

**SOMERSET WEST AND TAUNTON COUNCIL  
AUDITED  
STATEMENT OF ACCOUNTS 2020/21**

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## **Narrative Report**

### **STATEMENT BY THE ASSISTANT DIRECTOR – FINANCE (\$151 OFFICER)**

#### **INTRODUCTION**

The financial year 2020/21 was the second for the new Somerset West and Taunton Council (SWT), which was formed on 1 April 2019. There are 59 councillors, following elections in May 2019, serving the same geographical area as the two former councils.

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 had a major impact in 2020/21 and will continue to have a significant impact in subsequent years.

#### **SOMERSET WEST AND TAUNTON COUNCIL – KEY INFORMATION**

Somerset West and Taunton has an area of 469 square miles and an estimated population of 155,100. 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 BC, 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 government is currently considering the results of a consultation on proposals for locally-led reorganisation of local government in Cumbria, North Yorkshire and Somerset. The Government expects a unitary authority structure to be implemented, and two proposals have been submitted for Somerset: 'One Somerset' creating a single unitary authority, and 'Stronger Somerset' creating an Eastern Somerset unitary and a Western Somerset unitary. It is probable there will be shadow/transitional governance arrangements in 2022/23 with the new organisation/s taking effect from 1 April 2023.

#### **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**

The Corporate Strategy 2020-24 was approved by the full Council on 8 October 2019. SWT agreed an ambitious Corporate Strategy, which set out the Council's priorities and vision for the four years, putting people and the environment at the heart of what we do.

Little did we know back then the huge impact which the COVID-19 crisis would have across the District. Our immediate focus has been on the coordinated response to support the District during the lockdown period. As a Council, we will continue to work tirelessly to respond to these new challenges.

Across the SWT area there has been a collective effort to protect, shield and support our communities. We give grateful thanks to all key and frontline workers and volunteers that have worked tirelessly to support and protect us all. It would be wonderful to continue to harness the creativity, skills and resolve that we have collectively demonstrated.

This Plan detailed the key areas on which we intended to focus on during the 2020/21 year, as the lockdown was expected be lifted and we began the journey back toward normality, in order to deliver our ambitions and ensure that the District is an even better place to live, work and visit.

The full details of the Council's Annual Plan for 2020/21 is available on the Council's website.

The following is an overview of this:

### **Our environment and economy**

What success will look like:-

A low-carbon, clean, green and prosperous district that attracts high quality employment opportunities and encourages healthy lifestyle.

Our focus for 2020/21

- The Council is acutely aware of the need to invest in our local economy to help it recover from COVID 19. There is a number of initiatives in train and none more significant than Firepool. We are working on a business case that will guarantee the delivery of a regenerated Firepool and within an accelerated period;
- We will approve a Carbon Neutrality and Climate Resilience Action Plan for the District and progress further actions that reduce the Council's and the District's carbon footprint, supports biodiversity and increases resilience to more extreme weather events;
- Using funding from our successful Warmer Homes Fund bid, we will commence installing improved heating systems and energy efficiency measures within 175 SWT council owned homes as well as provide advice,

support and access to funding for Private Sector households to improve energy efficiency of their homes;

- We will commence a pilot to create wild meadows initially on Council owned land in Taunton, Minehead and Wellington. Sowing will take place in late Autumn 2020;
- Building on the extensive work that took place during 2019/20, we will produce a draft Local Plan to 2040, undertake consultation before submitting the final Plan to the Secretary of State for consideration;
- We will approach completion of our regeneration project at Coal Orchard, Taunton.
- We will jointly commission, and complete, a Strategic Outline Business Case for the re-opening of Wellington Railway Station;
- We will undertake works that provide a long term solution for the integrity of the harbour wall in Watchet, enabling it to meet the challenges of rising tidal levels in the future; and
- We will deliver against the Economic Development Strategy including the completion of a feasibility study for an innovation centre in the District.

### **A transparent and customer focused Council**

What success will look like:-

A Council which informs and engages openly with our stakeholders and which consistently delivers excellent customer service.

Our focus for 2020/21

- Building on improvements introduced during 2019/20, to our housing repairs service, we will be focusing on offering our tenants a time and date for their repair during the tenants first call with us, same day or a later date at the tenant's convenience, and on improving the proportion of repairs which take place on the same day in which they were requested;
- We will improve how we engage with our residents, businesses and tenants by modernising our communications approach;
- We will undertake elections to the Tenants Strategic Board and enable this group with Mod.gov technology to better support them to fulfil their role;
- We will continue to review our processes in order to improve the customer experience, including making more of our services available online for those who can and wish to transact in this way;
- We will introduce a Member Equality Group to be ambassadors for those within our communities who may be at heightened risk of discrimination, to ensure their voices are consistently given prominence in all that the Councillor does; and
- We want you to be able to follow and take part in the democratic decisions that affect you in SWT. We understand that not everyone is able to attend council meetings in person, which is why we will continue broadcasting key meetings on our website so that you can watch them online at any time, from anywhere.

## Homes and communities

What success will look like:-

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.

Our focus for 2020/21

- We will complete 8 new units of social housing in Laxton Road, Taunton;
- We will build at least 6 new modular and energy efficient homes for social rent;
- We will commence the construction of 47 good quality, energy efficient homes as part of phase A of the North Taunton regeneration project;
- We will increase the number of homelessness preventions within our area;
- We will work with partners to put in place a stronger , more joined-up process for rough sleepers in our area;
- We will continue to work with developers to facilitate the provision of additional Affordable Homes;
- We will review our voluntary and community grants in order that they deliver value for our communities and align to the Council's priorities;
- We will identify, and deliver, a solution that improves CCTV equipment and monitoring arrangements for Watchet and Minehead; and
- We will implement a Public Space Protection Order in order to help fight against anti-social behaviour in Taunton.

## An enterprising Council

What success will look like:-

A financially self-sufficient Council which has expanded its commercial activity and generated more income in order to support service provision.

Our focus for 2020/21

- We will continue the programme of acquiring income generating property assets which will also help support the funding of service delivery to our communities;
- We will commence collaboration with the Somerset District Councils to deliver a more efficient, sustainable, but locally accountable, system of local Government in the county that will work better for our communities;
- We will let further empty space within our offices at Taunton and Williton, making better use of public resources and delivering extra income to the Council; and
- We will review our land and property assets to identify further opportunities to better support the achievement of the council's objectives (including service delivery, regeneration projects and community initiatives).

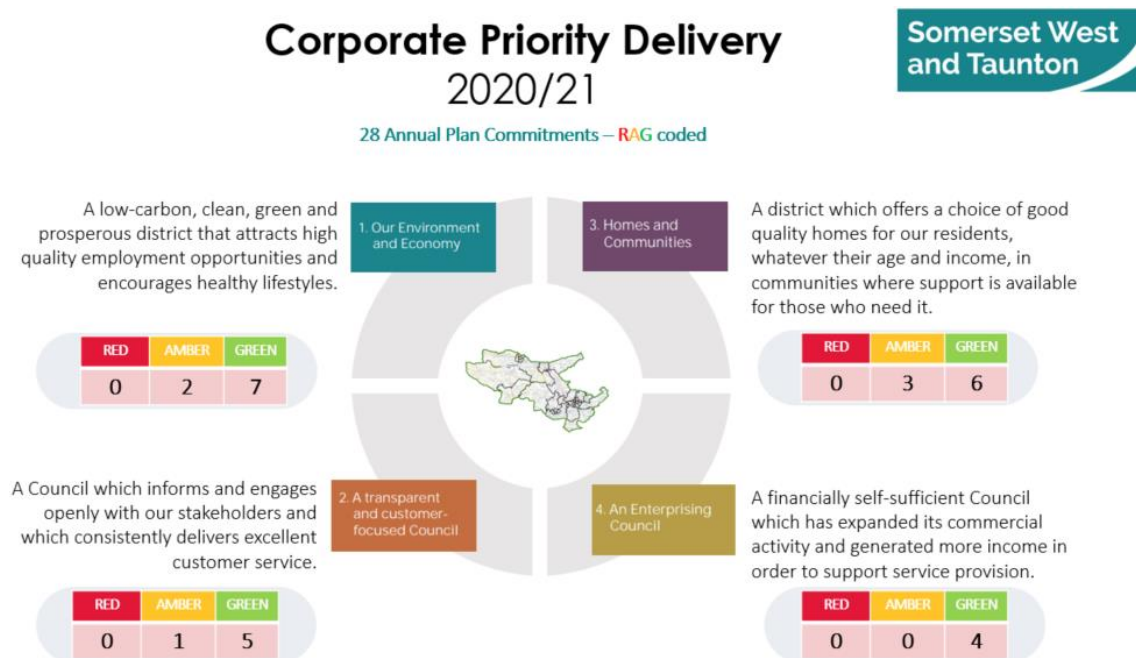
The Corporate Strategy is not intended to capture everything that the Council does nor does it include the detail of our work and projects. That is the role of the Corporate, Operational and Individual Plans which will flow from the Corporate Strategy.



## COUNCIL'S PERFORMANCE

Performance was reported quarterly to the Scrutiny and Executive Committees, with the Corporate Performance Outturn reports for 2020/21 going to the meetings in July 2021.

Our performance during 2020/21 is summarized in the following graphic:



## DECISION MAKING AND RESPONSIBILITIES

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

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

The Constitution sets out the functions of key governance officers, including the statutory posts of Chief Executive, Monitoring Officer and Section 151 (Chief Finance) Officer. It explains the role of these officers for ensuring that processes are in place for enabling the Council to meet its statutory obligations and also for providing advice to Members, officers and committees on staff management, financial, legal and ethical governance issues.

## MANAGING RISK

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

A fuller consideration of this is included in the Annual Governance Statement.

## **FINANCIAL MANAGEMENT**

The Council is financially resilient with a good level of revenue reserves. During 2020/21 the Council operated with a much higher than normal degree of risk due to COVID and the continuing focus on stabilising and improvement following the major transformation programme which ran alongside the creation of the new council.

The Council set a balanced budget for 2020/21 based on an updated operating model with four new Directors, who were appointed at the beginning of 2020. The leadership team and finance officers worked through a process to further restructure budgets to reflect the new Directorate structure. Responsibility for budgets therefore evolved and bedded in through the year as new staff were recruited within services and the finance team.

Despite the challenges due to the scale of change and the pandemic it is pleasing to report the Council has operated within budget for the year, reporting an underspend against final budget and an increase in general reserves of £1.245m.

Looking forward, 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 engaged in 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 Procedure Rules. These include established budget planning procedures and regular financial performance reports to Councillors. Key focuses for the leadership team and finance officers, successfully delivered during 2020/21, were 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 2020/21.

## **FINANCIAL PERFORMANCE**

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

The Council's Original Net Budget for 2020/21 was £21.051m, representing the net cost of General Fund services funded by Business Rates and Council Tax. In 2020/21 the Band D Council Tax rate for Somerset West and Taunton was £164.63 including £1.75 collected on behalf of the Somerset Rivers Authority.

The Council's actual net expenditure in 2020/21 was £33.846m which resulted in a net underspend of £1.250m (5.9% of final Net Budget), after an adjustment of £2.079m for budget carried forward into 2021/22.

The financial results are skewed in 2020/21 due to the accounting arrangements for the reduction in business rates collected due to COVID, with an additional £14.777m of S31 grant funding



received in 2020/21 and earmarked to offset these losses when the collection Fund deficit is recovered from the General Fund in subsequent years.

The net underspend arose due to variances in several budget areas. These are explained in detail in the Outturn report. The most significant underspends were due to:

- External Operations and Climate Change
  - Public Health (£191k) – service realignment
  - Bereavement services (£232k) – increased income due to an improvement in the range of services offered
- Internal Operations
  - Communications and Engagement (£135k) – reduced activity due to COVID
  - ICT (£159k) – reduced cost across several workstreams e.g. mobile phones
  - New Burdens funding (£226k) – re 2020/21, but announced and received May 2021
- Investment Properties
  - Income (£170k) – income above budget due to timing and initial blend of investments
- Cost of finance
  - Interest (£248k) – mainly due to lower spend than anticipated on capital programme, and short term interest rates falling below expectations and remaining low across the year.

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

General Fund Outturn 2020/21	Current Budget £000	Outturn £000	Carry Forwards £000	Variance	
				£000	%
Development & Place	2,067	1,764	291	-13	-0.6%
External Operations & Climate Change	13,297	11,854	1,052	-391	-2.9%
Housing & Communities	3,422	3,104	320	2	0.1%
Internal Operations	10,083	9,303	416	-363	-3.6%
Senior Management Team	857	844	0	-13	-1.5%
<b>Net Cost of Services</b>	<b>29,726</b>	<b>26,869</b>	<b>2,079</b>	<b>-778</b>	<b>-2.6%</b>
COVID General Grants	-5,352	-5,718	0	-366	6.8%
Investment Properties	-947	-1,117	0	-170	17.9%
Interest and Investment Income	-683	-931	0	-248	36.2%
Expected Credit Losses	0	-12	0	-12	-0.0%
Transfers from(-)/to Earmarked Reserves	-1,995	-3,824	0	-1,829	91.7%
Transfers from(-)/to S31 Earmarked Reserves	0	14,777	0	14,777	0.0%
Net Transfers to General Reserves	2,143	2,143	0	0	0.0%
Capital and Other Adjustments	-1,620	1,659	0	3,278	-202.4%
<b>Net Budget</b>	<b>21,272</b>	<b>33,846</b>	<b>2,079</b>	<b>14,653</b>	<b>68.9%</b>
Funding	-21,272	-22,397	0	-1,125	-5.3%
S31 Funding	0	-14,777	0	-14,777	0.0%
<b>Variance</b>	<b>0</b>	<b>-3,329</b>	<b>2,079</b>	<b>-1,250</b>	<b>-5.9%</b>

Note: Negative figures represent income / underspend.

Variances are calculated after deduction of budget carry forwards for deferred costs.

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

The General Fund Reserves have increased from £4.523m at the start of the year to £7.914m at 31 March 2021. This reflects the measured response by management to the increased financial risks due to COVID, with funds reprioritised from earmarked reserves to mitigate in-year cost pressures, support economic recovery, and boost reserves to support the annual budget for the next 2-3 years to protect service capacity.

Planned use of reserves in future years will bring the balance back down to c.£4m. The minimum assessed balance for adequate reserves is £2.4m (non COVID) therefore the balance provides short term resilience against heightened financial risks in the year ahead, if the government continues its support at the same level as COVID evolves during 2021/22.

The Council also carries Earmarked Reserve balances, which represent funds that have usually been set aside to support specific spending in future years plus contingencies for specific risks. In 2020/21 these were supplemented by sums received from the government for COVID that will end up being paid out or returned in 2021/22 (£14.777m). Including the COVID sums, the General Fund Earmarked Reserves balance at 31 March 2021 stands at £33.843m (£20.586m 31 March 2020). This balance covers a wide variety of known planned spending commitments, including: Business Rates funding deficit; New Homes Bonus Growth Reserve; Climate Change initiatives; and Garden Town together with several other smaller commitments which we have prudently put aside.

## **COVID-19**

The COVID pandemic has significantly impacted upon the Council's services, costs and income during the past financial year. By the end of the financial year, COVID has resulted in additional cost pressures and loss of income to the General Fund totalling £7.27m in relation to ongoing Council services. The largest sums related to additional costs in supporting our most vulnerable, and a major reduction in income in fees and charges for car parking. This has been partly offset by additional government funding of £5.718m but has required £1.552m of Council funds to meet the shortfall.

The Council has acted in the capacity of "Agent" and "Principal" for the Government, passporting grants to businesses and support to individuals in accordance with Government guidelines. "Agent" payments and grant income have not been included in the Comprehensive Income and Expenditure Statement (CIES), whilst those relating to the Council as "Principal" are included in the CIES. The total amount paid out in 2020/21 was £67.8m. During 2020/21 the Council also administered the 100% Business Rate Relief (Business Rates Holiday) scheme totalling £29m of reliefs.

## **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. In 2020/21 there was significant investment in commercial properties as the Council pursued its investment property strategy to generate income for local services.

General Fund capital spend in the year totalled £63.3m which included £44.1m in commercial properties, which represents part completion of the planned £100m investment in property over 2 years to generate ongoing income to fund local services. The precise nature of this spend was as reported in the Capital Investment and Treasury Strategies 2021/22 approved by Council on 30 March 2021. There was also £19.2m spent on other General Fund and related schemes, for a

wide range of projects which included costs for the Coal Orchard development in Taunton, Seaward Way development in Minehead, and a variety of other projects.

HRA capital spend totalled £9.1m, with £4.3m on HRA works, and £4.8m on social housing development. HRA capital works are largely related to purchase of additional properties, progressing the North Taunton housing regeneration scheme, maintaining and improving housing standards including heating systems, insulation, fire safety, and other related works.

The table below identifies all schemes with spend over £0.4m during 2020/21:

<b>General Fund Capital Schemes</b>	<b>£k</b>	<b>HRA Capital Schemes</b>	<b>£k</b>
Investment Properties	44,070	Social Housing Development	
Coal Orchard work in progress	7,335	Buybacks and refurbishment	1,722
Watchet East Quay	2,339	Pyrland Fields	1,105
Seaward Way	1,860	Laxton Rd	582
Firepool development	1,158	North Taunton Phase A	559
Watchet Splashpoint Hole	668	North Taunton Phase B-E	531
Grants to Registered Social Landlords	604	Major Works	2,774
Disabled Facilities grant	493	Fire safety	596
Resources for Change	462	Aids & adaptations & DFG	399
Blue Anchor Coast Defences	445		

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

<b>Sources of Capital Funding</b>	<b>£k</b>
Revenue Funding and Earmarked Reserves	3,245
Capital Grants and Contributions	8,706
Capital Receipts	2,097
Borrowing	54,200
Major Repairs Reserve (HRA)	4,232
<b>Total</b>	<b>72,480</b>

The General Fund Capital Programme has budgeted capital spending in future years of £158.7m. The HRA Capital Programme has budgeted capital spending into future years' MTFP of £118.1m.

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 £40.028m of capital reserves (£30.456m in 2019/20). Borrowing will tend to be long term fixed (50 years) for HRA, and short term for General Fund. This will provide a balanced portfolio of debt for the forthcoming Unitary Council(s).

## Balance Sheet

Below (overleaf) is an extract from our Balance Sheet showing the position at year end and the comparison with the balances held by the Council on 31 March 2020. The extract below includes an adjustment to the Balance Sheet for 2019/20, details of which are set out on pages 23 and 24.

<b>Balance Sheet extract</b>	<b>31 March 2021 £000</b>	<b>31 March 2020 £000</b>
Long term assets	502,338	445,498
Net current assets – debtors, stock and cash less short term creditors and liabilities	593	10,662
Long term liabilities and provisions	-255,147	-199,788
<b>Net assets</b>	<b>247,784</b>	<b>256,372</b>
Represented by: Usable reserves	85,578	59,913
Represented by: Unusable reserves	162,206	196,459
<b>Total Reserves</b>	<b>247,784</b>	<b>256,372</b>

### Housing Revenue Account (HRA) Budget and Reserves

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

The Net Budget for the HRA is £Nil, reflecting the self-financing nature of the account. However, financial performance is measured against the Gross Income budget, which is £26.773m for the year. The HRA has reported a small net deficit of £0.015m for 2020/21 (£0.008m surplus for 2019/20).

<b>HRA Outturn 2020/21</b>	<b>Budget £000</b>	<b>Outturn £000</b>	<b>Variance £000    %</b>	
Gross Income	-26,773	-26,919	-147	0.5%
Service Expenditure	15,026	15,569	543	2.0%
Other Operating Costs and Income	9,925	9,544	-381	-1.4%
Unearmarked Reserve Transfers	0	0	0	0.0%
Capital Financing and Debt Repayment	1,821	1,821	0	0.0%
<b>Total</b>	<b>0</b>	<b>15</b>	<b>15</b>	<b>0.1%</b>

The HRA Reserve has decreased from £2.700m at the start of the year to £2.685m at 31 March 2021. 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 2021 was £1.107m (£1.648m at 31 March 2020), a reduction of £541k change in year. The reserves are committed predominantly to support Social Housing Development Fund (£0.850m) 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 2021 were £44.895m (£33.717m 31 March 2020). 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

<b>Cash and Cash Equivalents</b>	<b>31 March 2021 £000</b>	<b>31 March 2020 £000</b>
Cash and other cash equivalents	41,641	28,691
Short term investments	3,254	5,026
<b>Total</b>	<b>44,895</b>	<b>33,717</b>

## Pensions

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

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

The financial highlights of the Council's share of the Pension Fund as at 31 March 2021 are:

- Pension assets have increased by £30.2m to £146.7m (£116.5m in 2019/20);
- Pension liabilities have increased by £58.3m to £283.4m (£225.1m in 2019/20);
- Unfunded liabilities have increased by £0.1m to £3.5m (£3.4m in 2019/20) and thus
- The net deficit on the fund has increased by £28.3m to £140.2m (£111.9m in 2019/20), a net increase of 25.3%.

This means that the Balance Sheet position for the Council has worsened considerably in 2020/21 and the reported pension deficit is larger as at 31 March 2021. Investment returns were higher than expected compared to last year's assumptions which has led to a positive return on assets. However, this is more than offset by a significant increase in liabilities resulting from the real discount rate falling compared to last year's measurements (a combination of a lower discount rate assumption and significantly higher CPI assumption).

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

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

The accounting results include an allowance to reflect the Court of Appeal judgement in respect of the McCloud and Sargeant cases, which relate to the age discrimination within the Judicial and Fire Pension schemes, respectively. The government is now conducting a consultation on how the judgement may be applied to local government pension benefits. The actuary has not made any further adjustments in light of the ongoing consultation since there is no reliable data to indicate what, if any, impact may arise for local government pension funds.

A High Court ruling on the equalisation of Guaranteed Minimum Pension between genders has resulted in a government consultation, with results published in March 2021. It concluded that all public service pension schemes will be directed to provide full indexation to members with a



guaranteed minimum pension reaching state pension age beyond 5 April 2021. The actuary's assumptions are consistent with the consultation outcomes and so no further adjustments have been deemed necessary to the calculations used for these accounts.

## **FUTURE DEVELOPMENTS AND OUTLOOK**

### **Local Government in Somerset**

One of the key factors influencing the future is the Government's consultation on locally led reorganisation of local government, part of which includes Somerset Councils. The Government has strongly indicated its preference for a unitary structure of local government in the County, replacing the current County Council and four District Councils.

Two proposals have been submitted to Government: 'One Somerset' which would create a single new unitary authority, and 'Stronger Somerset' which would create a Western Somerset unitary and an Eastern Somerset unitary. It is anticipated the Secretary of State will decide his preferred option in July 2021. Transitional arrangements will then be set up for interim governance and implementation of the new structure, which is expected to go-live from 1 April 2023. Whichever option is chosen there will be a significant impact on Council resources and a requirement for significant upfront investment to implement the change.

### **Financial Planning**

During 2020/21 the Council focused on stabilising and improving services following the transformation programme and embedding the smooth transition to directorate management and service structures. In addition, the Council focussed on delivering the essential support to the community and businesses in response to the COVID pandemic. A balanced budget for 2021/22 was approved in February 2021, and the medium term financial plan projected a budget gap by 2023/24 of £5.4m. 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.

From a funding perspective, the Council's General Fund revenue resources are projected to fall significantly, assuming New Homes Bonus funding (£3.8m in 2019/20) will continue to fall to zero in 2023/24. Additionally, with EDF's planned decommission of Hinkley B nuclear power station by July 2022, business rates funding (£6.5m budget in 2019/20) is expected to fall to the Safety Net at £4m per year from 2022/23. This presents a significant financial challenge.

The Council refreshed its financial strategy during 2020, with service capacity maintained to deliver the Council's ambitions and continue its work maintaining and improving services. COVID brought a sharp increase in financial risk and uncertainty. The Council responded quickly to realign priorities, and review its reserves and capital financing plans, to strengthen our ability to mitigate risk and direct resources in an agile way fitting the circumstances.

Due to Brexit and COVID the government has decided to make a further one-year settlement for 2021/22 and defer activity that could lead to a comprehensive spending review (CSR), relying instead a series of ad hoc announcements e.g. substantial extra funding for Defence.

In the absence of a longer-term CSR and added uncertainty due to unitary reorganisation, the Council has determined its financial strategy based on an iteration of information previously released by government. This indicates that there will be a continued reduction in general support from government, and an (implicit but strong) encouragement to increase Council Tax by the greater of 2% or £5 on a Band D each year. Given the combined impact of COVID and Brexit, it is highly unlikely that this forecast of future support from government will prove unduly pessimistic. To be so would require a change of direction from the austerity regime used since 2010, and there is no indication of this to date, notwithstanding the emergency response to COVID.



In addition to this, the Council has a potential significant pressure yet to be quantified in relation to its Pension Fund, as explained above, with a significant increase in the pension fund deficit estimates. Pension Fund valuations have been particularly volatile in recent years, however if the adverse assumptions remain and the estimate deficit valuation does not reduce by the next triennial valuation, this could lead to a requirement for additional contributions.

The result of all these factors is a significant revenue gap looking forward in the Medium Term Financial Plan. The Council's leadership is therefore considering ways to deliver a sound budget in 2022/23 that will ensure the Council can maintain services as well as essential capacity to support the implementation of structural change in local government, mindful that future design of sustainable service provision will be undertaken through the implementation programme and shadow/transitional management and governance for the successor Council.

For capital spend, this means that the commercial strategy and other General Fund schemes will be delivered as soon as possible, with any borrowing likely to be shorter term. The wider Social Housing developments in the HRA will continue with funding coming from capital income, Major Repairs Reserves, and fixed rate, longer term borrowing.

For revenue spend, this means that there will be a balanced approach to achieve a sustainable budget plus a focus on delivering the substantial items in the £2.079m carried forward from 2020/21 into 2021/22. Part of this will include a tailored approach to the use of general and earmarked reserves, as well as benefits of commercial investment and business rates pooling gains.

Given the transfer of responsibility for delivering the design and implementation of the future local government structure, and related resource planning, to the transitional governance the current financial strategy focusses on producing balanced financial plans for 2022/23, and ongoing prudent management of financial risks to ensure a smooth transition with limited disruption to services.

## EXPLANATION OF ACCOUNTING STATEMENTS

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

- The **Comprehensive Income and Expenditure Statement** (page 21) 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 22) 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 23) 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 25) summarises the flows of cash into and out of the Council during the year.
- The **Notes to the Financial Statements** (pages 26 to 99) 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, and additional copies of this booklet can be obtained from:

P Fitzgerald ACMA CGMA, Assistant Director – Finance (S151 Officer), Deane House, Belvedere Road, Taunton, TA1 1HE

Telephoning: (01823) 217557

E-mail to: [S151@somersetwestandtaunton.gov.uk](mailto: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 (which is delegated to the Audit and Governance Committee).

### **The Assistant Director - Finance (S151 Officer) responsibilities:**

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 2021 and its income and expenditure for the year ended 31 March 2021.

27 July 2021

### **Approval of the Accounts**

*The Draft Statement of Accounts was signed by the Assistant Director – Finance (S151 Officer) on 7 July 2021. This updated Statement of Accounts is scheduled to be presented to the meeting of the Council's Audit and Governance Committee on 27 September 2021 for formal approval following the conclusion of the audit following which, under powers allocated by the constitutional arrangements of the Council, the Statement of Accounts and Statement of Responsibilities will be signed by the Chair of the Committee and by the Assistant Director – Finance (S151 Officer) as appropriate.*

Chair of Audit, Governance and Standards Committee

## Independent Auditor's Report

*Deliberately blank in Draft Statement of Accounts. The Auditor's opinion will appear here when issued.*

## **Independent Auditor's Report**

*Deliberately blank in Draft Statement of Accounts. The Auditor's opinion will appear here when issued.*

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## Independent Auditor's Report

*Deliberately blank in Draft Statement of Accounts. The Auditor's opinion will appear here when issued.*

## Comprehensive Income and Expenditure Statement (CIES)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents). Councils raise taxation (and rents) to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2019/20 Restated				2020/21			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
14,193	-3,087	11,106	Development and Place		11,049	-4,223	6,826
22,040	-10,710	11,330	External Operations & Climate Change		24,906	-7,056	17,850
2,106	-822	1,284	Housing & Communities		5,251	-1,412	3,839
48,521	-34,914	13,607	Internal Operations		48,776	-39,207	9,569
449	-1	448	Senior Management Team		880	-13	867
22,759	-26,737	-3,978	Housing Revenue Account		24,268	-27,022	-2,754
<b>110,068</b>	<b>-76,271</b>	<b>33,797</b>	<b>Cost of Services</b>		<b>115,130</b>	<b>-78,933</b>	<b>36,197</b>
		1,001	Other Operating Expenditure	<b>10</b>			5,310
		5,647	Financing and Investment Income and Expenditure	<b>11</b>			1,229
		-32,995	Taxation and Non-Specific Grant Income	<b>12</b>			-41,276
		<b>7,450</b>	<b>(Surplus) or Deficit on Provision of Services</b>				<b>1,460</b>
		-6,706	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets				-18,099
		-664	Remeasurement of the net defined benefit liability				25,227
		<b>-7,370</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>7,128</b>
		<b>80</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>8,588</b>

**Movement in Reserves Statement**

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

	<b>General Fund Balance</b>	<b>Housing Revenue Account</b>	<b>Capital Receipts Reserve</b>	<b>Major Repairs Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Council Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>2020/21</b>								
<b>Balance at 1 April 2020</b>	<b>-25,108</b>	<b>-4,349</b>	<b>-17,165</b>	<b>-3,708</b>	<b>-9,583</b>	<b>-59,913</b>	<b>-196,459</b>	<b>-256,372</b>
<b>Movement in Reserves during 2020/21</b>								
Total Comprehensive Income and Expenditure	-1,236	2,696				1,460	7,128	8,588
Adjustments between accounting basis and funding basis under regulations (note 8)	-15,414	-2,139	-1,431	-3,065	-5,076	-27,125	27,125	0
<b>(Increase) / Decrease in 2020/21</b>	<b>-16,650</b>	<b>557</b>	<b>-1,431</b>	<b>-3,065</b>	<b>-5,076</b>	<b>-25,665</b>	<b>34,254</b>	<b>8,588</b>
<b>Balance at 31 March 2021</b>	<b>-41,758</b>	<b>-3,792</b>	<b>-18,596</b>	<b>-6,773</b>	<b>-14,659</b>	<b>-85,578</b>	<b>-162,206</b>	<b>-247,784</b>
<b>2019/20</b>								
<b>Balance at 1 April 2019</b>	<b>-21,100</b>	<b>-5,437</b>	<b>-15,242</b>	<b>-2,712</b>	<b>-5,601</b>	<b>-50,092</b>	<b>-206,360</b>	<b>-256,452</b>
<b>Movement in Reserves during 2019/20</b>								
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	-1,923	-996	-3,982	-17,271	17,271	0
<b>(Increase) / Decrease in 2019/20</b>	<b>-4,008</b>	<b>1,088</b>	<b>-1,923</b>	<b>-996</b>	<b>-3,982</b>	<b>-9,821</b>	<b>9,901</b>	<b>80</b>
<b>Balance at 31 March 2020</b>	<b>-25,108</b>	<b>-4,349</b>	<b>-17,165</b>	<b>-3,708</b>	<b>-9,583</b>	<b>-59,913</b>	<b>-196,459</b>	<b>-256,372</b>

## Balance Sheet

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

31 March 2020 £000 Original	31 March 2020 £000 Restated**		Notes	31 March 2021 £000
296,914	296,914	Council Dwellings		312,891
105,256	105,256	Other Land and Buildings		103,304
6,402	6,402	Vehicles, Plant and Equipment		5,326
10,543	10,543	Infrastructure Assets		9,488
7,876	7,876	Community Assets		7,876
177	177	Surplus Assets		177
6,925	4,170	Assets Under Construction		6,637
<b>434,093</b>	<b>431,338</b>	<b>Total Property, Plant and Equipment</b>	<b>14</b>	<b>445,699</b>
141	141	Heritage Assets		141
6,763	6,763	Investment Property	15	50,044
647	647	Intangible Assets		1,099
3	3	Long-term Investments	16	3
6,606	6,606	Long-term Debtors	20	5,352
<b>448,253</b>	<b>445,498</b>	<b>Long Term Assets</b>		<b>502,338</b>
5,026	5,026	Short-term Investments	16	3,254
3,260	3,260	Assets Held for Sale	18	3,560
172	2,927	Inventories	19	7,430
13,524	13,524	Short-term Debtors	20	35,594
28,691	28,691	Cash and Cash Equivalents	21	41,641
<b>50,673</b>	<b>53,428</b>	<b>Current Assets</b>		<b>91,479</b>
-25,507	-25,507	Short-term Borrowing	16	-57,013
-28,345	-17,259	Short-term Creditors	22	-33,873
-945	-945	Provisions	23	-903
<b>-54,797</b>	<b>-43,711</b>	<b>Current Liabilities</b>		<b>-91,789</b>
-75,601	-75,601	Long-term Borrowing	16	-105,683
-111,912	-111,912	Other Long-term Liabilities	16	-140,156
-244	-11,330	Long-term Creditors	22	-8,405
<b>-187,757</b>	<b>-198,843</b>	<b>Long-term Liabilities</b>		<b>-254,244</b>
<b>256,372</b>	<b>256,372</b>	<b>Net Assets</b>		<b>247,784</b>
59,913	59,913	Usable Reserves	24	85,578
196,459	196,459	Unusable reserves	25	162,206
<b>256,372</b>	<b>256,372</b>	<b>Total Reserves</b>		<b>247,784</b>

\*\* For details of the Rested Balance Sheet as at 31 March 2020, please see note overleaf.

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

- 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'.

### Restated Balance Sheet – Prior Period Adjustment (2019/20)

The audit of the accounts for 2020/21 identified the need to amend the financial reporting treatment relating to assets previously recorded within Assets under Construction, moving these to Inventories. Also, a selection of developers' contributions, held under Section 106 Agreements, have been reclassified as Grants Received in Advance within Long-term Creditors, whilst they had previously been posted as Short-term Creditors. Both adjustments have been made in line with the Accounting Code of Practice. Therefore, a prior period adjustment has been made to reflect this. For the financial year 2019/20, an adjustment of £2.755m has been made to re-categorise expenditure within Inventories, with an adjustment of £11.086m being made to re-categorise monies held in respect of Section 106 Agreements. In showing the restatement applicable to 2019/20, reference has been made to the opening balance at 1 April 2019, being the date on which Somerset West and Taunton Council was established.

Effect on the Balance Sheet	As Originally Stated 1 April 2019 £000	As Restated 1 April 2019 £000	As Originally Stated 31 March 2020 £000	As Restated 31 March 2020 £000	Amount of Restatement for 2019/20 £000
<b>Property, Plant and Equipment</b>					
Assets Under Construction	7,714	7,714	6,925	4,170	-2,755
<b>Current Assets</b>					
Inventories	156	156	172	2,927	2,755
<b>Current Liabilities</b>					
Short-term Creditors	-30,792	-18,647	-28,345	-17,259	11,086
<b>Long-term Liabilities</b>					
Long-term Creditors	-570	-12,715	-244	-11,330	-11,086

The items above have been reflected in Notes 14, 19 and 22. These have been restated in line with these changes.

## 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.

2019/20 £000		Notes	2020/21 £000
-7,450	<b>Net surplus or (deficit) on the provision of services</b>	<b>CIES</b>	<b>-1,460</b>
	Adjustments to net surplus or deficit on the provision of services		
19,042	for non cash movements	<b>26</b>	8,543
	Adjustments for items included in the net surplus on the		
-5,562	provision of services that are investing and financing activities	<b>26</b>	-3,955
<b>6,030</b>	<b>Net cash flows from Operating Activities</b>		<b>3,128</b>
-7,867	Investing Activities	<b>27</b>	-51,678
8,500	Financing Activities	<b>28</b>	61,500
<b>6,663</b>	<b>Net increase or decrease in cash and cash equivalents</b>		<b>12,950</b>
	Cash and cash equivalents at the beginning of the reporting		
22,028	period	<b>21</b>	28,691
	<b>Cash and cash equivalents at the end of the reporting</b>		
<b>28,691</b>	<b>period</b>	<b>21</b>	<b>41,641</b>



## 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 2020/21 financial year and its position at the year-end on 31 March 2021. 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; and
- Amortisation of intangible assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. 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 i.e. 4%

MRP in respect of Investment properties is calculated on a straight-line basis over 50 years i.e. 2%.

All MRP is based on the relevant CFR at the start of the financial year.

## **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 plus any such amounts payable but unpaid at the year-end.

### **Post-Employment Benefits**

Employees of the Council are members of the Local Government Pensions Scheme, administered by Somerset County Council (SCC). The Local Government Scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees 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 2.00 (based on the annualised 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 CIES to the services for which the employees worked
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the CIES.
- net interest on the net defined benefit liability – i.e. net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

### **Remeasurements comprising:**

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

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

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

### **Discretionary Benefits**

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

## **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; and
- Those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure 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 – see Note 6 for details.

## **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 CIES for interest payable are based on the carrying amount of the

liability, multiplied by the effective rate of interest for the instrument. The effective rate of interest is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund balance to be spread over future years. The 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 CIES to the net charge required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### **Financial 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 does not currently use this class of asset.

The Council's business model is to buy and hold investments to collect contractual cash flows. Financial assets are, therefore, classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

### **Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective interest rate for the instrument.

For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

### **Financial Assets Measured at Fair Value through Profit or Loss (FVPL)**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are



initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are determined as follows:

- instruments with quoted market prices – the market price; and
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs - quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 – unobservable inputs for the asset.

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

### **Expected Credit Loss Model**

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

Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

A simplified approach to expected credit losses is permitted and used for trade receivables (debtors) and HRA rent debtors held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations.

## **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 CIES until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and

contributions) or Taxation and Non-Specific Grant Income and Expenditure (non-ring-fenced revenue grants and all capital grants) in the CIES.

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

#### **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 CIES.

#### **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 CIES in accordance with the accounting policy for Government grants and contributions as set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure.

#### **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 CIES. An asset is tested for impairment whenever there is an indication the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the

Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

#### **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 CIES. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line 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 CIES as an expense of the services benefitting from the use of the leased property, plant or equipment. Charges are made on a straight-line basis over the term of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

##### **The Council as Lessor**

###### ***Operating Leases***

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

the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

#### **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. day to day repairs and maintenance) is charged as an expense when it is incurred. The Council has a discretionary de minimis level for recognising property, plant and equipment of £10,000.

##### **Measurement**

Assets are initially measured at cost, comprising:

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

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

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

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

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

- Infrastructure, community assets and assets under construction – depreciated historical cost;
- non-property assets - where these have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value;

- Dwellings – current value, determined using the existing use value for social housing (EUV-SH);
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective;
- Property/land specialist assets - where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value; and
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, and fully revalued as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CIES where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for 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 CIES.

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

## **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, or
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

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

## 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; and
- 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.

## Derecognition – Sales, Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell.

Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on assets held for sale.

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

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

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

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



capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

## **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 CIES in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks 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 and/or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance or Housing Revenue Account balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then transferred back into the General Fund balance or Housing Revenue Account balance so that there is no net charge against Council Tax for the expenditure.

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

Certain reserves are 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; and
- Level 3 – unobservable inputs for the asset or liability.

### **xxiii. Inventories**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. In relation to stocks and stores of materials and goods, the cost of inventories is assigned using the FIFO (first in first out) costing formula.

For long-term contracts/ projects, such as those involving the construction of assets for resale, the cost of inventories are assigned by using specific identification of their individual costs. The cost is included in the Balance Sheet until sold, at which point the cost and income attributable to sold inventory assets are recognised in the Comprehensive Income and Expenditure Statement.

## **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 2021/22 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:

- Definition of a Business: Amendments to IFRS 3 Business Combinations;
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7;
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2022 due to resourcing pressures caused by the Covid-19 pandemic. The standard has been issued, although it is not effective yet and currently the Council cannot quantify the impact of this new accounting standard.

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, set out as Note 1 to the Core Financial Statements, the Council has had to make judgements about complex transactions or those involving uncertainty about future events. The main critical judgements made in this Statement of Accounts for 2020/21 are set out below:

- There remains uncertainty about future levels of funding for individual local authorities. This stems from continued delays by the Government in issuing funding settlements extending beyond one financial year. This uncertainty is heightened by the impacts of both Brexit and Covid-19 on the local and national economic environment. As a result, the Council's operating environment, in a demand-led sector, and issues such as labour supply, required for development and regeneration initiatives, could impact on future service delivery and investment. However, whilst these issues impact on shaping future budget decisions, it is considered that such factors will not have materially impacted on the presentation of substance of this Statement of Accounts.
- During 2020/21 the Council received significant amounts of grant funding. A proportion was to support the Council in its obligations in providing services and were passed through the Comprehensive Income and Expenditure Statement (CIES). The remaining proportion was to provide support to businesses during the Covid-19 lockdown and recovery periods. In relation to this second proportion, the mechanism of transferring these Government grants across to businesses led to the judgement that the Council was acting as agent for the Government and, as a result, those payments have not been presented through the CIES. Any residual sums, due to be refunded back to Government, have been posted to the Balance Sheet as at 31 March 2021. If payments made as agent had been posted through Income and Expenditure, it is considered that this would have mis-represented the costs aligned with the Council's obligations and activities.
- Outline planning consent has been given for the development of a mix of office, hotel and residential accommodation and supporting waterfront leisure and retail outlets at Firepool in Taunton. The Council is working closely with key partners to develop a business case for the project and to seek support from the Government and others to take it forward. Some initial groundworks have commenced on the site, although proposals are currently being investigated and decisions awaited on the mix of units to be provided as further complex planning issues continue to be resolved. Therefore, whilst residential units being developed for sale would usually be treated as Inventory items, the judgement has been made to contain these early costs in the Balance Sheet as Assets Under Construction because no allocation of costs incurred to date can be attributable to such assets at this time. This will be reviewed and updated in each successive future year when appropriate decisions enable the appropriate costs to be defined and allocated to housing units.

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

Item	Significant Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	<p>Estimates of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>COVID can impact on these assumptions in many ways, and increases uncertainty.</p> <p>The Council works in partnership with other local authorities to engage actuaries to provide expert advice about the assumptions to be applied. 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.</p> <p>The assumptions are both difficult to predict from historical data and likely to change significantly in the short to medium term. The pension liability and its underlying data is therefore very much a carefully-reasoned estimate of the most likely combination of factors, but by its very nature is significantly uncertain.</p>	<p>The effects on the net pension liability of many changes in individual assumptions can be measured. For example, if the discount rate were to change by plus or minus 0.1% from its assumed 2.00%, then the projected present value in total obligation cost would be between £5.7m lower to £5.5m higher. A similar change of 1 year in the mortality age range assumption means the projected present value in total obligation cost could rise by £14.0m or fall by £13.4m.</p> <p>However, the assumptions interact in complex ways; for example, pension membership may fall, the proportion of commutable pension exchanged by members for cash on retirement may go up while members live longer and equity yields improve.</p>
Land and buildings, Investment Properties and Council Dwellings	<p>Assets are depreciated over their estimated useful lives. If in the current economic climate historic levels of repairs and maintenance expenditure cannot be sustained, the useful lives of assets may reduce. Assets are held on a valuation basis. Valuations are inherently subjective and based on the expert judgement of the Council's valuers, which include assumptions in respect of market value, yields and obsolescence.</p>	<p>The incorrect application of expert judgement in the valuation of assets could result in a material misstatement of the asset values on the balance sheet in either this year of account or in future years. For example, a change in the underlying assumptions that leads to a 1% increase in property values would see an increase in value of £4.6m.</p>

Special Note- the outbreak of Covid-19 has impacted global financial markets and there is an unprecedented set of circumstances impacting on measures upon which to base a judgement.

Item	Significant Uncertainties	Effect if Actual Results Differ from Assumptions
<p>As at the valuation date (31 March 2021) property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, the valuation is not reported as being subject to 'material valuation uncertainty', except as identified below.</p> <p>In respect of Retail and specific trading related assets/sectors such as Car Parks, as at the valuation date the valuer continues to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of up-to-date market evidence on which to base valuation judgements. As such, less weight can be attached to previous market evidence for comparison purposes to inform opinions of value.</p> <p>The valuations of these assets are therefore reported as being subject to 'material valuation uncertainty'. Consequently, in respect of these valuations less certainty – and a higher degree of caution – should be attached to the valuation than would normally be the case.</p> <p>For the avoidance of doubt this explanatory note, including the 'material valuation uncertainty' declaration, does not mean that the valuation(s) cannot be relied upon. Rather, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared.</p> <p>The significant assumptions applied by the Valuers in estimating the current values of property are set out in greater detail within Note 14 to the Balance Sheet.</p>		
Investment Properties - Fair Value Measurements	<p>In the same way as set out in the special note, above, in valuing retail and specific trading related assets, such as car parks, COVID-19 presents the Valuer with an absence of relevant /sufficient market evidence on which to base their judgements. Valuations of these assets are therefore subject to 'material valuation uncertainty.' In these instances when the fair values of financial assets and liabilities cannot be measured based on quoted prices in active markets their fair value is measured using valuation techniques. Where possible, the inputs to these techniques are based on observable data but where this is not possible, the application of judgement is required. These judgements typically include considerations such as uncertainty and risk.</p> <p>Where quoted prices are not available the Council's valuation experts identify the most appropriate valuation technique to determine fair value. Further information about determining fair value is disclosed in Note 15.</p>	Significant changes in any of the unobservable inputs would result in a significantly higher or lower fair value measurement for investment properties. For example, a change in the underlying assumptions that leads to a 1% increase in property values would see an increase in value of £0.5m.

## 5. Material Items of Income and Expense

The Council has processed substantial sums as an agent of the government during 2020/21. These sums are not shown in the accounts except for amounts that are yet to be paid or returned to the government if there is a remaining balance. There are earmarked reserves of £14.810m in total for these amounts - detail in Note 9 Movements in Earmarked Reserves. These relate to:

- S31 Business Rates TIG (Tax income guarantee) £11.695m
- S31 Business Rates Holiday grant £ 3.081m
- S31 Council Tax TIG £ 0.034m

During the year, there have been 34 sales of Council dwellings to Council tenants; this has resulted in a gain which is included in the CIES of £0.754m.

The Council incurs a significant proportion of spend on benefit payments, which is funded predominantly by Government grant. Housing Benefit and subsidy payments are included within Internal Operations on the face of the CIES and payments amounted to £30.257m in 2020/21 (£30.261m in 2019/20). Housing Benefit subsidy amounted to £30.178m in 2020/21 (£30.128m in 2019/20).

Hinkley Point Power Station B – Business Rates appeal. A decision was received from the Valuation Officer on 15 December 2020 and a refund was made to reflect changed liability due the shutdown of a reactor on 21 February 2020 for maintenance. There was a further shutdown during 2020/21 on 8 June 2020, and the financial impact on the 2020/21 accounts was a reduction in business rates income for 2020/21 of £9.2m of which 40% related to SWT i.e. £3.7m.

## 6. Events After the Balance Sheet Date

There have been no other events after the balance sheet date of 31 March 2021 that require the financial statements or notes to be adjusted for 2020/21.

## 7. Expenditure and Funding Analysis

The Expenditure and Funding Analysis (overleaf) shows how annual expenditure is used and funded from resources (government grants, rents, Council Tax and business rates) by Councils in comparison with those resources consumed or earned by councils in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's portfolios. Income and expenditure accounted for under (generally accepted) accounting practices is presented more fully in the CIES.

	As Reported for Resource Management	Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances (Note 7a)	2020/21 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
<b>excl</b>					
Development and Place	2,055	-306	1,749	5,077	6,826
External Operations & Climate Change	12,906	-2,563	10,343	7,507	17,850
Housing & Communities	3,424	-726	2,698	1,141	3,839
Internal Operations	9,719	-2,564	7,155	2,414	9,569
Senior Management Team	844	0	844	23	867
Housing Revenue Account	-11,350	646	-10,704	7,950	-2,754
<b>Net Cost of Services</b>	<b>17,598</b>	<b>-5,513</b>	<b>12,085</b>	<b>24,112</b>	<b>36,197</b>
Other Income and Expenditure	-18,832	-9,346	-28,178	-6,559	-34,737
<b>(Surplus) or Deficit</b>	<b>-1,234</b>	<b>-14,859</b>	<b>-16,093</b>	<b>17,553</b>	<b>1,460</b>
Opening General Fund and HRA Balances			-29,457		
Surplus or (Deficit) on General Fund and HRA Balances in Year			-16,093		
<b>Closing General Fund and HRA Balances at 31 March *</b>			<b>-45,550</b>		

	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
2019/20	£000	£000	£000	£000	£000
Development and Place	593	1,001	1,594	9,512	11,106
External Operations & Climate Change	7,574	-1,777	5,797	5,533	11,330
Housing & Communities	968	-33	935	348	1,283
Internal Operations	7,263	866	8,129	5,479	13,608
Senior Management Team	384	39	423	25	448
Housing Revenue Account	-5,130	-7,101	-12,231	7,920	-4,311
<b>Net Cost of Services</b>	<b>11,652</b>	<b>-7,005</b>	<b>4,647</b>	<b>28,817</b>	<b>33,464</b>
Other Income and Expenditure	-13,495	5,928	-7,567	-1,529	-9,096
<b>(Surplus) or Deficit</b>	<b>-1,843</b>	<b>-1,077</b>	<b>-2,920</b>	<b>27,288</b>	<b>24,368</b>
Opening General Fund and HRA Balances			-26,537		
Surplus or (Deficit) on General Fund and HRA Balances in Year			-2,920		
<b>Closing General Fund and HRA Balances at 31 March *</b>			<b>-29,457</b>		

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



**7a. Adjustments between Funding Basis and Accounting Basis**

Adjustments from General Fund to arrive at the CIES amounts	Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Statutory Differences	Total Adjustment Between Funding and Accounting Basis
	Note i £000	Note ii £000	Note iii £000	£000
<b>2020/21</b>				
Development and Place	4,976	43	58	5,077
External Operations & Climate Change	7,398	53	56	7,507
Housing & Communities	1,097	26	17	1,140
Internal Operations	502	1,778	134	2,414
Senior Management Team	0	9	13	22
Housing Revenue Account	7,231	602	118	7,951
<b>Net Cost of Services</b>	<b>21,204</b>	<b>2,511</b>	<b>396</b>	<b>24,111</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	-23,836	506	16,772	-6,558
<b>Difference between General Fund Surplus or Deficit and CIES Surplus or Deficit on the Provision of Services</b>	<b>-2,632</b>	<b>3,017</b>	<b>17,168</b>	<b>17,553</b>

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Statutory Differences	Total Adjustment Between Funding and Accounting Basis
	Note i £000	Note ii £000	Note iii £000	£000
<b>2019/20</b>				
Development and Place	9,264	243	5	9,512
External Operations & Climate Change	4,913	638	-18	5,533
Housing & Communities	348	0	0	348
Internal Operations	791	4,967	-279	5,479
Senior Management Team	0	33	-7	26
Housing Revenue Account	7,133	761	25	7,919
<b>Net Cost of Services</b>	<b>22,449</b>	<b>6,642</b>	<b>-274</b>	<b>28,817</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	-19,173	202	17,442	-1,529
<b>Difference between General Fund Surplus or Deficit and CIES Surplus or Deficit on the Provision of Services</b>	<b>3,276</b>	<b>6,844</b>	<b>17,168</b>	<b>27,288</b>



### Note i - Adjustments for capital purposes

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

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

### Note ii - Net change for the pensions adjustments

Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:

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

### Note iii - Other statutory adjustments

Other statutory adjustments between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute:

- For **Financing and investment income and expenditure** the other statutory adjustments column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under **Taxation and non-specific grant income** represents the difference between what is chargeable under statutory regulations for Council Tax and 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.

## **8. Adjustments Between Accounting Basis and Funding Basis Under Regulations**

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

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

### **General Fund Balance**

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

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

The HRA Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

### **Major Repairs Reserve**

The Council is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year-end.

### **Capital Receipts Reserve**

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

### **Capital Grants Unapplied**

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

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

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000
<b>2020/21</b>					
<b>Adjustments to the Revenue Resources</b>					
<i>Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements</i>					
Pension costs (transferred to or from the Pensions Reserve)	2,273	744			
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	-1,088				
Council Tax and NNDR (transfers to or from the Collection Fund)	17,860				
Holiday Pay (transferred to or from the Accumulated Absences Account)	278	118			
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)	3,547	12,840			11,355
<b>Total Adjustment to Revenue Resources</b>	<b>22,870</b>	<b>13,702</b>	<b>0</b>	<b>0</b>	<b>11,355</b>
<b>Adjustment between Revenue and Capital Resources</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-1,084	-2,870	3,954		
Admin costs of non-current asset disposals (funded by a contrib'n from the Capital Receipts Reserve)	0	44	-44		
Payments to the gov't 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		-7,297		7,297	
Statutory provision for the repayment of debt (transfer from the capital adjustment account)	-700	-1,821			
Capital expenditure financed from revenue balances	-3,245				
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>-5,029</b>	<b>-11,562</b>	<b>3,528</b>	<b>7,297</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>					
Use of the Capital Receipts reserve to finance capital expenditure			-2,097		
Use of the Major Repairs Reserve to finance capital expenditure				-4,232	
Application of capital grants to finance capital expenditure	-2,427				-6,279
<b>Total Adjustments to Capital Resources</b>	<b>-2,427</b>	<b>0</b>	<b>-2,097</b>	<b>-4,232</b>	<b>-6,279</b>
<b>Total Adjustments 2020/21</b>	<b>15,414</b>	<b>2,139</b>	<b>1,431</b>	<b>3,065</b>	<b>5,076</b>

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000
<b>2019/20</b>					
<b>Adjustments to the Revenue Resources</b>					
<i>Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements</i>					
Pension costs (transferred to or from the Pensions Reserve)	5,925	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
<b>Total Adjustment to Revenue Resources</b>	<b>14,949</b>	<b>11,945</b>	<b>0</b>	<b>0</b>	<b>3,982</b>
<b>Adjustment between Revenue and Capital Resources</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	0	-5,562	5,562		
Admin costs of non-current asset disposals (funded by a contrib'n from Capital Receipts Reserve)		59	-59		
Payments to the government housing receipts pool (funded by a transfer from 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			
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>-1,700</b>	<b>-14,824</b>	<b>4,787</b>	<b>6,894</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>					
Use of the Capital Receipts reserve to finance capital expenditure			-3,198		
Use of the Major Repairs Reserve to finance capital expenditure				-5,898	
Application of capital grants to finance capital expenditure					
Deferred Debtors repaid			334		
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>-2,864</b>	<b>-5,898</b>	<b>0</b>
<b>Total Adjustments 2019/20</b>	<b>13,249</b>	<b>-2,879</b>	<b>1,923</b>	<b>996</b>	<b>3,982</b>

## 9. Movements in Earmarked Reserves

The tables below show the amounts set aside from the General Fund and HRA balances in capital or revenue earmarked reserves to provide financing for future expenditure plans. It also shows the movement in each major earmarked reserve where amounts have either been posted to the reserve or back to meet General Fund and HRA expenditure in 2020/21.

Reserves indicated with an asterisk (\*) are held for capital purposes.

<b>Earmarked Reserves</b>	<b>Balance at 01/04/2019 £000</b>	<b>Transfers Out £000</b>	<b>Transfers In £000</b>	<b>Balance at 31/03/2020 £000</b>	<b>Transfers Out £000</b>	<b>Transfers In £000</b>	<b>Balance at 31/03/2021 £000</b>
<b>Housing Revenue Account (HRA)</b>							
Carry Forwards	186	-186	0	0			0
Electrical Testing	474	-474	0	0			0
Employment & Skills	102	0	0	102	-102		0
Asbestos Surveys	0	-68	170	102	-102		0
One Teams	50	-13	0	37	-12		25
Social Housing Development Fund	1,339	-107	0	1,232	-382		850
Transformation Reserve	379	-204	0	175			175
Transition	178	-178	0	0			0
Hinkley	0			0	-12	69	57
Other Earmarked Reserves	10	-10	0	0			0
<b>Total HRA</b>	<b>2,718</b>	<b>-1,240</b>	<b>170</b>	<b>1,648</b>	<b>-610</b>	<b>69</b>	<b>1,107</b>

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

- HRA - Social Housing Development Fund – to provide funding towards Social Housing Development
- Business Rates Smoothing Reserve – to smooth the effect of successful business rates appeals
- Carry forward of budgeted spend to subsequent year
- 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
- COVID grants - to identify sums held at year end that will be paid out or returned to Government

	Balance at 01/04/2019 £000	Transfers Out £000	Transfers In £000	Balance at 31/03/2020 £000	Transfers Out £000	Transfers In £000	Balance at 31/03/2021 £000
<b>Earmarked Reserves</b>							
<b>General Fund</b>							
Asset Maintenance & Compliance	233			233	-233		0
Asset Management - General	0			0		687	687
Asset Management - Leisure	137	-62	62	136	-136		0
Brewhouse Refurbishment	150			150	-150		0
Business Rates Smoothing Reserve	3,547	-4,254	4,010	3,303	-1,051	3,123	5,375
Capital Financing Reserve *	650	-482	288	456	-313	0	143
Carry Forwards	1,135	-1,135	61	61	-57	2,108	2,112
CEO Initiatives	50	-50		0			0
Contingency (Negative RSG)	0	-20	128	108	-93		15
Corporate Training	99			99	-99		0
DLO Vehicle Replacement Reserve *	239			239	-239		0
Taunton Strategic Flood Alleviation	238	-90	90	238			238
Economic Development & Growth Initiatives	193	-125	1,200	1,268	-999	500	769
Elections Reserve	156	-136		20		13	33
Enterprising Minehead	64	-46	7	25	0	33	58
Garden Village	944	-827	697	814	-349	405	870
Homelessness Prevention	44		120	164		120	284
Housing Enabling	20	-137	147	30		26	56
Hurlestone Bothy	50	-50	50	50			50
Investment Risk Reserve	0		3,500	3,500		173	3,673
Local Plan Development and Inspection	311	-166	33	178	-52		126
Minehead Esplanade	59	-64	50	45	-2		43
Monkton Heathfield	347	-357	199	189	-173		16
Neighbourhood Planning Grant	122	-87	41	76			76
New Homes Bonus Reserve	6,168	-2,425	3,117	6,860	-9,521	2,853	192

	Balance at 01/04/2019 £000	Transfers Out £000	Transfers In £000	Balance at 31/03/2020 £000	Transfers Out £000	Transfers In £000	Balance at 31/03/2021 £000
<b>Earmarked Reserves</b>							
<b>General Fund (continued)</b>							
Parking	243	-75		168	-168		0
Performance & Client Consultancy	40	-40		0	0		0
Planning Policy	84			84	-48		36
Planning Reserve	50			50			50
Resources Service Costs	33			33			33
Rough Sleepers Initiative	0		81	81	-81	126	126
Self Insurance Fund	200			200			200
Strategic Housing Market Area Assessment	576	-7		569	-36		533
Strategy - Future High Street	0		80	80	-28	5	57
Steam Coast Trail	93			93	-13	46	126
Sustainability Reserve	78			78	-78		0
SWP Recycle More	55	-55		0			0
Transformation / Internal Change Reserve	564	-402	164	326	-135		191
Transition	262	-507	386	141	-141		0
Travel Plan	192	-30	30	192	-142		50
Waste Earmarked Reserve	106	-129	89	66			66
<b>Additions in 2020/21</b>							
Budget Volatility and Risk				0	0	2,400	2,400
COVID grants - balances carried forward							
Council Tax Hardship Fund				0		134	134
S31 Council Tax TIG (income guarantee)				0		34	34
S31 Business Rates Holiday grant				0		11,695	11,695
S31 Business Rates TIG				0		3,081	3,081
Norton Hill Fort				0	-1	35	34
Toneworks Heritage Site				0	-417	419	2
Other Earmarked Reserves	710	-635	108	183	-120	116	179
<b>Total General Fund</b>	<b>61,798</b>	<b>-12,393</b>	<b>14,737</b>	<b>20,586</b>	<b>-14,875</b>	<b>28,132</b>	<b>33,843</b>

## 10. Other Operating Expenditure

The note below details what is included in the 'Other Operating Expenditure' line in the CIES.

2019/20 £000		2020/21 £000
2,072	Parish Council precepts	2,446
382	Payments to the Government Housing Capital Receipts Pool	382
92	Pension Administration Costs	59
-1,545	(Gains)/Losses on the disposal of non-current assets	2,423
<b>1,001</b>	<b>Total</b>	<b>5,310</b>

## 11. Financing and Investment Income and Expenditure

The note below details the 'Financing and Investment Income and Expenditure' line in the CIES.

2019/20 £000		2020/21 £000
2,486	Interest payable and similar charges	2,561
2,541	Net interest on the net defined liability (asset)	1,925
-855	Interest receivable and similar income	-860
-33	Income and expenditure in relation to investment properties and changes in their fair value	-1,190
-27	Expected Credit Losses increase / (decrease)	-174
1,535	Investment Expected Credit Losses	-1,033
<b>5,647</b>	<b>Total</b>	<b>1,229</b>

## 12. Taxation and Non-Specific Grant Income

The note below details the 'Taxation and Non-Specific Grant Income' line in the CIES.

2019/20 £000		2020/21 £000
-11,091	Council tax income	-11,724
-10,956	Non domestic rates income and expenditure	-6,566
-3,809	Non-ringfenced Government grants	-9,219
-7,139	Capital grants and contributions	-13,767
<b>-32,995</b>	<b>Total</b>	<b>-41,276</b>

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



### 13. Expenditure and Income Analysed by Nature

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

2019/20 £000		2020/21 £000
<b>Expenditure</b>		
29,785	Employee Benefits Expenses	28,710
57,592	Other Services Expenses	64,635
22,450	Depreciation, Amortisation, Impairment and Revenue Expenditure funded from Capital under Statute	21,204
-1,545	Loss / (Gain) on the Disposal of Assets	2,423
6,562	Interest Payments	4,096
2,072	Precepts and Levies	2,446
382	Payments to Housing Capital Receipts Pool	382
<b>117,298</b>	<b>Total Expenditure</b>	<b>123,896</b>
<b>Income</b>		
-40,987	Fees, Charges and Other Service Income	-36,705
-22,047	Income from Council Tax, Non-Domestic Rates, District Rate Income	-18,289
-45,926	Government Grants and Contributions	-65,371
-33	Income and Expenditure in relation to investment properties and changes in their fair value	-1,211
-855	Interest and Investment Income	-860
<b>-109,848</b>	<b>Total Income</b>	<b>-122,436</b>
<b>7,450</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>1,460</b>

### Segmental Income

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

2019/20 £000		2020/21 £000
-1,654	Development and Place	-1,579
	External Operations & Climate	
-10,372	Change	-6,472
-196	Housing & Communities	-290
-2,505	Internal Operations	-1,417
-	Senior Management Team	-
-27	Financing & Investment Income	-12
-26,233	Housing Revenue Account	-26,935
<b>-40,987</b>	<b>Income analysed on a segmental Basis</b>	<b>-36,705</b>

**14. Property, Plant and Equipment (PPE)**

The tables below detail the movements on the Council's assets shown on the Balance Sheet as property plant and equipment.

<b>2020/21</b>	<b>Council Dwellings £000</b>	<b>Land and Buildings £000</b>	<b>Vehicles, Plant and Equipment £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total £000</b>
<b>Cost or Valuation</b>								
<b>At 1 April 2020</b>	<b>296,914</b>	<b>106,974</b>	<b>13,857</b>	<b>18,601</b>	<b>7,953</b>	<b>177</b>	<b>4,170</b>	<b>448,646</b>
Additions	8,907	120	83	0	0	0	6,279	15,389
Revaluation increases / (decreases) recognised in the Revaluation reserve	13,491	-4,875	0	0	0	0	0	8,616
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	-2,756	0	-305	0	0	0	-3,061
Derecognition - Disposals	-4,287	-97	0	0	0	0	0	-4,384
Assets reclassified within PPE	0	3,812	0	0	0	0	-3,812	0
Assets reclassified (to)/from Held for Sale	-2,134	528	0	0	0	0	0	-1,606
<b>At 31 March 2021</b>	<b>312,891</b>	<b>103,706</b>	<b>13,940</b>	<b>18,296</b>	<b>7,953</b>	<b>177</b>	<b>6,637</b>	<b>463,600</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2020</b>	<b>0</b>	<b>-1,718</b>	<b>-7,455</b>	<b>-8,058</b>	<b>-77</b>	<b>0</b>	<b>0</b>	<b>-17,308</b>
Depreciation charge	-6,883	-1,287	-1,159	-750	0	0	0	-10,079
Depreciation written out to the Revaluation Reserve	6,883	2,600	0	0	0	0	0	9,483
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	1	0	0	0	0	0	1
Derecognition - Disposals	0	2	0	0	0	0	0	2
<b>At 31 March 2021</b>	<b>0</b>	<b>-402</b>	<b>-8,614</b>	<b>-8,808</b>	<b>-77</b>	<b>0</b>	<b>0</b>	<b>-17,901</b>
<b>Net Book Value</b>								
<b>At 31 March 2021</b>	<b>312,891</b>	<b>103,304</b>	<b>5,326</b>	<b>9,488</b>	<b>7,876</b>	<b>177</b>	<b>6,637</b>	<b>445,699</b>

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 Restated	Total £000
<b>Cost or Valuation</b>								
<b>At 1 April 2019</b>	<b>286,386</b>	<b>91,154</b>	<b>13,548</b>	<b>17,565</b>	<b>7,852</b>	<b>1,046</b>	<b>7,715</b>	<b>425,266</b>
Additions	16,625	1,980	309		2		3,537	<b>22,453</b>
Revaluation increases / (decreases) recognised in the Revaluation reserve	-132	-96			-189	-238		<b>-655</b>
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services		-6,798			-124	-211		<b>-7,133</b>
Derecognition - Disposals	-3,233	-91						<b>-3,324</b>
Assets reclassified within PPE		6,086		1,036	380	-420	-7,082	<b>0</b>
Assets reclassified (to)/from Investment Property		14,739			32			<b>14,771</b>
Assets reclassified (to)/from Held for Sale	-2,732							<b>-2,732</b>
<b>At 31 March 2020</b>	<b>296,914</b>	<b>106,974</b>	<b>13,857</b>	<b>18,601</b>	<b>7,953</b>	<b>177</b>	<b>4,170</b>	<b>448,646</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2019</b>	<b>0</b>	<b>-1,151</b>	<b>-6,196</b>	<b>-7,359</b>	<b>-77</b>	<b>0</b>	<b>0</b>	<b>-14,783</b>
Depreciation charge	-6,805	-1,261	-1,259	-699				<b>-10,024</b>
Depreciation written out to the Revaluation Reserve	6,805	683						<b>7,488</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services		10						<b>10</b>
Derecognition - Disposals		1						<b>1</b>
<b>At 31 March 2020</b>	<b>0</b>	<b>-1,718</b>	<b>-7,455</b>	<b>-8,058</b>	<b>-77</b>	<b>0</b>	<b>0</b>	<b>-17,308</b>
<b>Net Book Value</b>								
<b>At 31 March 2020</b>	<b>296,914</b>	<b>105,256</b>	<b>6,402</b>	<b>10,543</b>	<b>7,876</b>	<b>177</b>	<b>4,170</b>	<b>431,338</b>

## 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 15-70 years
- Other Land and Buildings – Straight Line allocation over a useful life of up to 60 years
- Vehicles Plant and Equipment – Straight line basis over a useful life of up to 25 years
- Infrastructure – Depreciation on a straight line basis over 25 years

The major commitments on the Council's General Fund and Housing Revenue Account Capital Programme in 2020/21 are shown below.

## General Fund

The Council is currently under contract for the development of the site at Coal Orchard in Taunton, regeneration works at East Quay, Watchet and The Blue Anchor Coastal Defence work. The total commitment on these sites at 31st March 2021 is £7.0m.

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

## 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 £47.640m as at 31st March 2021; plus maintaining 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 2021 have been carried out by Wilks Head & Eve, Chartered Surveyors. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). Whilst, at present, the Council does not revalue its vehicles, plant and equipment, depreciated historic cost is used as a proxy for fair value.

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

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

- Construction and State of Repair
  - Structural / Condition surveys have not been undertaken of the properties nor have the service installations been tested.
  - We have not carried out a structural survey nor have we inspected those parts of the properties that are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition. We cannot express an opinion about or advise upon the condition of uninspected parts and this report should not be taken as making any implied representation or statement about such parts.
  - No allowances have been made for rights, obligations or liabilities arising from the Defective Premises Act 1972.
  - Unless we are aware that a specific property has a limited economic life, we have assumed that the assets are at a suitable level of condition for service provision, and that all internal and external repairs and maintenance have been carried out. We have assumed that these repairs do not constitute improvement to the properties and do not have a material effect on asset value.
- Hazardous or Deleterious Materials
  - We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of these properties or has since been incorporated and we are therefore unable to report that the properties are free from risk in this respect. For the purpose of this report we have assumed that such investigation would not disclose the presence of any such material in any adverse condition.
- Contaminated Land
  - Other than as specifically detailed for the phosphatres issue, 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; and
    - In the case of surplus properties, directly attributable selling costs that are material may need to be itemised separately. If this is the case, they will

include not only the transaction costs but also any marketing costs that can be reasonable anticipated.

- Energy Performance Certificates
  - In England and Wales, the Energy Performance of Buildings Directive requiring Energy Performance Certificates (EPC) is relevant.
  - This directive requires all properties to have an Energy Performance Certificate (EPC) covering the residential and commercial sectors. The Certificate is valid for ten years and includes an Energy Efficient Rating of between A and G.
  - Since 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.
- De minimis Levels of Value
  - Only those properties the value of which is considered likely to exceed the de minimis 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:

	<b>Council Dwellings £000</b>	<b>Other Land and Buildings £000</b>	<b>Vehicles, Plant and Equipment £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Asset Under Construction £000</b>	<b>Total £000</b>
Valued at Fair Value	0	0	0	0	0	177	0	<b>177</b>
Valued at Historic Cost	0	0	5,326	9,488	7,876	0	6,637	<b>29,327</b>
Valued at:								
31 March 2017	304	0	0	0	0	0	0	<b>304</b>
31 March 2018	0	0	0	0	0	0	0	<b>0</b>
31 March 2019	32	11,124	0	0	0	0	0	<b>11,156</b>
31 March 2020	56	24,895	0	0	0	0	0	<b>24,951</b>
31 March 2021	312,499	67,285	0	0	0	0	0	<b>379,784</b>
<b>Total Net Book Value</b>	<b>312,891</b>	<b>103,304</b>	<b>5,326</b>	<b>9,488</b>	<b>7,876</b>	<b>177</b>	<b>6,637</b>	<b>445,699</b>

## 15. Investment Property

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

2019/20 £000		2020/21 £000
-525	Rental income from investment property	-1,644
492	Costs Related to investment property	494
<b>-33</b>	<b>Total</b>	<b>-1,150</b>

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

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

2019/20 £000		2020/21 £000
19,821	Balance at start of the year	6,763
2,204	Additions	44,074
0	Disposals	-644
-491	Net gains/(losses) from fair value adjustments	-149
	<b>Transfers:</b>	
-14,771	(To)/from Property, Plant & Equipment	0
<b>6,763</b>	<b>Balance at end of the year</b>	<b>50,044</b>

### Fair Value Measurement of Investment Property

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

2019/20 £000	Significant Unobservable Inputs (Level 2)	2020/21 £000
5,376	Commercial Buildings	49,321
1,387	Commercial Land	723
<b>6,763</b>	<b>Investment Property</b>	<b>50,044</b>

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

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

The Council's commercial land and buildings are, therefore, categorised as Level 2 in the fair value hierarchy as the measurement technique uses significant 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.

## **16. 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, and investment transactions are also classified as financial instruments.

### **Financial Liabilities**

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

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

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

### **Financial Assets**

A Financial Asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially

favourable to the Council. The financial assets held by the Council during the year are accounted for under the following classifications:

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

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

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

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

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

### Financial Instruments – Balances

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

31 March 2020		Financial Liabilities	31 March 2021	
Long Term £000	Short Term £000		Long Term £000	Short Term £000
		<b>Loans at amortised cost:</b>		
-75,500	-25,500	Principal sum borrowed	-105,500	-57,000
-101	-7	Accrued interest	-183	-13
<b>-75,601</b>	<b>-25,507</b>	<b>Total Borrowing</b>	<b>-105,683</b>	<b>-57,013</b>
		<b>Liabilities at amortised cost:</b>		
0	-3,683	Trade payables	0	-4,447
<b>0</b>	<b>-3,683</b>	<b>Included in Creditors</b>	<b>0</b>	<b>-4,447</b>
-244	-24,662	<i>Liabilities not defined as financial instruments</i>	-4,354	-33,477
<b>-244</b>	<b>-28,345</b>	<b>Total Creditors</b>	<b>-4,354</b>	<b>-37,924</b>
<b>-75,601</b>	<b>-29,190</b>	<b>Total Financial Liabilities</b>	<b>-105,683</b>	<b>-61,460</b>

(Note: total excludes Liabilities not defined as financial instruments)

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

31 March 2020			31 March 2021		
Long Term	Short Term	Financial Assets	Long Term	Short Term	
£000	£000		£000	£000	
<b>At amortised cost</b>					
3	2,931	Principal	3	3,254	
0	3	Accrued interest	0	0	
0	0	Loss Allowance	0	0	
<b>At fair value through profit &amp; loss</b>					
0	2,092	Fair value	0	0	
<b>3</b>	<b>5,026</b>	<b>Total Investments</b>	<b>3</b>	<b>3,254</b>	
<b>At amortised cost</b>					
	4,286	Principal		11,785	
	4	Accrued interest		0	
<b>At fair value through profit &amp; loss</b>					
	24,401	Fair value		29,856	
	<b>28,691</b>	<b>Total Cash and Cash Equivalents</b>		<b>41,641</b>	
<b>At amortised cost</b>					
0	1,245	Trade receivables	0	1,320	
6,606	0	Loans made for service purposes	5,352	819	
<b>6,606</b>	<b>1,245</b>	<b>Included in Debtors</b>	<b>5,352</b>	<b>2,139</b>	
0	12,279	<i>Assets not defined as financial instruments</i>	0	33,455	
<b>6,606</b>	<b>13,524</b>	<b>Total Debtors</b>	<b>5,352</b>	<b>35,594</b>	
<b>6,609</b>	<b>34,962</b>	<b>Total Financial Assets</b>	<b>5,355</b>	<b>47,034</b>	

(Note: total excludes Assets not defined as financial instruments)

## 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 2020/21.

**Financial Instruments - Gains and Losses**

The gains and losses recognised in the CIES in relation to financial instruments consist of the following:

<b>2019/20</b>					<b>2020/21</b>			
<b>Financial Liabilities</b>	<b>Financial Assets</b>	<b>Fair Value</b>	<b>Total</b>		<b>Financial Liabilities</b>	<b>Financial Assets</b>	<b>Fair Value</b>	<b>Total</b>
<b>Amortised Cost</b>	<b>Amortised Cost</b>	<b>through Profit &amp; Loss</b>			<b>Amortised Cost</b>	<b>Amortised Cost</b>	<b>through Profit &amp; Loss</b>	
<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
-2,486	0	0	-2,486	Interest expense	-2,561	0	0	-2,561
0	0	0	0	Losses on derecognition	0	0	0	0
<b>-2,486</b>	<b>0</b>	<b>0</b>	<b>-2,486</b>	<b>Interest payable and similar charges</b>	<b>-2,561</b>	<b>0</b>	<b>0</b>	<b>-2,561</b>
0	137	718	855	Interest income	0	153	708	861
0	4	0	4	Gains from changes in fair value	0	0	1,088	1,088
<b>0</b>	<b>141</b>	<b>718</b>	<b>859</b>	<b>Interest and investment income</b>	<b>0</b>	<b>153</b>	<b>1,796</b>	<b>1,949</b>
<b>-2,486</b>	<b>141</b>	<b>718</b>	<b>-1,627</b>	<b>Net impact on surplus/deficit on provision of services</b>	<b>-2,561</b>	<b>153</b>	<b>1,796</b>	<b>-612</b>
0	0	-1,487	-1,487	Gain / (Losses) on revaluation	0	0	1,084	1,084
<b>0</b>	<b>0</b>	<b>-1,487</b>	<b>-1,487</b>	<b>Impact on other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>1,084</b>	<b>1,084</b>
<b>-2,486</b>	<b>141</b>	<b>-769</b>	<b>-3,114</b>	<b>Net Gain/(Loss) for the year</b>	<b>-2,561</b>	<b>153</b>	<b>2,880</b>	<b>472</b>

## Financial Instruments – Fair Values

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

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 2021, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans;
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March;
- No early repayment or impairment is recognised for any financial instrument; and
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

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

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



31 March 2020			31 March 2021			
Fair Value Level	Carrying Amount £000	Fair Value £000	Financial Liabilities	Fair Value Level	Carrying Amount £000	Fair Value £000
			Financial Liabilities held at Amortised Cost			
2	-76,063	-86,383	Long Term Loans from PWLB	2	-102,641	-111,906
2	-3,038	-5,199	Barclays Loan	2	-3,038	-5,281
2	-22,007	-22,007	Local Authority Loans	2	-57,017	-57,035
	-101,108	-113,589	Total		-162,696	-174,222
	-3,683		Liabilities for which fair value is not disclosed	*	-4,447	
	-104,791		Total Financial Liabilities		-167,143	
			Recorded on Balance Sheet as:			
	-3,683		Short Term Creditors		-4,447	
	-25,507		Short Term Borrowing		-57,013	
	-75,601		Long Term Borrowing		-105,683	
	-104,791		Total Financial Liabilities		-167,143	

31 March 2020				31 March 2021		
Fair Value Level	Carrying Amount £000	Fair Value £000	Financial Assets	Fair Value Level	Carrying Amount £000	Fair Value £000
Financial Assets held at Fair Value						
1	16,632	16,632	Bond Funds	1	16,707	16,707
1	2,092	2,092	Covered Bonds	1	0	0
1	1,000	1,000	Deposit Fund	1	0	0
1	6,769	6,769	Money Market Funds	1	13,150	13,150
Financial Assets held at Amortised Cost						
*	2,393	2,393	Bank Accounts	*	997	997
*	4,834	4,834	Term Deposits	*	14,045	14,045
2	6,606	6,606	Loans made for Service Purposes	2	6,170	6,290
	40,326	40,326	Total		51,069	51,189
*	1,245		Assets for which fair value is not disclosed	*	1,320	
	41,571		Total Financial Assets		52,389	
Recorded on Balance Sheet as:						
	3		Long Term Investments		3	
	6,606		Long Term Debtors		5,352	
	5,026		Short Term Investments		3,254	
	1,245		Short Term Debtors		2,138	
	28,691		Cash & Cash Equivalents		41,642	
	41,571		Total Financial Assets		52,389	

\* 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 higher than the current rates available for similar loans as at the Balance Sheet date.

## 17. Nature and Extent of Risks Arising From Financial Instruments

The Council has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with The 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 start 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 potentially expose it to a variety of financial risks including:

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

### Credit Risk: Treasury Investments

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

A limit of up to £7.0m is placed on the amount of money that can be invested with a single counterparty. The Council also sets a total group investment limit for institutions that are part of the same banking group. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £7.0m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2021 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	2020/21	
Long Term £000	Short Term £000		Long Term £000	Short Term £000
0	26,366	AAA	0	30,150
0	4,834	AA	0	14,042
0	1,800	A	0	0
<b>0</b>	<b>33,000</b>	<b>Total</b>	<b>0</b>	<b>44,192</b>

## Trade Receivables

During 2020/21 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	31 March 2021 Trade Debtors £000
1,168 Past due less than 3 months	940
232 Past due over 3 months up to 12 months	249
208 Past due over 12 months up to 24 months	90
129 Past due over 24 months	236
<b>1,737</b>	<b>1,515</b>

## Credit Risk: Loans

To meet the Council's service objectives, it has lent money to local organisations at market rates. The amount recognised on the balance sheet is £5.004m.

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 £0.087m (£0.034m 2019/20) and have been calculated by reference to 12-month expected credit losses as there is no experience of default on such loans.

## Liquidity Risk

The Council has had varying access to borrowing at favourable rates from the Public Works Loans Board during 2020/21. It has also been able to borrow extensively from other local authorities for short duration, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it might need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. The risk is managed by maintaining a spread of fixed and variable rate loans. The fixed rate loans are implicitly linked to long term housing assets, and shorter term variable loans to commercial properties.

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

2019/20			2020/21	
Long Term £000	Short Term £000	Credit Rating	Long Term £000	Short Term £000
Loans by Type				
72,500	3,500	Public Works Loan Board	92,500	10,000
3,000	0	Other Financial Institutions	3,000	0
0	22,000	Other Local Authorities	10,000	47,000
75,500	25,500		105,500	57,000
Loans by Maturity				
0	25,500	Less than 1 year	0	57,000
10,000	0	Over 1 but not over 2 years	5,000	0
18,000	0	Over 2 but not over 5 years	30,000	0
40,500	0	Over 5 but not over 10 years	33,500	0
0	0	Over 10 but not over 15 years	0	0
7,000	0	More than 20 years	37,000	0
75,500	25,500		105,500	57,000

## Market Risks:

### Interest Rate Risk

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

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

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

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

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

2020/21	£000
Increase in interest payable on variable rate borrowings	25
Increase in interest receivable on variable rate investments	-134
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>-109</b>
Decrease in fair value of fixed rate borrowings	14,078
Decrease in fair value of fixed rate investment assets	-4

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.

## 18. Assets Held for Sale

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

- Be available for sale in its present condition;
- The sale must be highly probable and have Member approval;
- The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value; and

The sale must be expected to be completed within one year of classification (in some circumstances if it is expected to take longer than a year to complete but still meets the other criteria it may be included as a non-current asset held for sale).

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

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

2019/20 £000		2020/21 £000
1,290	<b>Balance outstanding at start of the year</b>	<b>3,260</b>
	Assets newly classified as held for sale:	
2,732	Property, Plant and Equipment	2,134
	Assets declassified as held for sale:	
0	Property, Plant and Equipment	-528
0	Surplus assets not held for sale	
-127	Downward Revaluation	0
-635	Assets sold	-1,306
<b>3,260</b>	<b>Balance outstanding at year end</b>	<b>3,560</b>

## 19. Inventories

The Council holds Inventories of £7.430m, almost all relating to Regeneration schemes.

## 20. 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 is a credit loss allowance as relevant for the debt types.

### Current Debtors:

31 March 2020 £000		31 March 2021 £000
1,245	Trade receivables	1,320
402	Prepayments	312
11,877	Other receivable amounts	33,962
<b>13,524</b>	<b>Total</b>	<b>35,594</b>

Other receivable amounts rose by over £20m, which was mainly due to an increase in the central government NDR debtor of £19.266m.



**Long term Debtors:**

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

<b>31 March 2020</b>	<b>31 March 2021</b>
<b>£000</b>	<b>£000</b>
183 Sundry Mortgages	427
3 Car/Bike Loans to Employees	9
6,454 Service Loans	5,004
-34 Expected Credit Losses	-87
<b>6,606 Total</b>	<b>5,352</b>

**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:

<b>31 March 2020</b>	<b>31 March 2021</b>
<b>£000</b>	<b>£000</b>
1,140 Less than one year	1,243
504 One to two years	791
323 Two to three years	420
874 More than three years	970
<b>2,841 Total</b>	<b>3,424</b>

**21. Cash and Cash Equivalents**

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

<b>31 March 2020</b>	<b>31 March 2021</b>
<b>£000</b>	<b>£000</b>
47 Cash held by the Council	-20
537 Bank current accounts	1,017
1,800 Call Accounts	0
16,632 Bond Funds	16,706
1,000 Deposit Funds	0
1,906 Debt Management Office	10,788
6,769 Money Market Fund	13,150
<b>28,691 Total Cash and Cash Equivalents</b>	<b>41,641</b>

## 22. 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.

### Short Term Creditors (under one year)

31 March 2020 £000 (Restated)		31 March 2021 £000
-3,683	Trade payables	-4,447
-13,576	Other payables	-28,174
	Revenue Grants Receipts in Advance	-1,252
<b>-17,259</b>	<b>Total</b>	<b>-33,873</b>

### Long Term Creditors

31 March 2020 £000 (Restated)		31 March 2021 £000
-5,751	Revenue Grants Receipts in Advance	-4,051
-5,579	Capital Grants Receipts in Advance	-4,354
<b>-11,330</b>	<b>Total</b>	<b>-8,405</b>

## 23. Provisions

	Short Term		
	NNDR Appeals £000	Other Provisions £000	Total £000
<b>Balance at start of year - 1 April 2020</b>	<b>925</b>	<b>20</b>	<b>945</b>
Additional provisions made in year	1,410	0	<b>1,410</b>
Amounts used in year	-705	0	<b>-705</b>
Unused amounts reversed in year	-747	0	<b>-747</b>
<b>Balance at year-end - 31 March 2021</b>	<b>883</b>	<b>20</b>	<b>903</b>
<b>Balance at start of year - 1 April 2019</b>	<b>2,805</b>	<b>713</b>	<b>3,518</b>
Additional provisions made in year	281	0	<b>281</b>
Amounts used in year	-223	-693	<b>-916</b>
Unused amounts reversed in year	-1,938	0	<b>-1,938</b>
<b>Balance at year-end - 31 March 2020</b>	<b>925</b>	<b>20</b>	<b>945</b>

## 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 £0.883m (£0.925m in 2019/20) in respect of the Business Rates Collection Fund (SWT's 40% share of a total appeals provision of £2.208m (44% of £2.104m in 2019/20). There has been a slight increase in the number of appeals during 2020/21 and 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.

## 24. Usable Reserves

The table below details the Council's usable reserves which can be applied to fund expenditure or reduce local taxation. Further detail can be found with the Movement in Reserves Statement on page 22.

31 March 2020 £000	31 March 2021 £000
4,523 General Fund Balance	7,914
20,586 General Fund Earmarked Reserves	33,843
2,700 Housing Revenue Account Balance	2,685
1,648 Housing Revenue Account Earmarked Reserves	1,107
17,165 Capital Receipts Reserve	18,596
3,708 Major Repairs Reserve	6,773
9,583 Capital Grants Unapplied Account	14,659
<b>59,913 Total Usable Reserves</b>	<b>85,578</b>

## 25. Unusable Reserves

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

31 March 2020 £000	31 March 2021 £000
125,399 Revaluation Reserve	143,115
182,586 Capital Adjustment Account	176,029
-111,912 Pensions Reserve	-140,156
1,959 Collection Fund Adjustment Account	-15,901
-82 Accumulated Absences Account	-478
-1,491 Financial Instruments Revaluation Reserve	-403
<b>196,459 Total Unusable Reserves</b>	<b>162,206</b>

## Revaluation Reserve

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

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

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

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

31 March 2020 £000		31 March 2021 £000                      £000	
119,129	<b>Balance as at 1 April</b>		<b>125,399</b>
14,694	Upward revaluation of assets	22,988	
-7,988	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-4,889	
6,706	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		18,099
-403	Difference between fair value depreciation and historical cost depreciation	-365	
-33	Accumulated gains on assets sold or scrapped	-18	
-436	Amount written off to the Capital Adjustment Account		-383
<b>125,399</b>	<b>Balance as at 31 March</b>		<b>143,115</b>

## Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES. The account is credited with amounts set aside by the Council as finance for the cost of acquisition, construction and subsequent costs.

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

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

Note 8 – Adjustments between Accounting Basis and Funding Basis under Regulations, provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

## Capital Adjustment Account

31 March 2020 £000		31 March 2021 £000      £000	
192,327	<b>Balance as at 1 April</b>		<b>182,586</b>
	<i>Reversal of items relating to capital expenditure debited or credited to the CIES</i>		
-10,022	Charges for Depreciation and impairment of non current assets	-10,216	
-7,124	Revaluation losses on Property, Plant and Equipment	-2,978	
-269	Amortisation of intangible assets	-224	
-5,034	Revenue expenditure funded from capital under statute	-7,840	
-3,958	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-6,334	
-26,407			-27,592
436	Adjusting amounts written out of the Revaluation Reserve		383
<b>-25,971</b>	<b>Net written out amount of the cost of non current assets consumed in the year</b>		<b>-27,209</b>
	<i>Capital financing applied in the year:</i>		
3,198	Use of the Capital Receipts Reserve to finance new capital expenditure	2,097	
5,899	Use of Major Repairs Reserve to finance new capital expenditure	4,232	
3,924	Capital grants and contributions credited to CIES that have been applied to capital financing	2,427	
403	Application of grants to capital financing from the Capital Grants Unapplied Account	6,279	
2,610	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	2,521	
1,021	Capital expenditure charged against the General Fund and HRA balances	3,245	
17,055			20,801
-491	Movements in the market value of Investment Properties debited or credited to the CIES		-149
-334	Deferred Debtors repaid		0
<b>182,586</b>	<b>Balance as at 31 March</b>		<b>176,029</b>

## Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions.

The Council accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns in any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to the pension fund or eventually pays any pensions for which it is directly responsible.

The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that the funding will have been set aside by the time the benefits come to be paid.

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

<b>2019/20</b>	<b>2020/21</b>
<b>£000</b>	<b>£000</b>
<b>-105,732 Balance as at 1 April</b>	<b>-111,912</b>
664 Remeasurement of the net defined benefit (liability)/assets	-25,227
Reversal of items relating to retirement benefits debited	
-12,112 or credited to the Surplus or Deficit on the Provision of	-8,552
Services in the CIES	
5,268 Employer's pension contributions and direct payments to	5,535
pensioners payable in the year	
<b><u>-111,912 Balance as at 31 March</u></b>	<b><u>-140,156</u></b>

**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 CIES as it falls due from Council Tax payers and business ratepayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

The balance shown on the Collection Fund Adjustment Account represents the Council's share of the Collection Fund surplus or deficit. Both are deficits due to COVID. These deficits will be recovered over the next three years.

Due to COVID businesses were given a Business Rate holiday and the Council was reimbursed for an income shortfall. Monies received by S31 grant have been placed into earmarked reserves, as shown in Note 9. Movements in Earmarked Reserves.

2019/20 Business			2020/21 Business		
Council Tax £000	Rates £000	Total £000	Council Tax £000	Rates £000	Total £000
215	777	992	-3	1,962	1,959
<b>Balance as at 1 April</b>					
-218	1,185	967	-55	-17,805	-17,860
Amount by which council tax and non-domestic rates income credited to the CIES is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements					
<b>-3</b>	<b>1,962</b>	<b>1,959</b>	<b>-58</b>	<b>-15,843</b>	<b>-15,901</b>
<b>Balance as at 31 March</b>					



## Accumulated Absences Account

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

2019/20 £000	2020/21 £000	£000
<b>-356 Balance as at 1st April</b>		<b>-82</b>
Settlement or cancellation of accrual made at the end of		
356 the preceding year	82	
-82 Amounts accrued at the end of the current year	-478	
Amount by which officer remuneration charged to the		
274 CIES on an accruals basis is different from remuneration		
chargeable in the year in accordance with statutory		
requirements.		-396
<b>-82 Balance as at 31st March</b>		<b>-478</b>

## Financial Instruments Revaluation Reserve

2019/20 £000	2020/21 £000
<b>0 Balance as at 1st April</b>	<b>-1,491</b>
50 Upward revaluation of Investments	1,163
-1,541 Downward revaluation of investment	-35
<b>-1,491</b>	<b>-363</b>
0 Accumulated gains or losses on assets sold and	
maturing assets written out to the CIES as part of other	
investment income	-40
<b>-1,491 Balance as at 31st March</b>	<b>-403</b>

## 26. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2019/20 £000	2020/21 £000
785 Interest received	899
-2,483 Interest paid	-2,474
<b>-1,698 Net Cash Flow From Operating Activities</b>	<b>-1,575</b>

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

2019/20 £000	2020/21 £000
10,024 Depreciation	10,079
7,124 Impairment and downward valuations	3,060
269 Amortisation	225
491 Movement in fair value of investment property	149
521 Increase/(decrease) in impairment for bad debts	498
-2,445 (Decrease)/increase in creditors	15,450
-4,828 (Increase)/decrease in debtors	-21,294
-17 (Increase)/decrease in inventories	-7,258
6,844 Movement in pension liability	3,017
0 Pension Payable for the year	0
-326 (Decrease)/Increase in Capital RIA	-1,673
3,958 Carrying amount of non-current assets sold or derecognised	6,332
-2,573 Increase/(decrease) in provisions	-42
<b>19,042 Adjustments For Non Cash Movements</b>	<b>8,543</b>

The surplus or deficit on the provision of services has also been adjusted for the following items that are investing or financing activities: (Notes 27 and 28 below):

2019/20 £000	2020/21 £000
-5,562 Proceeds from the sale of property plant and equipment, investment property and intangible assets	-3,955
<b>-5,562 Adjustments For Investing and Financing Activities</b>	<b>-3,955</b>

**27. Cash Flow Statement – Investing Activities**

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
-27,602	Purchase of Property, Plant and Equipment, Investment Property and intangible assets	-57,385
-22,128	Purchase of short-term & long-term investments	-24,233
0	Other payments for investing activities	0
5,562	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	3,955
36,301	Proceeds from short-term and long-term investments	25,985
0	Other receipts from investing activities	0
<b>-7,867</b>	<b>Net cash flows from investing activities</b>	<b>-51,678</b>

**28. Cash Flow Statement – Financing Activities**

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
22,000	Cash receipts of short-term and long-term borrowing	109,000
-13,500	Repayment of short-term and long-term borrowing	-47,500
<b>8,500</b>	<b>Net cash flows from financing activities</b>	<b>61,500</b>

**Reconciliation of Liabilities Arising From Financing Activities**

	<b>2020/21</b>	<b>Financing cash flows</b>	<b>Changes which are not funding cash flows</b>	<b>2020/21</b>
	<b>1 April</b>		<b>Acquisitions</b>	<b>Other non-financing cash flows</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Long Term Borrowings	75,500	40,000		-10,000
Short Term Borrowings	25,500	21,500		10,000
<b>Total liabilities from financing activities</b>	<b>101,000</b>	<b>61,500</b>	<b>0</b>	<b>0</b>
				<b>162,500</b>

	<b>2019/20</b>	<b>Financing cash flows</b>	<b>Changes which are not funding cash flows</b>	<b>2019/20</b>
	<b>1 April</b>		<b>Acquisitions</b>	<b>Other non-financing cash flows</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Long Term Borrowings	79,000			-3,500
Short Term Borrowings	13,500	9,500		3,500
<b>Total liabilities from financing activities</b>	<b>92,500</b>	<b>9,500</b>	<b>0</b>	<b>0</b>
				<b>102,000</b>

## 29. Members' Allowances

The table below shows the amounts payable to Members of the Council as allowances and expenses during the year. More details of what was paid to our Members is available on the "Councillor allowances" pages of Council's website.

<b>2019/20</b>	<b>2020/21</b>
<b>£000</b>	<b>£000</b>
399 Allowances	399
24 Expenses	27
<b>423 Allowances paid in the year</b>	<b>426</b>

**30. Officers' Remuneration**

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

Post holder information (Post Title)		Salary, Fees and Allowances	Compensation for Loss of Office	Expenses Allowances	Total Remuneration excluding pension contributions	Pension Contributions	Total Remuneration	Annualised Salary
		£	£	£	£	£	£	£
Chief Executive	<b>2020/21</b>	<b>120,526</b>		<b>0</b>	<b>120,526</b>	<b>21,092</b>	<b>141,618</b>	<b>120,526</b>
	<i>2019/20</i>	<i>117,300</i>		<i>0</i>	<i>117,300</i>	<i>18,064</i>	<i>135,364</i>	<i>117,300</i>
Director Development and Place	<b>2020/21</b>	104,121		0	<b>104,121</b>	18,221	<b>122,342</b>	104,121
Director for Housing and Communities	<b>2020/21</b>	<b>102,750</b>		<b>313</b>	<b>103,063</b>	<b>17,981</b>	<b>121,044</b>	<b>102,750</b>
	<i>2019/20</i>	<i>91,069</i>		<i>310</i>	<i>91,379</i>	<i>14,025</i>	<i>105,403</i>	<i>91,069</i>
Director of External Operations and Climate Change	<b>2020/21</b>	<b>102,750</b>		<b>218</b>	<b>102,968</b>	<b>17,301</b>	<b>120,269</b>	<b>102,750</b>
Director of Internal Operations	<b>2020/21</b>	<b>99,941</b>			<b>99,941</b>	<b>17,490</b>	<b>117,431</b>	<b>99,941</b>
Assistant Director & S151 Officer	<b>2020/21</b>	<b>72,125</b>		<b>297</b>	<b>72,422</b>	<b>12,622</b>	<b>85,044</b>	<b>72,125</b>
	<i>2019/20</i>	<i>70,155</i>		<i>1,851</i>	<i>72,006</i>	<i>10,804</i>	<i>82,810</i>	<i>70,155</i>
Governance Manager	<b>2020/21</b>	58,342		0	<b>58,342</b>	10,210	<b>68,552</b>	58,342
Deputy Chief Executive and Director of Operations	<i>2019/20</i>	<i>46,008</i>	<i>97,827</i>	<i>0</i>	<i>143,835</i>	<i>7,405</i>	<i>151,240</i>	<i>92,016</i>
Head of Communications & Engagement	<i>2019/20</i>	<i>85,982</i>	<i>0</i>	<i>0</i>	<i>85,982</i>	<i>0</i>	<i>85,982</i>	<i>81,600</i>
Head of Localities	<i>2019/20</i>	<i>66,116</i>	<i>0</i>	<i>0</i>	<i>66,116</i>	<i>10,182</i>	<i>76,298</i>	<i>86,603</i>
Head of Customer	<i>2019/20</i>	<i>78,030</i>	<i>0</i>	<i>310</i>	<i>78,340</i>	<i>12,017</i>	<i>90,357</i>	<i>78,030</i>
Head of Strategy	<i>2019/20</i>	<i>78,030</i>	<i>0</i>	<i>315</i>	<i>78,345</i>	<i>12,017</i>	<i>90,362</i>	<i>78,030</i>
Head of Performance & Governance	<i>2019/20</i>	<i>64,929</i>		<i>0</i>	<i>64,929</i>	<i>9,999</i>	<i>74,928</i>	<i>81,600</i>

Somerset West and Taunton Council was established on 1 April 2019. Initially senior staff comprised Chief Executive, the Director of Operations (Deputy Chief Executive), Heads of Functions, Monitoring Officer and Strategic Finance Advisor (Section 151 Officer) with the purpose of developing key functional areas of operation. In 2020/21, as a result of a restructure of senior management positions, the new senior management team comprised, instead, the posts of Chief Executive, four Directors, Section 151 Officer and Monitoring Officer (allocated to the post of Governance Manager).

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:

2019/20 Number of employees Total	Remuneration Band	2020/21 Number of employees Total
19	£50,000 - £54,999	24
3	£55,000 - £59,999	3
1	£60,000 - £64,999	2
1	£65,000 - £69,999	1
0	£70,000 - £74,999	1
0	£80,000 - £84,999	1
0	£85,000 - £89,999	1

### 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		Number of Compulsory Redundancies		Total Number of Exit Packages By Cost Band		Total Cost of Exit Packages In Each Band	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20 £	2020/21 £
£0 - £20,000	10	0	0	2	10	2	127,461	27,010
£20,001-£40,000	3	1	0	0	3	1	89,388	31,335
£60,001-£80,000	1	0	0	0	1	0	67,500	0
<b>Total included in the CIES</b>	<b>14</b>	<b>1</b>	<b>0</b>	<b>2</b>	<b>14</b>	<b>3</b>	<b>284,349</b>	<b>58,345</b>

### 31. External Audit Costs

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

2019/20 £000	-	2020/21 £000
61 Fees payable to external auditors with regards to external audit services carried out by the appointed auditor for the year		99
23 Fees paid to external auditors for the certification of grant claims and returns for the year		39
<b>84 Total</b>		<b>138</b>

As part of the cost of external audit services for 2020/21 (£99k), £67k relates to the basic 2020/21 audit fee, £20k relates to additional fees for work relating to 2019/20 and an additional £9k fee was

incurred in respect of an objection raised in respect of Taunton Deane Borough Council's Accounts for 2018/19.

Fees for the certification of grant claims (£39k) includes £9k for grant claims relating to 2019/20.

### 32. Grant Income

The Council credited the following grants, contributions and donations to the CIES in 2020/21:

2019/20 £000		2020/21 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
0	Revenue Support Grant	-6
-3,809	New Homes Bonus	-3,253
0	Other Non Specific Government Grants	-5,960
-7,139	Capital Grants	-13,767
<b>-10,948</b>	<b>Total</b>	<b>-22,986</b>
<b>Credited to Services</b>		
-20,949	Rent Allowances	-21,428
-9,180	Rent Rebates	-8,750
-371	Housing Benefit Admin	-407
0	COVID Grants	-6,981
-4,479	Other Grants and Contributions	-4,819
<b>-34,979</b>	<b>Total</b>	<b>-42,385</b>
<b>-45,927</b>		<b>-65,371</b>

### 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.

Both Councillors and Officers may have received support from central government due to COVID during the year. This will only have been declarable if the extent of this support could have been or have been perceived as being influenced by that person.

#### 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 32.

Transactions to and from the Pension Fund are detailed in Note 36.

## Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2020/21 is shown in Note 29.

Several Members have disclosed related party transactions during 2020/21. Where material transactions have occurred between Somerset West and Taunton Council and those organisations in which Members or their immediate families hold positions of influence, the relationships are set out as follows:

- One Member is the Chief Operating Officer of a mental health charity which provides advocacy to tenants of Somerset West and Taunton Council and have a contract with the Council to provide this.
- One Member was a Trustee (until September 2020) of an independent charity that provides free, confidential and impartial advice for people who live and work in Taunton and which was in receipt of funding from the Council during 2020/21.
- Two Members held positions of Trustees for a charity that provides advice, support, information and activities for the benefit of the residents of North Taunton and which was in receipt of funding from the Council during 2020/21.
- One Member is a director of a community interest company that was in receipt of a grant from Somerset West and Taunton Council for works undertaken.
- One Member is the shareholder of a private limited company based in the district and which has been in receipt of grants relating to COVID and the pandemic Lockdown.
- One Member serves as Member on Wellington Town Council, which has been in receipt of an emergency town centre recovery grant in 2020/21.

Total material transactions for each of the three main sectors where the relationships set out above are as follows:

Private Companies	£62,818
Charitable and Voluntary Organisations	£256,472
Other public bodies	£449,108

## Officers

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 purposes of Part V of the Local Government and Housing Act 1989. The liability of each member is limited to £1, being the amount that each member undertakes to contribute to the assets of the Company in the event of it being wound up while the Authority is a member or within one year after the Authority ceases to be a member. During the year the Governance Manager was a Director of South West Audit Partnership Limited.

Three officers have declared related party transactions during 2020/21. One officer is a board member of a housing association which contracts with Somerset West and Taunton Council for Deane Helpline in respect of the supported housing scheme. A second and third officer have

each declared a related party transaction in relation to companies owned by relatives who have undertaken work on behalf of the Council during the year. Works and services were commissioned from these organisations as follows:

Housing Association	£63,211
Companies	£8,454

### 34. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. The overall Capital Financing Requirement (CFR) will be funded from a combination of future revenue contributions, capital receipts and external funding.

2019/20 £000		2020/21 £000
<b>123,483</b>	<b>Opening Capital Financing Requirement</b>	<b>141,936</b>
	<i>Capital investment</i>	
22,454	Property, Plant and Equipment	12,634
4,125	Loans made for service provision	0
188	Intangible Assets	677
2,205	Investment Properties	44,074
2,755	Inventory	7,255
5,033	Revenue Expenditure Funded from Capital under Statute	7,840
<b>36,760</b>		<b>72,480</b>
	<i>Sources of finance</i>	
-3,197	Capital receipts	-2,097
-4,368	Government Grants and Other Contributions	-8,706
-5,898	Major Repairs Allowance	-4,232
	<i>Sums set aside from revenue</i>	
-2,234	Direct revenue contributions	-3,245
-2,610	Minimum Revenue Provision (MRP / VRP)	-3,216
<b>-18,307</b>		<b>-21,496</b>
<b>141,936</b>	<b>Closing Capital Financing Requirement</b>	<b>192,920</b>
	<b>Explanation of movements in the Capital Financing Requirement in year:</b>	
18,453	Increase / (Decrease) in underlying need to borrowing (unsupported by Government financial assistance)	50,984
<b>18,453</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>50,984</b>

### 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.

#### 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 circumstances, 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.

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
-872	Not later than one year	-1,521
-2,743	Later than one year and not later than five years	-4,774
-11,061	Later than five years	-15,054
<b>-14,676</b>	<b>Total payments due in future years</b>	<b>-21,349</b>

The minimum lease payments above do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

### Council as Lessee

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
49	Not later than one year	26
62	Later than one year and not later than five years	77
0	Later than five years	0
<b>111</b>	<b>Total payments due in future years</b>	<b>103</b>

## 36. Defined Benefit Pensions Schemes

### Participation in Pension Schemes

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

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

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and is contracted out of the State Second Pension Scheme and currently provides benefits based on career average revalued salary and

length of service on retirement, with various protections in place for those members in the scheme before the changes took place.

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

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme (i.e. largescale withdrawals from the scheme, changes to inflation, bond yields) and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account (HRA) the amounts required by statute described in the accounting policies (Note 1 above).

The total liability has been adjusted to reflect the current position in relation to implementing changes due to various legal actions i.e. McCloud and Sargeant. Although the cases are not directly related to the Local Government Pension Scheme (LGPS), similar protections were given when the LGPS moved to a new scheme in 2014. The pension fund actuary estimated the impact of this at the last accounting date and therefore it is already included in the starting position. This allowance is therefore incorporated in the roll forward approach and is remeasured at the accounting date along with the normal LGPS liabilities.

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

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

The following transactions shown in the table have been made in the CIES and the General Fund / HRA Balance via the Movement in Reserves Statement during the year.

2019/20 £000		2020/21 £000
<b>Comprehensive Income and Expenditure Statement (CIES)</b>		
<b>Cost of Services</b>		
9,479	Current service cost	5,906
92	Administration expenses	79
<b>Financing and Investment Income and Expenditure:</b>		
2,541	Net interest expense	2,567
<b>Total Post Employment Benefits charged to the Surplus on the Provision of Services</b>		<b>8,552</b>
<b>12,112</b>		
<b>Remeasurement of the net defined liability comprising:</b>		
10,477	Return on assets (excluding the amount included in the net interest expense)	-28,714
414	Other Actuarial gains and losses on assets	0
-18,465	Actuarial gains and losses arising on changes in financial assumptions	59,700
1,611	Actuarial gains and losses arising on changes in demographic assumptions	-2,528
5,299	Experience gain and loss on defined benefit obligation	-3,231
<b>-664</b>	<b>Total Post Employment Benefit Charged to the Income and Expenditure Statement</b>	<b>25,227</b>
<b>Movement in Reserves Statement</b>		
-12,112	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	-8,552
<b>Actual amount charged against the General Fund balance for pensions in the year:</b>		
5,268	Employers contributions payable to scheme	5,535

### 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:

2019/20 £000	Local Government Pension Scheme	2020/21 £000
-225,076	Present value of the defined obligation	-283,386
116,540	Fair value of plan assets	146,732
-108,536	Sub-total	-136,654
-3,376	Present value of unfunded obligation	-3,502
<b>-111,912</b>	<b>Net liability arising from defined benefit obligation</b>	<b>-140,156</b>

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

2019/20 £000	Funded liabilities: Local Government Pension Scheme	2020/21 £000
<b>-233,266</b>	<b>Opening balances as at 1 April</b>	<b>-228,452</b>
-5,599	Current service cost	-5,867
-5,566	Interest cost	-5,292
-1,034	Contributions from scheme participants	-1,166
	<b>Remeasurement (gains) and losses</b>	
-1,611	Actuarial gains/(losses) arising from changes in demographic assumptions	2,528
18,465	Actuarial gains/(losses) arising from changes in financial assumptions	-59,700
-5,299	Experience loss/(gain) on defined benefit obligation	3,231
-3,880	Past service cost	-39
9,112	Benefits paid	7,643
226	Unfunded Pension Payments	226
<b>-228,452</b>	<b>Closing balance as at 31 March</b>	<b>-286,888</b>

**Reconciliation of fair value of the scheme assets:**

2019/20 £000	Local Government Pension Scheme	2020/21 £000
<b>127,534</b>	<b>Opening fair value of scheme assets</b>	<b>116,540</b>
3,025	Interest income	2,725
	<b>Remeasurement (gain/loss):</b>	
-10,477	The return on plan assets, excluding the amount in the net interest expense	28,714
-414	Actuarial gains and losses	0
5,268	Contributions from employers	5,535
1,034	Contributions from scheme participants into the scheme	1,166
-9,338	Benefits paid	-7,869
-92	Administration expenses	-79
<b>116,540</b>	<b>Closing balance as at 31st March</b>	<b>146,732</b>

**Local Government Pension Scheme assets comprised:**

2019/20 £000	Fair Value of Scheme Assets	2020/21 £000
78,603	Equities	106,101
7,638	Gilts	8,183
11,679	Other bonds	13,809
11,050	Property	9,838
7,570	Cash	8,801
<b>116,540</b>	<b>Total</b>	<b>146,732</b>

## Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. The Local Government Pension Scheme has been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 31 March 2020.

2019/20	Local Government Pension Scheme	2020/21
	<b>Long-term expected rate of return on assets in the scheme:</b>	
	Mortality assumptions:	
	Longevity at 65 for current pensioners	
23.3	- Men	23.1
24.7	- Women	24.6
	Longevity at 65 for future pensioners	
24.7	- Men	24.4
26.2	- Women	26.0
1.90%	Rate of inflation - CPI	2.80%
2.50%	Rate of increase in salaries	3.80%
1.90%	Rate of increase in pensions	2.80%
2.35%	Rate for discounting scheme liabilities	2.00%

## Sensitivity Analysis:

The estimation of the defined benefit obligation 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.



<b>Sensitivity Analysis 2020/21</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Adjustment to discount rate</b>	<b>+0.1%</b>	<b>0</b>	<b>-0.1%</b>
Present Value of total obligation	281,342	286,888	292,594
Projected service cost	8,549	8,849	9,159
<b>Adjustment to long term salary increase</b>	<b>+0.1%</b>	<b>0</b>	<b>-0.1%</b>
Present Value of total obligation	287,319	286,888	286,461
Projected service cost	8,854	8,849	8,844
<b>Adjustment to pension increases and deferred reval</b>	<b>+0.1%</b>	<b>0</b>	<b>-0.1%</b>
Present Value of total obligation	292,068	286,888	281,806
Projected service cost	9,155	8,849	8,551
<b>Adjustment to life expectancy assumptions</b>	<b>+1 year</b>	<b>0</b>	<b>-1 year</b>
Present Value of total obligation	300,935	286,888	273,530
Projected service cost	9,225	8,849	8,487

### 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 -£140.516m (-£111.912m 2019/20) 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 2022 is £5.174m.

### 37. Contingent Liabilities

The contingent liability in the 2019/20 accounts on Business Rates payable by hospitals was settled without any detriment to the Council.

There are no known contingent liabilities as at 31 March 2021.

### 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.

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

The Council will receive a minimum of £5.838m (maximum £6.092m) 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.' Between now and 2023, the council is due to receive a minimum of £0.258m.

**SUPPLEMENTARY FINANCIAL STATEMENTS****Housing Revenue Account**

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

<b>2019/20</b>		<b>2020/21</b>	
<b>£000</b>		<b>£000</b>	<b>£000</b>
<b>Income</b>			
-24,050	Dwelling Rents		-24,277
-672	Non Dwelling Rents		-709
-1,591	Charges for Services/Facilities		-1,563
-424	Contributions Towards Expenditure		-473
-26,737			-27,022
<b>Expenditure</b>			
3,102	Repairs and Maintenance	3,517	
11,647	Supervision and Management	12,159	
315	Rents, Rates, Taxes and Other Charges	471	
7,133	Depreciation and Impairment of Fixed Assets	7,231	
333	Movement in the Allowance for Bad Debts	-162	
22,530			23,216
<b>-4,207</b>	<b>Net Income of HRA Services as included in the CIES</b>		<b>-3,806</b>
229	HRA Service Share of Corporate and Democratic Core		229
<b>-3,978</b>	<b>Net (Income)/Expenditure of HRA Services</b>		<b>-3,577</b>
<b>HRA Share of Operating and Expenditure included in the CIES:</b>			
28	Pension Administration Costs		20
-1,635	(Gain) or Loss on Sale of HRA Fixed Assets		2,820
2,624	Interest Payable and Similar Charges		2,442
0	Interest and Investment Income		-33
788	Pension Interest Cost		642
382	Capital grants and contributions		382
<b>-1,791</b>	<b>(Surplus)/Deficit for the year on HRA Services</b>		<b>2,696</b>

## Statement of Movement on the HRA Balance

2019/20 £000		2019/20 £000      £000	
2,718	Balance on the HRA at the end of the previous year		2,700
1,791	Surplus / (Deficit) for the year on the HRA Income and Expenditure Account	-2,696	
-2,879	Adjustments between accounting basis and funding under Statute (see analysis in Notes to the Supplementary Statements)	2,139	
-1,088	Net Increase or (Decrease) before transfers to or from Reserves		-557
1,070	Transfers (to) or from Reserves		542
-18	Increase or (Decrease) in the Year on the HRA		-15
2,700	Balance on the HRA at the end of the current year		2,685

## Housing Revenue Account Notes

## A Housing Stock

The Council was responsible for managing 5,701 dwellings during 2020/21. The stock at 31 March was made up as follows:

2019/20 number of		2020/21 number of	
2,833	Houses	2,795	
847	Bungalows	847	
2,057	Flats and Maisonettes	2,056	
5,737		5,698	
3	Shared Equity	3	
5,740		5,701	

**B Value of Assets**

The balance sheet values of HRA assets at 31 March 2021 and 31 March 2020 are shown below.

<b>HRA Non-current assets</b>	<b>Council Dwellings £000</b>	<b>Other Land and Buildings £000</b>	<b>Vehicles, Plant and Equipment £000</b>	<b>Infrastructure Assets £000</b>	<b>Total Property, Plant and Equipment £000</b>	<b>Assets Held For Sale £000</b>	<b>Intangible Assets £000</b>	<b>Total £000</b>
<b>Movement in 2020/21</b>								
<b>Cost or Valuation</b>								
<b>At 1 April 2020</b>	<b>296,914</b>	<b>8,771</b>	<b>333</b>	<b>1,987</b>	<b>308,005</b>	<b>2,732</b>	<b>776</b>	<b>311,513</b>
Additions	8,907	0	0	0	8,907	0	239	9,146
Revaluation increases / (decreases) recognised in the Revaluation Reserve	13,491	-102	0	0	13,389	0	0	13,389
Revaluation increases / (decreases) recognised in the Surplus/deficit on the Provision of Services	0	-82	0	-14	-96	0	0	-96
Derecognition - Disposals	-4,287	-54	0	0	-4,341	-1,306	0	-5,647
Derecognition - Other	0	0	0	0	0	0	0	0
Reclassified within Property, Plant and Equipment	0	0	0	0	0	0	0	0
Reclassified (to)/from Held From Sale	-2,134	0	0	0	-2,134	2,134	0	0
<b>At 31 March 2021</b>	<b>312,891</b>	<b>8,533</b>	<b>333</b>	<b>1,973</b>	<b>323,730</b>	<b>3,560</b>	<b>1,015</b>	<b>328,305</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2020</b>	<b>0</b>	<b>-89</b>	<b>-226</b>	<b>-1,775</b>	<b>-2,090</b>	<b>0</b>	<b>-757</b>	<b>-2,847</b>
Depreciation charge	-6,883	-90	-39	-44	-7,056	0	-5	-7,061
Depreciation written out to the Revaluation Reserve	6,883	8	0	0	6,891	0	0	6,891
Derecognition - Disposals	0	1	0	0	1	0	0	1
Depreciation written out to the Surplus / Deficit on the Provision of Services	0	0	0	0	0	0	0	0
<b>At 31 March 2021</b>	<b>0</b>	<b>-170</b>	<b>-265</b>	<b>-1,819</b>	<b>-2,254</b>	<b>0</b>	<b>-762</b>	<b>-3,016</b>
<b>Net Book Value</b>								
<b>At 31 March 2021</b>	<b>312,891</b>	<b>8,363</b>	<b>68</b>	<b>154</b>	<b>321,476</b>	<b>3,560</b>	<b>253</b>	<b>325,289</b>

HRA Non-current assets					Total Property, Plant and Equipment	Assets Held For Sale	Intangible Assets	Total
Movement in 2019/20	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	£000	£000	£000	£000
<b>Cost or Valuation</b>								
<b>At 1 April 2019</b>	<b>286,386</b>	<b>8,810</b>	<b>333</b>	<b>1,987</b>	<b>297,516</b>	<b>635</b>	<b>776</b>	<b>298,927</b>
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
<b>At 31 March 2020</b>	<b>296,914</b>	<b>8,771</b>	<b>333</b>	<b>1,987</b>	<b>308,005</b>	<b>2,732</b>	<b>776</b>	<b>311,513</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2019</b>	<b>0</b>	<b>0</b>	<b>-183</b>	<b>-1,696</b>	<b>-1,879</b>	<b>0</b>	<b>-752</b>	<b>-2,631</b>
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
<b>At 31 March 2020</b>	<b>0</b>	<b>-89</b>	<b>-226</b>	<b>-1,775</b>	<b>-2,090</b>	<b>0</b>	<b>-757</b>	<b>-2,847</b>
<b>Net Book Value</b>	<b>-</b>							
<b>At 31 March 2020</b>	<b>296,914</b>	<b>8,682</b>	<b>107</b>	<b>212</b>	<b>305,915</b>	<b>2,732</b>	<b>19</b>	<b>308,666</b>

## C Value of Dwellings at 31 March 2021

The open market value of dwellings within the HRA at 31 March 2021 is £882.9m (31 March 2020 £848.3m) compared with the balance sheet value of £309.0m (31 March 2020 £296.9m). The difference of £573.9m (31 March 2020 £551.4m) 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	31 March 2021 £000
770 Rent Arrears	672
-483 Provision for Bad Debts	-277
<b>287 Anticipated Collectable Arrears</b>	<b>395</b>

Anticipated Collectable Arrears as a % of Gross Rent Income 1.5% (1.1% in 2019/20)

## 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 1.98% (1.77% in 2019/20) of available properties were vacant. Average weekly rents were £83.05, an increase of £2.18 (2.70%) 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	2020/21 £000
2,711 Balance as at 1 April	3,707
6,894 Transfer from Revenue to Major Repairs Reserve	7,297
-5,898 Financing of HRA Capital Expenditure	-4,231
<b>3,707 Balance as at 31 March</b>	<b>6,773</b>

**H Total Capital Expenditure and Receipts**

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
<b>HRA Capital Expenditure</b>		
16,625	Dwellings	9,036
62	Intangible Assets	110
<b>16,687</b>		<b>9,146</b>
<b>Financed By</b>		
3,074	Capital Receipts	1,357
940	Contribution from Revenue	0
5,898	Major Repairs Reserve	4,232
6,775	Borrowing	3,557
<b>16,687</b>		<b>9,146</b>

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

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
5,371	Dwellings	2,870
-59	Administrative Cost of Sales	-44
<b>5,312</b>		<b>2,826</b>

**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 £82,883 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		2020/21
£000		£000
25	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statute requirements	118
-1,635	Reversal of (gain) or loss on sale of HRA non-current assets	2,821
-2,427	Capital expenditure charged against revenue	-1,439
919	HRA share of contributions to or from the Pensions Reserve	744
0	Transfer to/(from) Earmarked Reserves	-38
-6,894	Transfer to/(from) the Major Repairs Reserve	-7,297
7,133	Transfer to/(from) the Capital Adjustment Account	7,230
<b>-2,879</b>	<b>Balance on the HRA at the end of the current year</b>	<b>2,139</b>

**Collection Fund**

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection fund from taxpayers and distribution to local authorities and the Government of Council Tax and Business Rates.

<b>Business Rates £000</b>	<b>2019/20 Council Tax £000</b>	<b>Total £000</b>		<b>Business Rates £000</b>	<b>2020/21 Council Tax £000</b>	<b>Total £000</b>
<b>Income</b>						
0	-98,577	-98,577	Council Tax Receivable	0	-103,046	<b>-103,046</b>
-58,898	0	-58,898	Business Rates Receivable	-21,259	0	<b>-21,259</b>
274	0	274	Transitional Protection Payments	828	0	<b>828</b>
			Apportionment of Previous Year's Surplus/(Deficit)			
1,665	0	1,665	Central Government	801	0	<b>801</b>
300	746	1,046	Somerset County Council	1,663	-402	<b>1,261</b>
0	121	121	Police and Crime Comm. for Avon & Somerset	0	-70	<b>-70</b>
33	53	86	Devon & Somerset Fire & Rescue Authority	46	-28	<b>18</b>
1,332	116	1,448	Somerset West and Taunton Council	2,071	-64	<b>2,007</b>
<b>-55,294</b>	<b>-97,541</b>	<b>-152,835</b>	<b>Total Income</b>	<b>-15,850</b>	<b>-103,610</b>	<b>-119,460</b>
<b>Expenditure</b>						
			Demands and Shares			
14,260	0	14,260	Central Government	28,754	0	<b>28,754</b>
17,112	70,197	87,309	Somerset County Council	5,176	72,775	<b>77,951</b>
0	12,333	12,333	Police and Crime Comm. for Avon & Somerset	0	12,860	<b>12,860</b>
570	4,899	5,469	Devon & Somerset Fire & Rescue Authority	575	4,981	<b>5,556</b>
25,098	9,039	34,137	Somerset West and Taunton Council	23,003	9,293	<b>32,296</b>
0	2,118	2,118	Parish / Town Councils	0	2,476	<b>2,476</b>
250	0	250	Costs of Collection	249	0	<b>249</b>
-4,911	0	-4,911	Increase/(Decrease) in Provision for Appeals	106	0	<b>106</b>
318	976	1,294	Increased Allowance for Bad and Doubtful Debts	1,698	1,691	<b>3,389</b>
6	0	6	Interest on Refunds	0	0	<b>0</b>
205	0	205	Disregarded Amounts	205	0	<b>205</b>
<b>52,908</b>	<b>99,562</b>	<b>152,470</b>	<b>Total Expenditure</b>	<b>59,766</b>	<b>104,076</b>	<b>163,842</b>
<b>-2,386</b>	<b>2,021</b>	<b>-365</b>	<b>(Surplus)/Deficit for the year</b>	<b>43,916</b>	<b>466</b>	<b>44,382</b>
-1,952	-1,983	<b>-3,935</b>	(Surplus)/Deficit Balance Brought Forward	-4,338	38	-4,300
<b>-4,338</b>	<b>38</b>	<b>-4,300</b>	<b>(Surplus)/Deficit Balance Carried Forward</b>	<b>39,578</b>	<b>504</b>	<b>40,082</b>
Attributable to:						
-740	0	<b>-740</b>	Central Government	19,728	0	<b>19,728</b>
-1,591	28	<b>-1,563</b>	Somerset County Council	3,613	356	<b>3,969</b>
0	5	<b>5</b>	Police and Crime Comm. for Avon & Somerset	0	63	<b>63</b>
-43	2	<b>-41</b>	Devon and Somerset Fire and Rescue Authority	396	25	<b>421</b>
-1,964	3	<b>-1,961</b>	Somerset West and Taunton Council	15,843	58	<b>15,901</b>
<b>-4,338</b>	<b>38</b>	<b>-4,300</b>		<b>39,580</b>	<b>502</b>	<b>40,082</b>

## Collection Fund Notes

### Council Tax

The Council's tax base for 2020/21, 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)	15.16	5/9	8.42
A	6,462.57	6/9	4,308.38
B	15,553.86	7/9	12,097.45
C	12,757.42	8/9	11,339.93
D	9,937.60	9/9	9,937.60
E	7,544.95	11/9	9,221.60
F	4,583.31	13/9	6,620.34
G	2,127.74	15/9	3,546.24
H	114.00	18/9	228.00
	<b>59,096.61</b>		<b>57,307.96</b>
Less adjustment for Non-Collection			-858.09
Council Tax Base 2020/21			<b>56,449.87</b>

The reduction in taxbase (56,622.78 in 2019/20) is due to Council Tax Support discounts rising - lower incomes substantially due to COVID, including furloughs, plus the impact of Universal Credit.

### Income from Business Ratepayers

The Council collects non-domestic rates ('business rates') for its area, which are based on local rateable values multiplied by a uniform rate. The Local Government Act 2012 introduced a business rates retention scheme that enables local authorities to retain a proportion of the business rates generated in their area. Somerset West and Taunton Council were part of a 75% Business Rates Retention Pilot Area in 2019/20 for one-year only, reverting to the 50% Business Rates Retention Scheme in 2020/21, and therefore pays 50 per cent (25% in 2019/20) to Central Government, 9 per cent (30% in 2019/20) to Somerset County Council, 1 per cent (1% in 2019/20) to Devon and Somerset Fire Authority and retains 40 per cent (44% in 2019/20) itself. The Council pays a levy where its share of retained income exceeds a Baseline set by Government, but is able to retain the majority of the levy by way of a pooling gain through the Somerset Business Rates Pool arrangements.

The amount of Business Rates Income due from rate payers in 2020/21 reduced significantly with the Government introducing a business rates holiday for retail, hospitality, leisure and nursery premises due to impact of COVID restrictions.

The total non-domestic rateable value at 31 March 2021 was £141,927,010 (31 March 2020 was £152,241,865). The standard national non-domestic multiplier for the year was £0.512 (2019/20 £0.504); the national non-domestic small business multiplier for the year was £0.499 (2019/20 £0.491).

## **Glossary of Terms**

### **Accruals**

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

### **Actuary**

An actuary is an expert on pension scheme assets and liabilities. The Local Government Pension Scheme actuary assesses the rate of employer contributions to the Pension Fund every three years, and updates for changes to the scheme deficit each year.

### **Amortisation**

The process of charging capital expenditure, usually on intangible non-current assets, to the accounts over a suitable period of time

### **Amortised Cost**

Amortised cost is the real amount at which the financial instrument is measured rather than the payments made under a contract.

### **Apportionment**

The sharing of costs fairly based upon use of a service.

### **Appropriations**

Amounts transferred between the CIES and revenue or capital reserves.

### **Assets Held for Sale**

Assets held for sale are assets where it is expected to be sold within the next 12 months and is therefore held primarily as a means of generating a capital receipt.

### **Assets under Construction**

Assets under construction are assets that are currently being developed and are not yet completed. They are shown in the accounts at costs incurred in that year.

### **Budget**

A statement of the Council's expected level of service and spending over a set period, usually one year or five years for the Council's Medium Term Financial Plan (MTFP).

### **Band D Equivalent (Council Tax)**

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 a Council 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.

### **Business Rates**

See Non- Domestic Rates (NDR)

### **Capital Adjustment Account (CAA)**

The CAA is made up of amounts set aside from revenue resources or capital receipts to pay for spending on non-current assets, or for repaying external loans and certain other capital financing transactions

### **Capital Assets**

See non-current assets

### **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 i.e. property, 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.

### **Capital Receipts Reserve**

A reserve held to provide an alternative source for financing future capital expenditure, and to ensure some stability in the level of capital programmes that can be financed.

### **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 the accountancy body which recommends accounting practice for the preparation of local authority accounts.

### **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 its own general fund.

### **Collection Fund Adjustment Account**

The collection fund 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.

### **Comprehensive Income and Expenditure Statement (CIES)**

This statement consolidates all the gains and losses experienced by the Council during the financial year. The statement has two sections:

- Surplus or deficit on the Provision of Services (SDPS) – the increase or decrease in net worth as a result of incurring spend or generating income; and
- Other Comprehensive Income and Expenditure – any changes in net worth not reflected in the surplus or deficit on the provision of services.

### **Consistency**

The principle that the same accounting treatments are used from year to year so that useful comparisons can be made. Any significant change in policies must be declared in the accounting statements.

### **Contingencies**

Sums set aside to meet either the potential cost of activities expected to occur during the year, over and above those costs included in the services' budgets (pay and price), or items which are difficult to predict in terms of financial impact or timing (uncertain items).

### **Corporate Governance**

The authoritative rules and controls in place within an organisation required to promote openness, inclusivity, integrity and accountability.

### **Creditors**

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

### **Debtors**

Amounts owed to the Council but unpaid at the balance sheet date (31 March 2021).

### **Depreciation**

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

### **Derecognition**

The removal of an asset or liability from the Balance Sheet.

### **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.

### **Expected Credit Losses (ECL)**

The weighted average of credit losses (i.e. bad debts) with the respective risks of a default occurring in line with those weights. ECL has superseded the term 'bad debt provision.'

### **Fair Value**

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

### **Fair Value Through Profit and Loss (FVTPL)**

Classification is dependent on the contractual terms (i.e. solely payments of principal and interest). If any other kind of payment is included the (financial) instrument will fall into the FVTPL class. The primary objective is to hold the financial asset by any other means than to collect contractual cash flows.

### **Fees and Charges**

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

### **Finance Lease**

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

### **Financial Instruments**

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

### **Financial Instruments Revaluation Reserve**

An Usable Reserve that holds financial instruments' unrealised gains and losses. These amounts will only become available once the gain/loss has been realised and the financial asset has either been disposed of or reached maturity.

### **General Fund**

All district councils have to maintain a General Fund which is used to pay for all day-to-day items excluding housing revenue account 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. The General Fund cannot be used to subsidise rents or other costs in the HRA.

### **General Reserves**

Amounts set aside to cover costs and variances in future years, including working capital and contingencies. [Note. Disaster contingencies are partly underwritten by the Bellwin formula which cover costs relating to immediate actions].

### **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)**

This is a separate account which sets out the expenditure and income arising from the direct provision of housing by the Council. Other services are charged to the General Fund, which may not subsidize the HRA.



## **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 non-current assets caused by physical damage, dilapidation or obsolescence.

## **Infrastructure Assets**

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

## **Inventories**

Inventories include goods or other assets purchased for resale, consumable stores and raw materials. This includes houses built for sale as part of regeneration schemes.

## **Investments**

Short term investments comprise deposits of temporary surplus funds with banks or similar institutions. Long term investments comprise similar funds to be held for a period of more than one year after the financial year being reported.

## **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.

## **Materiality**

The concept that any omission from or inaccuracy in the Statement of Accounts should not be so large as to affect the understanding of those statements by the reader.

## **Minimum Revenue Provision (MRP)**

The minimum revenue provision is the sum required to be met from revenue to provide for the repayment of outstanding borrowings. Additional sums may be set aside voluntarily.

## **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.

### **Non-current assets**

An asset which is intended to be in use for several years. These may be tangible e.g. a building or vehicle, or intangible e.g. software.

### **Non-Domestic Rates (NDR)**

The government levies a standard rate on all properties used for commercial purposes. This cannot increase by more than the retail price index each year, and has a lower rate for small businesses. The rates are collected by Councils and this income is shared between central government, the billing authority (e.g. SWT), and other bodies (e.g. Somerset CC) in proportion to prescribed shares.

### **Operating Lease**

A type of lease, usually for vehicles or equipment, which is similar to renting. The risks and rewards of ownership of the asset must remain with the lessor 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 year end date (31 March) 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. they do not collect the Council Tax and non-domestic rates. County councils and police and fire authorities are "major precepting authorities" while parish, community and town councils are "local precepting authorities".

### **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 usually provides long term loans to local authorities.

### **Rateable Value**

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

### **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 (REFCUS)**

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.