council as Lessee

	2019/20 £000
Not later than one year	49
Later than one year and not later than five years	62
Later than five years and not later than ten years	0
Total payments due in future years	**111**

36. Defined Benefit Pensions Schemes

Participation in Pension Schemes

As part of the terms and conditions of the employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire the Council has a commitment to make the payments that need to be disclosed at the time that the employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme (LGPS) administered locally by Peninsula Pensions on behalf of the Somerset Pension Fund. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with the investment assets.

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and is contracted out of the State Second Pension Scheme and currently provides benefits based on career average revalued salary and length of service on retirement, with various protections in place for those members in the scheme before the changes took place.

The Somerset Pension Fund is operated under the regulatory framework of the Local Government Pension Scheme and the governance of the Scheme is the responsibility of the Pensions Committee of Somerset County Council. Policy is determined in accordance with the Pension Fund Regulations.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme (i.e. largescale withdrawals from the scheme, changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account (HRA) the amounts required by statute described in the accounting policies note.

The total liability has been adjusted to include an estimate of the increased liability resulting from a Supreme Court ruling to refuse permission for the Government to appeal the Court of Appeals December 2018 judgment in the case of McCloud, which found that protections provided to those within 10 years of retirement as part of transition regulations when the scheme was changed constituted discrimination on age grounds. Although the case is not directly related to the Local Government Pension Scheme (LGPS), similar protections were given when the LGPS moved to a new scheme in 2014. The pension fund actuary estimated the impact of this at the last accounting date and therefore it is already included in the starting position. This allowance is therefore incorporated in the roll forward approach and is remeasured at the accounting date along with the normal LGPS liabilities.

Transactions relating to post-employment benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and the HRA via the Movement in Reserves Statement. The following transactions shown in the table have been made in the Comprehensive Income and Expenditure Statement and the General Fund / HRA Balance via the Movement in Reserves Statement during the year:

	2019/20 £000
Comprehensive Income and Expenditure Statement (CIES)	
Cost of Services	
Current service cost	9,479
Administration expenses	92
Financing and Investment Income and Expenditure:	
Net interest expense	2,541
Total Post Employment Benefits charged to the Surplus on the Provision of Services	**12,112**
Remeasurement of the net defined liability comprising:	
Return on assets (excluding the amount included in the net interest expense)	10,477
Other Actuarial gains and losses on assets	414
Actuarial gains and losses arising on changes in financial assumptions	-18,465
Actuarial gains and losses arising on changes in demographic assumptions	1,611
Experience gain and loss on defined benefit obligation	5,299
Total Post Employment Benefit Charged to the Income and Expenditure Statement	**-664**
Movement in Reserves Statement	
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	-12,112
Actual amount charged against the General Fund balance for pensions in the year:	
Employers contributions payable to scheme	5,268

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows:

Local Government Pension Scheme	**2019/20 £000**
Present value of the defined obligation	-225,076
Fair value of plan assets	116,540
Sub-total	-108,536
Present value of unfunded obligation	-3,376
Net liability arising from defined benefit obligation	**-111,912**

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

Funded liabilities: Local Government Pension Scheme	2019/20 £000
Opening balances as at 1 April	**-233,266**
Current service cost	-5,599
Interest cost	-5,566
Contributions from scheme participants	-1,034
Remeasurement (gains) and losses	
Actuarial gains/losses arising from changes in demographic assumptions	-1,611
Actuarial gains/losses arising from changes in financial assumptions	18,465
Experience loss n defined benefit obligation	-5,299
Past service cost	-3,880
Benefits paid	9,112
Past service costs	
Entity combinations	
Unfunded Pension Payments	226
Closing balance as at 31 March	**-228,452**

Reconciliation of fair value of the scheme assets:

Local Government Pension Scheme	2019/20 £000
Opening fair value of scheme assets	**127,534**
Interest income	3,025
Remeasurement (gain/loss):	
The return on plan assets, excluding the amount in the net interest expense	-10,477
Actuarial gains and losses	-414
Contributions from employers	5,268
Contributions from scheme participants into the scheme	1,034
Benefits paid	-9,338
Administration expenses	-92
Closing balance as at 31st March	**116,540**

Local Government Pension Scheme assets comprised:

Fair Value of Scheme Assets	2019/20 £000
Equities	78,603
Gilts	7,638
Other bonds	11,679
Property	11,050
Cash	7,570
Total	**116,540**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. The Local Government Pension Scheme has been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 31 March 2019.

Local Government Pension Scheme	2019/20
Long-term expected rate of return on assets in the scheme:	
Mortality assumptions:	
Longevity at 65 for current pensioners	
- Men	23.3
- Women	24.7
Longevity at 65 for future pensioners	
- Men	24.7
- Women	26.2
Rate of inflation - CPI	1.90%
Rate of increase in salaries	2.50%
Rate of increase in pensions	1.90%
Rate for discounting scheme liabilities	2.35%

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 analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. 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
Adjustment to discount rate	**+0.1%**	**0**	**-0.1%**
Present Value of total obligation	224,051	228,452	232,944
Projected service cost	4,958	5,101	5,248
Adjustment to long term salary increase	**+0.1%**	**0**	**-0.1%**
Present Value of total obligation	228,752	228,452	228,156
Projected service cost	5,103	5,101	5,099
Adjustment to pension increases and deferred revaluation	**+0.1%**	**0**	**-0.1%**
Present Value of total obligation	232,660	228,452	224,324
Projected service cost	5,246	5,101	4,960
Adjustment to life expectancy assumptions	**+1 year**	**0**	**-1year**
Present Value of total obligation	238,466	228,452	218,884
Projected service cost	5,258	5,101	4,948

Impact on the Council's Cash Flows

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £89.484m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

The deficit on the Local Government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

The total of contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2021 is £4.695m.

37. Contingent Liabilities

Business Rates payable by hospitals

Along with other local authorities we have received claims from a local trust hospital to receive mandatory charitable relief (under Section 47 of the LGFA 1988) in relation to their Business Rates bills, including backdating the relief to 2012. If these claims are successful this would result in an 80% mandatory award being applied per application. Currently Trusts or Foundation Trusts are not considered charitable organisations but rather public funded organisations with boards of directors and not trustees.

The original judgement for the case found the claim was not successful, however the claimant has been granted leave to appeal. The matter therefore continues to be subject of a legal process nationally, and local government stand by the stance that relief is not applicable. We have therefore not provided for any settlement in our accounts.

SWTC General Fund would be liable for a proportion of any refund under the Business Rates Retention (BRR) system, with the actual loss of funding value dependent on the rules of the BRR system and the whole total of business rates income reported in the financial year that the matter is concluded. Due to uncertainty it is not possible to provide a reliable estimate of this loss.

38. Contingent Assets

Hinkley Point C

There are two s106 agreements in place, one in relation to the site preparation works planning permission granted by West Somerset Council in January 2012 and the other in relation to the development consent order granted by the Secretary of State in March 2013. Thus far, all contributions have been paid on time and in full. A total of £0.146m is due in June 2020.

The income which is due to be paid to West Somerset is largely triggered by ‘transition’ or anniversaries of ‘transition’. The transition from the site preparation works planning permission to the development consent order took place in June 2016.

The Council will receive a minimum of £4.744m (maximum £5.432m) in total from the s106 relating to the development consent order. The payments are due over a number of years with the last one due in 2023.

39. Nature and Extent of Risks Arising From Financial Instruments

The Council has adopted CIPFA’s Code of Practice on Treasury Management (and subsequent amendments) and complies with The Prudential Code for Capital Finance in Local Authorities (both revised in December 2017).

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

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance for Local Authorities. This guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council’s Treasury Management Strategy, together with its Treasury Management Practices, are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The Council's treasury management activities expose it to a variety of financial risks including:

- ***Credit Risk*** - the possibility that other parties might fail to pay amounts due to the Council.
- ***Liquidity Risk*** - the possibility that the Council might not have funds available to meet its commitments to make payments.
- ***Market Risk*** - the possibility that financial loss may arise for the Council as a result of changes in such measures as interest rates and stock market movements.

Credit Risk: Treasury Investments

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

A limit of up to £9.0m is placed on the amount of money that can be invested with a single counterparty. The Council also sets a total group investment limit for institutions that are part of the same banking group. No more than £40.0m in total can be invested for a period of longer than a year.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £9.0m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2020 that this was likely to crystallise.

The Council does not hold collateral against any investments.

Credit Risk Exposure

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity:

	2019/20	
Credit Rating	**Long Term**	**Short Term**
	£000	**£000**
AAA	0	26,366
AA	0	4,834
A	0	1,800
Total	**0**	**33,000**

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 150% to adjust for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a "D" credit rating or equivalent. At 31st March 2020, £0.001m of loss allowances related to treasury investments.

Trade Receivables

During 2019/20 the Council continued to carefully review historic debtor balances and has written off old irrecoverable debts. The Council has a policy of exploring cost effective ways to ensure debts are fully recovered and thus minimise exposure to credit risk.

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

	31 March 2020 Trade Debtors £000
Past due less than 3 months	1,168
Past due over 3 months up to 12 months	232
Past due over 12 months up to 24 months	208
Past due over 24 months	129
	1,737

Credit Risk: Loans

In furtherance of the Council's service objectives, it has lent money to local organisations at market rates. The amount recognised on the balance sheet is £6.455m and the Council's total exposure to credit risk from these instruments is £7.658m.

The Council manages the credit risk inherent in its loans for service purposes in line with its published Investment Strategy.

Loss allowances on loans for service purposes total £0.034m and have been calculated by reference to 12-month expected credit losses as there is no experience of default on such loans.

Liquidity Risk

The Council has ready access to borrowing at favourable rates from the Public Works Loans 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. The risk is managed by maintaining a spread of fixed rate loans.

The maturity analysis of the principal sums borrowed is as follows:

	2019/20	
Credit Rating	**Long Term £000**	**Short Term £000**
Loans by Type		
Public Works Loan Board	72,500	3,500
Other Financial Institutions	3,000	0
Other Local Authorities	0	22,000
	75,500	**25,500**
Loans by Maturity		
Less than 1 year	0	25,500
Over 1 but not over 2 years	10,000	0
Over 2 but not over 5 years	18,000	0
Over 5 but not over 10 years	40,500	0
Over 10 but not over 15 years	0	0
More than 20 years	7,000	0
	75,500	**25,500**

Market Risks:

Interest Rate Risk

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

- Borrowings at variable rates – the interest expense will rise
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- Investments at variable rates – the interest income credited will rise
- Investments at fixed rates – the fair value of the assets will fall

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

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

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

	£000
Increase in interest payable on variable rate borrowings	50
Increase in interest receivable on variable rate investments	261
Impact on Surplus or Deficit on the Provision of Services	**311**
Decrease in fair value of fixed rate borrowings	-5,399
Decrease in fair value of fixed rate investment assets	-18

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

Price Risk

The Council does not generally invest in equity shares and is therefore not subject to equity price risk.

Foreign Exchange Risk

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

Housing (HRA) Income and Expenditure Account

The Housing Revenue Account (HRA) Income and Expenditure Statement shows the economic cost in year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement of the HRA Statement.

	2019/20	
	£000	£000
Income		
Dwelling Rents		(24,050)
Non Dwelling Rents		(672)
Charges for Services/Facilities		(1,591)
Contributions Towards Expenditure		(424)
		(26,737)
Expenditure		
Repairs and Maintenance	3,102	
Supervision and Management	11,647	
Rents, Rates, Taxes and Other Charges	315	
Depreciation and Impairment of Fixed Assets	7,133	
Movement in the Allowance for Bad Debts	333	
		22,530
Net Income of HRA Services as included in the Comprehensive Income and Expenditure Statement		**(4,207)**
HRA Service Share of Corporate and Democratic Core		229
Net (Income)/Expenditure of HRA Services		**(3,978)**
HRA Share of Operating and Expenditure included in the Comprehensive Income and Expenditure Statement:		
Pension Administration Costs		28
(Gain) or Loss on Sale of HRA Fixed Assets		(1,635)
Interest Payable and Similar Charges		2,624
Interest and Investment Income		0
Pension Interest Cost		788
Capital grants and contributions		382
(Surplus)/Deficit for the year on HRA Services		**(1,791)**

Statement of Movement on the HRA Balance

	2019/20 £000	£000
Balance on the HRA at the end of the previous year		**2,718**
Surplus or the year on the HRA Income and Expenditure Account	1,791	
Adjustments between accounting basis and funding under Statute (see analysis in Notes to the Supplementary Statements)	-2,879	
Net Increase or (Decrease) before transfers to or from Reserves	-1,088	
Transfers (to) or from Reserves	1,070	
Increase or (Decrease) in the Year on the HRA		-18
Balance on the HRA at the end of the current year		**2,700**

Housing Revenue Account Notes

A Housing Stock

The Council was responsible for managing 5,744 dwellings during 2019/20. The stock at 31 March was made up as follows:

	2019/20 number of
Houses	2,833
Bungalows	847
Flats and Maisonettes	2,061
	5,741
Shared Equity	3
	5,744

B Value of Assets

The balance sheet value of HRA assets at 31 March 2019 and 31 March 2020 is shown below.

Movement in 2019/20	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Total Property, Plant and Equipment £000	Assets Held For Sale £000	Intangible Assets £000	Total £000
Cost or Valuation								
At 1 April 2019	**286,386**	**8,810**	**333**	**1,987**	**297,516**	**635**	**776**	**298,927**
Additions	16,625				**16,625**			**16,625**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-132	-36			**-168**			**-168**
Revaluation increases / (decreases) recognised in the Surplus/deficit on the Provision of Services		-3			**-3**			**-3**
Derecognition - Disposals	-3,233				**-3,233**	-635		**-3,868**
Derecognition - Other					**0**			**0**
Reclassified within Property, Plant and Equipment					**0**			**0**
Reclassified (to)/from Held From Sale	-2,732				**-2,732**	2,732		**0**
At 31 March 2020	**296,914**	**8,771**	**333**	**1,987**	**308,005**	**2,732**	**776**	**311,513**
Accumulated Depreciation and Impairment								
At 1 April 2019	**0**	**0**	**-183**	**-1,696**	**-1,879**	**0**	**-752**	**-2,631**
Depreciation charge	-6,805	-90	-43	-79	**-7,017**		-5	**-7,022**
Depreciation written out to the Revaluation Reserve	6,805	1			**6,806**			**6,806**
Depreciation written out to the Surplus / Deficit on the Provision of Services					**0**			**0**
At 31 March 2020	**0**	**-89**	**-226**	**-1,775**	**-2,090**	**0**	**-757**	**-2,847**
Net Book Value								
At 31 March 2020	**296,914**	**8,682**	**107**	**212**	**305,915**	**2,732**	**19**	**308,666**

C Value of Dwellings at 31 March 2020

The open market value of dwellings within the HRA at 31 March 2020 is £848.327m compared with the balance sheet value of £296.914m. The difference of £551.413m represents the economic cost to the Government of providing Council housing at less than open market rents.

D Rent Arrears

Rent arrears as at the end of the financial year were as follows:

	31 March 2020 £000
Rent Arrears	**770**
Provision for Bad Debts	-483
Anticipated Collectable Arrears	**287**
Arrears as % of Gross Rent Income	1.08%

E Rent Rebates

Assistance with rents is available under the Housing Benefits scheme for tenants on low incomes. The rent shown in the HRA is the gross rent before rent rebates are granted.

F Gross Rent Income

This is the total rent income due for the year after allowing for voids. During the year 1.77% (1.77% in 2018/19) of available properties were vacant. Average weekly rents were £80.87, a decrease of £0.82 (-1.00%) over the previous year.

G Major Repairs Reserve

The Council is required to maintain a Major Repairs Reserve. The account is credited with depreciation and is used to finance HRA capital expenditure. The depreciation charge for council dwellings is funded by the major repairs allowance, which is included within the HRA subsidy, and reflects the cost of keeping the stock in its current condition.

	2019/20 £000
Balance as at 1 April	**2,711**
Transfer from Revenue to Major Repairs Reserve	6,894
Financing of HRA Capital Expenditure	-5,898
Balance as at 31 March	**3,707**

H Total Capital Expenditure and Receipts

	2019/20 £000
HRA Capital Expenditure	
Dwellings	16,625
Intangible Assets	62
Vehicles, Plant and Equipment	0
Revenue Expenditure funded from Capital under Statute	0
	16,687
Financed By	
Capital Receipts	3,074
Government Grants and Contributions	0
Contribution from Revenue	940
Major Repairs Reserve	5,898
Borrowing	6,775
	16,687

The table below shows the amount of capital receipts received by the HRA:

	2019/20 £000
Dwellings	4,323
Administrative Cost of Sales	-59
	4,264

I Pension Scheme

Following advice issued by CIPFA regarding Accounting for Defined Benefit Retirement Benefits in the HRA, Somerset West and Taunton Council has concluded that neither ring-fencing nor resource accounting in the HRA require the HRA to be treated differently from other services on the grounds of proper practice. There is therefore an amount of £102,610 included within management expenditure, which reflects the current service costs of the Pension Scheme, in accordance with IAS 19. These costs are currently notional and do not represent real cash outflows. Within the Housing Revenue Account these costs are negated by a contribution from the pension reserve.

J Adjustments between Accounting Basis and Funding Basis under Statute

This note details the adjustments that are made to the surplus/deficit for the year recognised by the Council on the HRA Statement in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

	2019/20 £000
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statute requirements	25
Reversal of (gain) or loss on sale of HRA non-current assets	-1,635
Capital expenditure charged against revenue	-2,427
HRA share of contributions to or from the Pensions Reserve	919
Transfer to/(from) the Major Repairs Reserve	-6,894
Transfer to/(from) the Capital Adjustment Account	7,133
Balance on the HRA at the end of the current year	**-2,879**

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 fund from taxpayers and distribution to local authorities and the Government of Council Tax and Business Rates.

	Business Rates £000	2019/20 Council Tax £000	Total £000
Income			
Council Tax Receivable	0	-98,577	**-98,577**
Business Rates Receivable	-58,898	0	**-58,898**
Transitional Protection Payments	274	0	**274**
Apportionment of Previous Year's Surplus/(Deficit)			
Central Government	1,665	0	**1,665**
Somerset County Council	300	746	**1,046**
Police and Crime Commissioner for Avon and Somerset	0	121	**121**
Devon & Somerset Fire & Rescue Authority	33	53	**86**
Somerset West and Taunton Council	1,332	116	**1,448**
Total Income	**-55,294**	**-97,541**	**-152,835**
Expenditure			
Demands and Shares			
Central Government	14,260	0	**14,260**
Somerset County Council	17,112	70,197	**87,309**
Police and Crime Commissioner for Avon and Somerset	0	12,333	**12,333**
Devon & Somerset Fire & Rescue Authority	570	4,899	**5,469**
Somerset West and Taunton Council	25,098	9,039	**34,137**
Parish / Town Councils	0	2,118	**2,118**
Costs of Collection	250	0	**250**
Increase/(Decrease) in Provision for Appeals	-4,911	0	**-4,911**
Increase/(Decrease) in Allowance for Impairment of Bad and Doubtful Debts	318	976	**1,294**
Interest on Refunds	6	0	**6**
Disregarded Amounts	205	0	**205**
	52,908	**99,562**	**152,470**
(Surplus)/Deficit for the year	**-2,386**	**2,021**	**-365**
(Surplus)/Deficit Balance Brought Forward	-1,952	-1,983	-3,935
(Surplus)/Deficit Balance Carried Forward	**-4,338**	**38**	**-4,300**
Attributable to:			
Central Government	-740	0	**-740**
Somerset County Council	-1,591	28	**-1,563**
Police and Crime Commissioner for Avon and Somerset	0	5	**5**
Devon and Somerset Fire and Rescue Authority	-43	2	**-41**
Somerset West and Taunton Council	-1,964	3	**-1,961**
	-4,338	**38**	**-4,300**

Collection Fund Notes

Council Tax

The Council's tax base for 2019/20, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply), converted to an equivalent number of Band D dwelling, was calculated as follows:

Band	Number of Taxable Dwellings after Discount	Ratio	Band D Equivalent Dwellings
A (Disabled Reduction)	14.08	5/9	7.82
A	6,538.26	6/9	4,358.84
B	15,695.82	7/9	12,207.86
C	12,978.75	8/9	11,536.67
D	9,855.17	9/9	9,855.17
E	7,505.04	11/9	9,172.83
F	4,554.10	13/9	6,578.15
G	2,126.81	15/9	3,544.67
H	110.75	18/9	221.50
	59,378.78		**57,483.51**
Less adjustment for Non-Collection of Rates			-860.73
Council Tax Base			**56,622.78**

Income from Business Ratepayers

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area, which are based on local rateable values multiplied by a uniform rate. The Local Government Act 2012 introduced a business rates retention scheme that enables local authorities to retain a proportion of the business rates generated in their area. Somerset West and Taunton Council were part of a Business Rates Pilot Area and therefore pays 25 per cent to Central Government, 30 per cent to Somerset County Council, 1 per cent to Devon and Somerset Fire Authority and retains 44 per cent itself.

The total non-domestic rateable value at 31 March 2020 was £152,241,865 (31 March 2019 £149,750,729). The standard national non-domestic multiplier for the year was £0.504 (2018/19 £0.493); the national non-domestic small business multiplier for the year was £0.491 (2018/19 £0.480).

Glossary of Terms

Local government, in common with many other specialised fields, has developed over the years its own unique set of terms and phrases. This glossary helps to identify some of those terms and phrases, which will be found in this statement.

Accruals
The concept that income and expenditure are recognised in the financial records as they are earned or incurred, not as the money is received or paid.

Amortisation
The loss in value of an intangible asset due to its use by the Council. Amortisation is a non-cash item, it is merely an accounting assessment.

Amortised Cost
The amount at which a financial asset or liability is measured at initial cost minus repayments and impairment, plus or minus the cumulative amortisation of the difference between the initial amount and the maturity amount. Amortisation is worked out using the effective interest rate (EIR).

Apportionment
The sharing of costs fairly based upon usage of a service.

Assets Held for Sale
Assets held for sale are assets where it is expected that their carrying amount is going to be recovered principally through a sale transaction rather than continued use.

Assets under Construction
Assets under construction are assets that are currently being developed and are not yet completed. They are capitalised at cost.

Band D Equivalent
A band D is the average property valuation band. This is calculated by multiplying the number of properties by the band D ratio to produce an equated tax base i.e. as if all properties were in band D.

Billing Authority
A local authority responsible for the collection of council tax and non-domestic rates.

Budget Requirement
The budget requirement is the net revenue expenditure calculated in advance each year by every billing authority and precepting authority. It is important for two reasons; as a step in the valuation of council tax and as a basis for local authority capping. It is calculated as the estimated gross revenue expenditure minus the estimated revenue income, allowing for movements in reserves.

Capital Charges
A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of their services; the charges reflect notional depreciation costs only.

Capital Expenditure
Expenditure on the purchase or provision of assets, which will be of long-term value to the Council e.g. land, buildings, vehicle, plant and equipment.

Capital Receipts
The proceeds from the sale of land and other assets. Capital receipts can be used to finance new capital expenditure, within rules set down by the Government, or to repay debt on existing assets.

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

Capital Financing Requirement (CFR)
CFR measures the Council's underlying need to borrow or finance by other long-term liabilities for a capital purpose.

Chartered Institute of Public Finance Accountancy (CIPFA)
CIPFA is a privately funded professional body with charitable status, which represents accountants working in the public sector. The Institute provides financial and statistical information for local government and other public sector bodies and advises central government and other bodies on local government and public finance matters.

CIPFA/LASAAC
This board is responsible for preparing, maintaining, developing and issuing the Code of Practice on Local Authority Accounting in the United Kingdom. The Board is a partnership between CIPFA England and the Local Authority (Scotland) Accounts Advisory Committee.

Collection Fund
A statutory fund maintained by a billing authority, which is used to record council tax and non-domestic rates collected by the Council, along with payments to precepting authorities as well as into it's own general fund.

Collection Fund Adjustment Account
The collection find adjustment account represents the Council's share of the collection fund surplus or deficit.

Community Assets
Assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Commuted Sum
An amount paid to the Council by a developer to cover the cost of maintaining a piece of land over a number of years, usually play areas.

Componentisation
Where an asset is split into significant components (e.g. a building could be split into building/windows/roof/boiler) to enable them to be depreciated over their separate useful lives.

Council Tax
The main source of local taxation for local authorities. Council tax is set by local authorities and is levied on all domestic dwellings whether houses, bungalows, flats, maisonettes, mobile homes or houseboats, and whether owned or rented. The proceeds are paid into the Council's Collection Fund for distribution to precepting authorities and for use by its own General Fund.

Creditors
Amounts owed by the Council at the balance sheet date in respect of goods and services received before the end of the financial year.

Debtors
Amounts owed to the Council but unpaid at the balance sheet date.

Depreciation
Represents the reduction in useful economic life of an asset whether arising from use, the passage of time, or obsolescence.

Direct Service Organisation (DSO)/Direct Labour Organisation (DLO)
The term direct service organisation (DSO) is used to cover both direct labour organisations (DLO's) established under the Local Government, Planning and Land Act 1980 and DSO's established under the Local Government Act 1988. These organisations are set up by a local authority to provide services subject to compulsory competitive tendering (CCT). Although the requirements of CCT no longer apply to these services, the terms DLO and DSO are still commonly used.

Earmarked Reserves
Amounts of money set aside for a specific purpose.

Estimates
The amounts which are expected to be spent, or received as income, during an accounting period. The term is also used to describe detailed budgets, which are either being prepared for the following year, or have been approved for the current year.

Fair Value
The amount for which an asset could be exchanged, or liability settled between knowledgeable and willing parties in an arm's length transaction.

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

Financial Instruments
Cash, evidence of an ownership interest in an entity, or a contractual right to receive, or deliver, cash or another financial instrument.

Finance Lease
A lease that transfers substantially all of the rewards of ownership of a fixed asset to the lessee.

General Fund
All district councils have to maintain a general fund which is used to pay for day-to-day items of non-housing revenue expenditure such as wages and salaries, heating and lighting, office supplies, etc. Spending on the provision of council housing, however, must be charged to a separate Housing Revenue Account.

Government Grants
Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

Gross Expenditure
The total cost of providing the Council's services, before taking into account income from government grant and fees and charges for services.

Housing Revenue Account (HRA)
Local authorities are required to maintain a separate account – the Housing Revenue Account – which sets out the expenditure and income arising from the provision of housing. Other services are charged to the general fund. Since 1990/91, local authorities have not been allowed to transfer monies between their General Fund and their HRA; this is known as "ring fencing".

IFRS
International Financial Reporting Standards (IFRS's) are issued by the Accounting Standards Board. The Council's accounts conform to IFRS's where they are applicable to local authorities.

Impairment
A reduction in the value of fixed assets caused either by a consumption of economic benefits or by a general fall in prices.

Infrastructure Assets
Fixed assets that by their nature cannot be sold and therefore expenditure is only recoverable by continued use of that asset. Examples of infrastructure assets are highways and footpaths.

Inventories
Inventories include goods or other assets purchased for resale, consumable stores and raw materials.

Investments
A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments are classified as such only when it is intended to hold the investment for more than one year or where there are restrictions on the investor's ability to dispose of it. Investments which do not meet the above criteria should be classified as current assets.

Investment Properties
Investment Properties are properties which are held by the Council solely to earn rentals or for capital appreciation or for both.

Liquid Resources
Assets which are readily convertible into known amounts of cash.

Loans and Receivables
Loans and receivables are financial instruments that have fixed or determinable payments and are not quoted on the stock market.

LGA
The Local Government Association is the national voice of local government. They work with councils to support, promote and improve local government.

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

Money Market Funds
A money market fund is an open-ended mutual fund that invests in short term debt securities.

Net Book Value
The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost
The cost of replacing or recreating the particular asset in its existing condition and for its existing use.

Net Expenditure
Gross expenditure less specific service income, but before deduction of revenue support grant.

Net Realisable Value
The open market value of the asset in its existing use net of the potential expenses of sale.

National Non-domestic Rate (NNDR)
A levy on businesses, based on a national rate in the pound set by the government multiplied by the "rateable value" of the premises they occupy. NNDR is collected by billing authorities. Also known as "business rates", the "uniform business rate" and the "non-domestic rate".

Operating Lease
A type of lease, usually for vehicles or equipment, which is similar to renting and which does not come within the government's capital control system. The risks and rewards of ownership of the asset must remain with the lessor for a lease to be classified as an operating lease.

Post Balance Sheet Events
Events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Council approves the financial statements.

Precept
The levy made by precepting authorities on billing authorities, requiring the latter to collect income from council taxpayers on their behalf.

Precepting Authorities
Those authorities which are not billing authorities i.e., do not collect the council tax and non-domestic rate. County councils and police and fire authorities are "major precepting authorities" while parish, community and town councils are "local precepting authorities".

Property Plant and Equipment
Property Plant and Equipment is the word used for a group of assets which consist of the following: Council Dwellings, Other Land and Buildings, Vehicles Furniture Plant and Equipment, Infrastructure Assets, Community Assets, Assets under Construction and Assets Held for Sale.

Provisions
Provisions are amounts set aside in one year for liabilities or losses which are likely or certain to be incurred, but uncertain in timing or value.

Public Works Loan Board (PWLB)
A central government agency, which provides long and shorter-term loans to local authorities.

Rateable Value
Estimate of the value of a property which is used as a basis for local taxation.

Re-chargeable Works
Ad-hoc jobs, the costs of which are recoverable from third parties.

Reserves
Reserves are amounts set aside which do not fall within the definition of provisions and include general reserves (or "balances"), which every authority must maintain as a matter of prudence.

Revenue Expenditure
This can be defined as expenditure on the day-to-day running of the council.

Revenue Expenditure funded from Capital under Statute
Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's council tax.

Revenue Support Grant (RSG)
This is the grant which the government pays to the Council to bridge the gap between income raised by the council tax and NDR and the total assessment of the authority's need to spend (as measured by its standard spending assessment). The payment of RSG attempts to ensure that differences in spending needs and resources between authorities are equalised, in order to permit each authority to support a standard level of spending.

Support Service Recharges
The allocation of the costs of back office functions such as Accountancy, HR or ICT etc. to front line services.

Tangible Assets
Tangible assets that yield benefits to local authority and the services it provides for a period of more than one year.

Useful Life
The period over which the local authority will derive economic benefits from the use of a fixed asset.

Work in Progress
The value of work on an uncompleted project at the balance sheet date, which has yet to be recovered from the client.