South Somerset District Council

Public Document Pack

Audit Committee

Tuesday 22nd December 2020

10.00 am

A virtual meeting via Zoom Meeting Software

The following members are requested to attend this meeting:

Chairman: Martin Carnell
Vice-chairman: Mike Hewitson

Robin Bastable	Malcolm Cavill	Robin Pailthorpe
Mike Best	Brian Hamilton	Jeny Snell
Dave Bulmer	Paul Maxwell	

Any members of the public wishing to address the meeting at Public Question Time need to email democracy@southsomerset.gov.uk by 9.00am Monday 21st December 2020.

The meeting will be viewable online by selecting the committee meeting at:
https://www.youtube.com/channel/UCSDst3IHGj9WoGnwJGF_soA

For further information on the items to be discussed, please contact democracy@southsomerset.gov.uk

This Agenda was issued on Monday 14 December 2020.

Alex Parmley, *Chief Executive Officer*

This information is also available on our website www.southsomerset.gov.uk and via the mod.gov app

Information for the Public

The purpose of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance, to the extent that it affects the authority's exposure to risk and weakens the control environment and to oversee the financial reporting process.

The Audit Committee should review the Code of Corporate Governance seeking assurance where appropriate from the Executive or referring matters to management on the scrutiny function.

The terms of reference of the Audit Committee are:

Internal Audit Activity

1. To approve the Internal Audit Charter and annual Internal Audit Plan;
2. To receive quarterly summaries of Internal Audit reports and seek assurance from management that action has been taken;
3. To receive an annual summary report and opinion, and consider the level of assurance it provides on the council's governance arrangements;
4. To monitor the action plans for Internal Audit reports assessed as "partial" or "no assurance;"
5. To consider specific internal audit reports as requested by the Head of Internal Audit, and monitor the implementation of agreed management actions;
6. To receive an annual report to review the effectiveness of internal audit to ensure compliance with statutory requirements and the level of assurance it provides on the council's governance arrangements;

External Audit Activity

7. To consider and note the annual external Audit Plan and Fees;
8. To consider the reports of external audit including the Annual Audit Letter and seek assurance from management that action has been taken;

Regulatory Framework

9. To consider the effectiveness of SSDC's risk management arrangements, the control environment and associated anti-fraud and corruption arrangements and seek assurance from management that action is being taken;
10. To review the Annual Governance Statement (AGS) and monitor associated action plans;
11. To review the Local Code of Corporate Governance and ensure it reflects best governance practice. This will include regular reviews of part of the Council's Constitution and an overview of risk management;
12. To receive reports from management on the promotion of good corporate governance;

Financial Management and Accounts

13. To review and approve the annual Statement of Accounts, external auditor's opinion and reports to members and monitor management action in response to issues raised;

14. To provide a scrutiny role in Treasury Management matters including regular monitoring of treasury activity and practices. The committee will also review and recommend the Annual Treasury Management Strategy Statement and Investment Strategy, MRP Strategy, and Prudential Indicators to Council;

15. To review and recommend to Council changes to Financial Procedure Rules and Procurement Procedure Rules;

Overall Governance

16. The Audit Committee can request of the Section 151 Officer, the Monitoring Officer, or the Chief Executive (Head of Paid Services) a report (including an independent review) on any matter covered within these Terms of Reference;

17. The Audit Committee will request action through District Executive if any issue remains unresolved;

18. The Audit Committee will report to each full Council a summary of its activities.

Members questions on reports prior to the Meeting

Members of the Committee are requested to contact report authors on points of clarification prior to the Committee meeting.

Audit Committee

Meetings of the Audit Committee are usually held bi-monthly including at least one meeting with the Council's external auditor, although in practice the external auditor attends more frequently. However during the coronavirus pandemic these meetings will be held remotely via Zoom video-conferencing and the starting time may vary.

For more details on the regulations regarding remote/virtual meetings please see the Local Authorities and Police and Panels (Coronavirus) (Flexibility of Local Authorities and Police and Crime Panel Meetings (England and Wales) Regulations 2020 as part of the Coronavirus Act 2020.

Agendas and minutes of this committee are published on the Council's website at http://modgov.southsomerset.gov.uk/ieDocHome.aspx?bcr=1

Agendas and minutes can also be viewed via the mod.gov app (free) available for iPads and Android devices. Search for 'mod.gov' in the app store for your device, install, and select 'South Somerset' from the list of publishers and then select the committees of interest. A wi-fi signal will be required for a very short time to download an agenda but once downloaded, documents will be viewable offline.

Public participation at meetings (held via Zoom)

Public question time

We recognise that these are challenging times but we still value the public's contribution to our virtual meetings.

If you would like to address the virtual meeting during Public Question Time, please email democracy@southsomerset.gov.uk by 9.00am on Monday 21st December 2020. When you have registered, the Chairman will invite you to speak at the appropriate time during the virtual meeting.

The period allowed for participation in Public Question Time shall not exceed 15 minutes except with the consent of the Chairman and members of the Committee. Each individual speaker shall be restricted to a total of three minutes.

This meeting will be streamed online via YouTube at:
https://www.youtube.com/channel/UCSDst3IHGj9WoGnwJGF_soA

Virtual meeting etiquette:

- Consider joining the meeting early to ensure your technology is working correctly.
- Please note that we will mute all public attendees to minimise background noise. If you have registered to speak during the virtual meeting, the Chairman or Administrator will un-mute your microphone at the appropriate time. We also respectfully request that you turn off video cameras until asked to speak.
- Each individual speaker shall be restricted to a total of three minutes.
- When speaking, keep your points clear and concise.
- Please speak clearly – the Councillors are interested in your comments.

Recording and photography at council meetings

Recording of council meetings is permitted, however anyone wishing to do so should let the Chairperson of the meeting know prior to the start of the meeting. The recording should be overt and clearly visible to anyone at the meeting, but non-disruptive. If someone is recording the meeting, the Chairman will make an announcement at the beginning of the meeting. If anyone making public representation does not wish to be recorded they must let the Chairperson know.

The full 'Policy on Audio/Visual Recording and Photography at Council Meetings' can be viewed online at:
http://modgov.southsomerset.gov.uk/documents/s3327/Policy%20on%20the%20recording%20of%20council%20meetings.pdf

Audit Committee

Tuesday 22 December 2020

Agenda

Preliminary Items

1. Minutes

To approve as a correct record the minutes of the previous meeting held on 22nd October 2020.

2. Apologies for absence

3. Declarations of Interest

In accordance with the Council's current Code of Conduct (as amended 26 February 2015), which includes all the provisions relating to Disclosable Pecuniary Interests (DPI), personal and prejudicial interests, Members are asked to declare any DPI and also any personal interests (and whether or not such personal interests are also "prejudicial") in relation to any matter on the agenda for this meeting.

4. Public question time

5. Date of next meeting

Councillors are requested to note that the next Audit Committee meeting is scheduled to be held at 10.00am on 28th January 2021 via Zoom virtual meeting software.

Items for Discussion

6. Annual Governance Statement 2019/2020 (Pages 6 - 20)

7. Audit Findings Report 2019/2020 (Pages 21 - 68)

8. Statement of Accounts 2019/2020 (Pages 69 - 176)

9. Audit Committee Forward Plan (Pages 177 - 179)

South Somerset District Council

2019/20 Annual Governance Statement

Executive Portfolio Holder:	Val Keitch – Leader of the Council
Strategic Director:	Kirsty Larkins, Director - Strategy and Commissioning
Lead Officer:	Jo Nacey – S151 Officer
Contact Details:	Jo.nacey@southsomerset.gov.uk or 01935 462243

Purpose of the Report

This report has been prepared for the Audit Committee to approve the Annual Governance Statement (AGS) for 2019/20.

Recommendations

Audit Committee approves the 2019/20 Annual Governance Statement.

Background

As a local authority SSDC is required to demonstrate compliance with the underlying principles of good governance and that a framework exists to demonstrate this. One of the Council's requirements in demonstrating this is to produce an Annual Governance Statement (AGS).

The Chartered Institute of Public Finance and Accountancy (CIPFA) provide guidance on the processes for the establishment, operation and review of the system of internal control. Their guidance also provides help on the format and content of the AGS.

Annual Governance Statement

The Annual Governance Statement is required by Regulation 6(1)(b) of the Accounts and Audit (England) Regulations 2015. The regulations require authorities to carry out, in each financial year, a review of the effectiveness of their system of internal control and may include an Annual Governance Statement in the annual accounts or alongside them. This is to provide assurance that SSDC has a sound internal control framework in place to manage the risks that might prevent achievement of its statutory obligations and organisational objectives.

The statement also reflects the compliance with the "Statement on the Role of the Chief Finance Officer in Local Government (2016) and the CIPFA statement of the Role of the Head of Internal Audit (2010)." This is evidenced within the Annual Governance Statement where the authority meets with best practice.

The Annual Governance Statement is required to be signed by the Leader of the Council and the Chief Executive.

The Statement also reflects Public Sector Internal Audit Standards (PSIAS). The Standards also require a Quality Assurance and Improvement Programme which has been included within the Review of Internal Audit and will be monitored by the Audit Committee.

In producing the Annual Governance Statement, reports from SSDC's external auditors, South West Audit Partnership, a review of the effectiveness of internal audit, the annual review of the Assistant Director of SWAP, and a review of all Statements of Operational Service Internal Controls have been undertaken. The review has been completed by the Senior Leadership Team (SLT) comprising the Chief Executive, Directors, Monitoring Officer and S151 Officer.

There are no significant issues to be addressed. Significant issues are issues that would be highlighted through SLT in carrying out its Corporate Governance function, the S151 Officer, by Internal Audit as a risk score of 5, or highlighted through the work of External Audit. The action plan included within the Annual Governance Statement will further strengthen the control framework.

Financial Implications

There are no financial implications associated with these recommendations

Risk Matrix

Risk considerations are included in the contents of the report.

Carbon Emissions and Climate Change Implications

There are no carbon emissions or climate change implications in this report.

Equality and Diversity Implications

There are no equality or diversity implications

Privacy Impact Assessment

There are no privacy impact implications

Background Papers

None

South Somerset District Council

ANNUAL GOVERNANCE STATEMENT 2019/20

Annual Governance Statement 2019/20

Introduction

This is South Somerset District Council's Annual Governance Statement (AGS) for 2019/20. The Annual Governance Statement is required by Regulation 6(1)(b) of the Accounts and Audit (England) Regulations 2015.

The Council has responsibility for conducting, at least annually, a review of its governance framework including the effectiveness of the system of internal control. A review of the effectiveness is informed by senior managers within the Council who have responsibility for the development and maintenance of the governance environment, and also by the work of the internal auditors and external auditors. The Senior Leadership Team, comprising the Chief Executive, Directors, Section 151 Officer and Monitoring Officer, reviewed the draft 2019/20 Statement in October 2019 and April 2020. The review was also supported by the Council's Chief Internal Auditor.

The Council publishes the Annual Governance Statement on its website alongside the annual Statement of Accounts.

The Executive approved an updated Financial Strategy in September 2019, which set a new Savings Target of £2m per year by 2022/23 – adding to £5.5m of savings delivered since 2017. Increasing our income through generation and commercial investment remain key to our strategy, responding to the financial challenges and ensuring our services are sustainable and affordable for the foreseeable future. Our governance structure supports this commercial approach and ensures risk is considered and managed effectively.

Cllr Val Keitch Leader of Council	Alex Parmley Chief Executive

What is Corporate Governance?

Corporate governance refers to the processes by which organisations are directed, controlled, led and held to account. It is also about culture and values - the way that councillors and employees think and act. The Council's corporate governance arrangements aim to ensure that it does the right things, in the right way, for the right people in a manner that is timely, inclusive, open, honest and accountable.

The Council's Governance responsibilities

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

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

The Council is committed to the principles of good governance in line with the guidance produced by CIPFA and SOLACE including:

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable, economic, social and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the Council's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit, to deliver accountability

The Council has reviewed and updated its Local Code of Corporate Governance, which was approved by the Audit Committee in October 2019.

The Governance Framework

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

As the Council improves the way it provides services, it is important that the governance arrangements are robust and flexible enough to manage this.

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

The framework is summarised in the diagram below and some of the key elements of the governance framework are highlighted on the next pages.

South Somerset District Council – Governance Assurance Framework

Governance Framework – Key Documents/Functions

- Constitution
- Council Plan Service Planning Framework
- Business Transformation Projects
- Access Strategy
- Communication Strategy
- Performance Management Framework
- Schedule of Council Meetings
- Local Code of Corporate Governance
- Record of Decisions
- Fraud and Data Strategy
- Risk Management Strategy
- Partnership Register
- Code of Conduct for Members
- Members Induction & Training Programme
- Code of Conduct for Employees
- Officer and Member Protocols
- Confidential Reporting Policy
- Anti-Fraud & Corruption Policy
- Whistleblowing Policy
- Anti-Money Laundering Policy
- Anti-Bribery Policy
- Project Management Methodology
- Capital Strategy
- Procurement Strategy
- Medium Term Financial Plan/Strategy
- Capital Strategy, Investment Strategy and Treasury Management Strategy
- Commercial Strategy
- Annual Budget and Statement of Accounts
- Financial Procedure Rules
- Procurement Procedure Rules
- Scheme of Delegation
- Complaints Procedure
- Equalities and Diversity Policy

ANNUAL GOVERNANCE STATEMENT
Signed by the Leader of the Council and Chief Executive
Published with the Statement of Accounts

Independent review and approval by Audit Committee who examine the draft AGS and supporting evidence

Council and Service Policies, Operational Plans and Risk Registers

Corporate Governance Group (SLT) with responsibility for drafting AGS after evaluating assurances and supporting evidence

Review the effectiveness of the system of internal audit

Performance Management	**Risk Management**	**Information Governance**	**Legal and Regulatory Assurance**	**Members' Assurance**
• Embedded system • Operates throughout the organisation • Internal and external reviews • Action orientated • Performance Indicators • Periodic progress reports	• Risk management strategy • Embedded in planning processes and project/partnership methodologies • Effectiveness evaluated • Outcomes reported to committee • Training programme	• Training programme • Outcomes reported to committee • Data Protection Officer role • GDPR Compliance • Transparency Code compliance • Data quality assurance for statutory returns and performance data	• Monitoring Officer's reports • Sections of committee reports • Legal advice obtained to support key decisions	• Standards committee • Audit committee • Scrutiny function • Access to policies, information, advice, reports

Assurances by Directors/ Service Leads	**Other Sources of Assurance (including third party)**	**Financial Management**	**Internal Audit**	**External Audit**
• Periodic reports • Internal control reviews • Annual Governance Statement • Internal Audit reports	• Reports by inspectors • Service review reports • Fraud reports and investigations • Ombudsman reports • Post implementation reviews of projects	• Medium Term Financial Plan • Revenue Budget and Capital Programme • Revenue and Capital Management reports • Treasury management • Balance sheet management • Statement of accounts • Compliance with codes of accounting practice • Statutory returns • Grant claims	• Operates under approved terms of reference • Approved risk-based plans • Periodic and annual reports to Audit Committee, Auditor Opinion • PSIAS code compliance assessment • Active Quality Assurance and Improvement Programme in place • Operates under an Internal Audit Charter	• Annual Plan • Audit Findings Report • Audit Opinion and VFM conclusion • Audit Letter • Notice of Completion of Audit • Public Inspection Period

Ongoing assurance on adequacy and effectives of control over key risks

The Corporate Strategy and Plan

In April 2016, the Council approved its "Tackling the Challenges" Council Plan 2016 to 2021, and has subsequently produced an Annual Action Plan to set out what the Council will do to deliver and progress the agreed priorities for the year ahead.

Members and Officers worked together to produce the Annual Action Plan for 2019/20, which was approved by Council in February 2019. The Plan provides a clear focus for the Council regarding what it will deliver, meeting the Council's ambitions during a period of major change. It draws together our strategies and priority projects for the year, supported by a revised set of key performance indicators.

The focus for the year 2019/20 is the continued implementation of our transformation programme. Delivering this major change has absorbed a lot of the organisation's capacity and energy, requiring a clear focus to ensure core services are protected and delivered to required standards, and drive forward our ambitions for service improvement and town centre regeneration plans. Ensuring that we can meet our aims is a complex challenge and like all councils, we continue to face substantial financial challenges. We have made good progress in meeting our annual savings targets which reached £5.5m in 2019/20. We are also using our resources and borrowing powers to underpin significant investment for the future.

The Council agreed six Priority Projects for 2019/20 within the Action Plan, as follows:

1) To complete and fully realise the benefits of Transformation and implement the Commercial Strategy.
2) To finalise plans and progress implementation of the Chard regeneration project.
3) To continue the refresh of Yeovil Town Centre.
4) To implement the town centre action plan for Wincanton.
5) To develop proposals to accelerate the delivery of key housing sites and associated infrastructure.
6) To assess options for improving community transport links.

The Action Plan has also been developed to include Area Chapters – highlighting some key priorities for each area that deliver localised initiatives and improvements that complement the Council Plan themes. The Corporate Plan and Annual Plans are not intended to capture everything that the Council does nor do they include the detail of all our work and projects. That is the role of the Operational and Individual Plans which will flow from the Council Plan.

During the year the Council has also developed a new Council Plan setting out the priority themes and projects for the period 2021 to 2024. This new Plan was approved by Council in February 2020 and the Council endorsed the vision, values and aims it includes, agreeing the annual action plan and key performance indicators for 2020-2021 and noting the detailed milestones and desired outcomes for each Priority Project.

Decision Making and Responsibilities

Our Constitution sets out how the Council operates, how decisions are made and the procedures for ensuring that the Council is efficient, transparent and accountable to local people. It contains the basic rules governing the Council's business, and a section on responsibility for functions, which includes a list of functions which may be exercised by officers. It also contains the rules, protocols and codes of practice under which the Council, its Members and officers operate.

The Council consists of 60 elected Members, with an Executive of the Leader and Portfolio Holders who are supported and held to account by Scrutiny Committee. In order to give local citizens a greater say in Council affairs, the Council operates four area committees. These are responsible for planning, local regeneration schemes and community development in their area.

The Constitution sets out the functions of key governance officers, including the statutory posts of Chief Executive, Monitoring Officer and Section 151 Officer, and 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.

Equality

The Council is committed to delivering equality and improving the quality of life for the people of South Somerset. Any new Council policy, proposal or service, or any change to these that affects people must be the subject of an Equality Impact Assessment to ensure that equality issues have been consciously considered throughout the decision-making processes. The Council approved the current Equality and Diversity Policy in March 2019.

Managing Risk

The Council's Risk Management Policy is fundamental to the system of internal control. It involves an ongoing process to identify the risks to our policies, aims and objectives and to prioritise them according to likelihood and impact. It also requires the risks to be managed efficiently, effectively and economically. All Members and managers are responsible for ensuring that risk implications are considered in the decisions they take. This applies to all significant programmes, projects and initiatives as well as any recommendations for material changes to current practices.

The risk framework is based on a risk category approach to ensure consistency in risk scoring across the organisation, to provide a clearer route for escalation for risk owners, and improved oversight of risk for management. Furthermore, a standardised risk register template is embedded to encourage utilisation and ownership of risk at the appropriate level of the organisation, and to ensure a standard approach for both project as well as corporate risk management. Update and review of risks is enabled through supported risk reviews according to an agreed timetable.

Senior management is responsible for identifying and managing the principal risks to the Council. These risks are recorded in a Corporate Risk Register. Directors will decide how to structure risk registers within their areas but will use the same risk register template and methodology. As well as describing the risks in a consistent manner using agreed categories of risk, the registers will also record the controls necessary to manage the risks. The registers will be regularly reviewed and challenged by senior management and by the Audit Committee.

Financial Management

The Council has a long established record of effective financial management and managing within our means. We continue to face the challenge of designing a sustainable budget for the future in the face of ongoing reductions in Government funding for local government.

The Council's financial strategies have been heavily focussed on transforming services in a way that reduces costs, and generating additional income through commercialisation of services and increasing financial investment. In 2017 the Council had set an annual savings target rising to £6m by 2021/22, and we have made excellent progress with £5.5m of savings/additional income included in the Medium Term Financial Plan by mid-2019/20. The Financial Strategy was refreshed in September 2019 and set a new Savings Target of £2m by 2022/23 in addition to the £5.5m already built in to the Plan.

South Somerset set a balanced budget for 2019/20, and has also achieved this for 2020/21. The financial environment continues to be challenging. The 2019 Spending Round deferred the Fair Funding Review and Business Rates Reset until 2021/22, which provided a better than expected Settlement for 2020/21. However the funding position remains uncertain thereafter with significant falls in Business Rates and New Homes Bonus funding expected. The Council will be much more reliant on commercial income in future, which presents different risks to be managed. The Council's approach to budgeting and reserves planning ensures ongoing prudent financial management is maintained.

The Section 151 Officer is responsible for the proper administration of the Council's financial affairs, as required by the Local Government Act 1972, and the Council's financial management arrangements are compliant with the governance requirements set out in the Chartered Institute of Public Finance and Accountancy's 'Statement on the Role of the Chief Financial Officer in Local Government' (2016).

There are robust arrangements for effective financial control through our accounting procedures, key financial systems and the Financial Regulations. These include established budget planning procedures and regular financial performance reports to Councillors. 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 LLP is our appointed auditor for 2019/20 and the subsequent three years.

Commissioning and Procurement of Goods and Services

The Council recognises the value of considering different service delivery options in delivering our Council Plan. The effective commissioning and procurement of goods, works and services is therefore of strategic importance to our operations, while robust contract management helps to provide value for money and ensure that outcomes and outputs are delivered.

The Council has rolled out new procurement guidance and training during 2018/19 to build organisation-wide knowledge and improve procurement practices.

Managing Information

The Council recognises that it has a responsibility to safeguard the information it holds and to manage it with care and accountability.

Over the past year the Council has been preparing to meet the requirements of the General Data Protection Regulation (GDPR), which came into force under the UK Data Protection Act 2018 on 25 May 2018. This changes how we can collect, use and transfer personal data. A GDPR Action Plan has been established to ensure compliance across all parts of the Council's activities and to raise awareness amongst all staff and members.

Conduct

Our Codes of Conduct set out the standards of conduct and these are regularly reviewed and updated as necessary. These include the need for Members to register personal interests and the requirements for employees concerning gifts and hospitality, outside commitments and personal interests. The requirements of these codes are included in induction training to members and employees and both groups are regularly reminded of the codes.

Whistleblowing

People who work for, or with, the Council are often the first to realise that there may be something wrong within the Council. However, they may feel unable to express their concerns for various reasons, including the fear of victimisation. The Council has a Whistleblowing Policy that advises staff and others who work for the Council on how to raise concerns about activities in the workplace. There have been no occasions during the last year where whistleblowing has taken place.

Counter Fraud

Our Anti-Fraud Policy clearly states that the Council will not tolerate any form of fraud, corruption or bribery. It provides for deterrent, promotes detection, identifies a clear pathway for investigation and encourages prevention.

Benefits related fraud matters are usually referred to the Department for Works and Pensions, who operate the Single Fraud Investigation Services.

The Council participates in the National Fraud Initiative, which compares data from a range of organisations to identify potential fraud or error cases.

Commercial Services and Investment

The Council approved a new Commercial Strategy in the summer of 2017. This provides the strategic direction for the Council operating in a more commercial way. Through transformation we have created a focussed commercial team, led by the Commercial Services Director, which focusses on services that are funded through direct income (e.g. sale, fees and charges). There is also a strong assets and property function which is driving forward the Council's Commercial Land and Property Development plans in order to reduce costs and increase income.

In 2017 strong governance was also approved as part of the Commercial Strategy to oversee and manage a new Investment Fund which is being used to build a portfolio of commercial investment properties. The Council uses specialist staff and advisors to assess and evaluate investment opportunities, with favourable ones presented to an Investment Assessment Group (IAG) comprising the Commercial Services Director, Commercial Property, Land and Development Manager, S151 Officer, Monitoring Officer and Portfolio Holder for Property and Climate Change and Income Generation. A unanimous vote from all members of the IAG is required for an opportunity to proceed for formal consideration and approval. The Council has delegated authority to the Chief Executive, in consultation with the Leader, to approve individual investments of up to £10m per transaction. Those valued above this will require approval of District Executive.

The Council has approved an updated Capital Strategy and Investment Strategy in February 2020, following the requirements of the Prudential Code and statutory investment guidance.

Group Operations

This is the first year that we have included our group operations in a separate section in the Statement of Accounts. The rationale being that they are now deemed materially significant and it is appropriate to give more prominence to the performance of these arrangements.

The Group operations are subject to the same scrutiny and governance requirements as the single entity operations in that we ensure an appropriate level of transparency is maintained and that decisions are made at arm's length. The division of duties and avoidance of conflict of interest is maintained through the appointment of Directors on the Board of SSDC Opium Power Ltd who do not have delegated powers of approval for the Council to make treasury decisions or to approve specific schemes. All lending to the group operations is also done at arm's length and at market values thus avoiding unfair competition.

Arrangements in place ensure that IAG decisions are unanimous and that there is no single point of influence which may favour the Council's group entities. Details of these arrangements are referred to in the previous section on Commercial Services.

Regeneration Programmes

In accordance with the 2018 May Council review of the governance arrangements Regeneration in South Somerset new arrangements have been established, and in operation during 2019/20.

The three priority Regeneration Programme Boards – for Yeovil, Chard and Wincanton have been operating and making decisions, notably commissioning the new Leisure Centre in Chard in October 2019, and agreeing Public Realm Design Guide in Yeovil as well as submitting the Council's Future High Street Fund bid. The Wincanton Board approved the Wincanton Town Centre Regeneration Strategy. The Boards comprise four Members, Chaired by the Area Chair, the Lead Director, Chief Executive, and where appropriate a limited number of key delivery partners. These Boards oversee their programmes, projects, resources and risks, and report to the SDB.

The Strategic Development Board comprises the Leader, 4 Area Chairs, relevant portfolio holders covering Economy, Homes, Environment, Infrastructure, Spatial Planning and Development Management. Its key purpose being:

- ensure alignment of the appropriate priority projects and have an overview of strategic development to ensure the relevant ambitions of the Council are being delivered
- ensure a coordination and synergy between the Council's key strategies including the Council Plan, Local Plan, Housing Strategy and Economic Development Strategy
- own and overview the delivery of a programme of work (projects, actions, policy initiatives and potentially service delivery initiatives) aimed at achieving the Council's development ambitions as set out in the Council Plan, Local Plan, Housing Strategy and Economic Development Strategy
- overview and coordinate the delivery of the Regeneration Programmes (but accountability for the delivery of Regeneration Programmes would be with their relevant Regeneration Programme Board)
- hold responsibility for overseeing and managing the cumulative impact of programmes and projects including associated risks.

The Strategic Development Board has taken reports on progress on the Area Boards and the local Plan during 2020 Progress with the Regeneration programme is be reported through the Council's performance management systems.

The Council has established an innovative approach to funding, with Gross and Net Budgets set for each active Programme Board (initially Yeovil and Chard). The aim is that the Net Budget will represent the net cost to the Council, but recognises that such programmes require significant up-front investment including through developers and other parties.

Conclusion

It is our opinion that South Somerset District Council has continued to operate fit for purpose governance arrangements during the year, reflecting our priorities and risks. The main priorities for the past year have focussed on continuing to provide effective and resilient services; continued implementation of the Commercial Strategy including commercial investments, other income generation projects and schemes. We continue to review and improve our strategic planning and performance management arrangements as demonstrated in the new current Annual Action Plan for 2020/21 which was approved at Full Council in February 2020.

The Internal Auditor's Opinion provides reasonable assurance based on the areas reviewed in the annual audit plan, giving confidence over the effectiveness of the systems of internal control.

Improving Governance Actions

There are no significant governance issues to report for 2019/20. It is the assessment of the Leadership Team that the Council's operations and projects have been managed effectively. Assurance is taken from the outcome of the internal audit plan and auditor's opinion.

Improvements and key actions in governance during the last year included:

- Risk Management: The Specialist – Procurement provides a strategic focus on risk management for the Council and is responsible for developing the Risk Management Strategy and coordinating regular reviews with support of SLT. This supplements the responsibilities of all councillors, managers, leads and other staff in managing risk appropriately in their areas of control and responsibility. Strategic and Category (Corporate) Risk Registers are now in place and updated on a quarterly basis. The Risk Management Policy and framework was approved by leadership and the Audit Committee (including the proposed risk register hierarchy and escalation, and new risk categories), and risk training was provided to Members on the new model.

  Furthermore, standardised risk registers have been established for key regeneration projects in coordination with Programme leads. Risk registers are also maintained for strategic internal projects and to support the organisational response to COVID.

- Strategic Planning and Operational Planning: Work has progressed well on this to date, with the development of a new approach to our annual planning cycle, with good Member engagement. The development of the Council Plan has progressed well, with a clear link between district wide and local area priorities, reflecting our new Area + working model which came into effect in 2019, as well as clear KPIs which show how we are delivering against our key priorities. A new four-year Council Plan was agreed from 2020 to 2024 containing Vision, Values and Aims and including an Annual Action Plan for 2020/21 around Core Themes, Areas of Focus and Priority Projects, plus Area Chapters.

- Employment Policies: New employment policies have been launched with effect from 1st August 2020, following discussion with the Trade Unions and HR portfolio holder. The new contract of employment has been discussed at length with the Trade Unions and whilst GMB accepted our proposals, Unison members rejected the proposals. It is anticipated that we will be revisiting this piece of work, in light of office rationalisation and the ongoing impact of COVID-19.

- Performance Management – During 2019 we reviewed our Key Performance Indicators in line with the revised Council Plan for 2020-24. The Performance Management Framework is being rolled out across the business and has been integrated on the new Learning Management System. This will continue until the end of 2020.

- Authorised Officers: Officer delegations for authorising business transitions, such as purchasing and payroll changes, has been updated during the year to reflect the structure of new operating model.

- Financial Regulations: These have been reviewed and updated to reflect the new operating model and appropriately controlled financial rules and procedures to support the transformed Council.

Improvements and key actions in governance planned during the next year include:

- Risk Management: Ongoing work into 2020 involves further development of the risk management approach to include opportunity analysis, refinement of the risk framework with guidance from SWAP and Zurich Risk Management, as well as improving engagement with the Audit Committee to provide updates during the latter part of the year on the risk profile.

- We are currently working on embedding the Digital Strategy, having recruited to the new roles. The Digital Strategy is explicit in the need for a different governance model "rather than the more traditional top down approach", to reflect the agile nature of the approach.

- Constitution: The review and update of the Constitution is underway, to ensure it reflects governance required for the transformed Council.

- Local Code of Corporate Governance: Our Local Code will be updated to reflect current guidance, reflecting the principles, values and behaviours we will adopt in working for, with and on behalf of the Council, our customers and communities.

South Somerset
District Council

Audit Findings report 2019/20

Executive Portfolio Holder:	Peter Seib, Finance and Legal Services
S151 Officer:	Jo Nacey
Lead Officers:	Nicola Hix, Lead Specialist - Finance / Deputy S151 Officer Paul Matravers – Lead Specialist - Finance
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Purpose of the Report

1. This report introduces Grant Thornton UK LLP's Audit Findings Report for 2019/20.

Forward Plan

2. This report appeared on the Audit Committee Forward Plan with an anticipated Committee date of 26th November 2020. Following the need for additional Audit work, the Audit Committee was moved to 22 December 2020.

Public Interest

3. Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice, the Council's external auditors report on the group and Council's financial statements and the governance of South Somerset District Council.

Recommendations

4. That Audit Committee:

   a) consider the matters identified in the report, and note the draft audit findings as outlined in the report;

   b) note the opinion on the financial statements, opinion on other matters, and the conclusion regarding arrangements for securing economy, efficiency and effectiveness in the authority's use of resources, as stated in Appendix E

Background

5. Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice, the Council's external auditors (Grant Thornton) report on the financial statements and the governance of the Council. The review of these reports is included within the remit of this committee under its terms of reference as follows:

   "To consider the reports of external audit including the Annual Audit Letter and seek assurance from management that action has been taken."

"To review and approve the annual Statement of Accounts, external auditor's opinion and reports to members and monitor management action in response to issues raised."

6. The Audit Findings Report summarises the key findings from the review undertaken by Grant Thornton.

Key Features of the Audit Findings Reports

7. The Grant Thornton report gives an unqualified opinion on the financial statements for 2019/20, the unqualified opinion is subject to the outstanding queries being satisfactorily resolved.

8. The final audit opinion will be issued as soon as possible after this meeting once the outstanding queries have been resolved. The outstanding queries are detailed in Appendix E of the report.

9. The report also outlines that in all material respects the Council has complied with the requirements of IFRS (International Financial Reporting Standards).

10. The report states that there were 5 adjusted misstatements and a number of misclassification and disclosure changes. There are also 5 "unadjusted misstatements". We have not adjusted for them as in 2 cases they are not actual errors but should be noted for management purposes. The 3 other misstatements are not material and do not warrant the need to adjust. These misstatements are found in Appendix C. The action plan agreed by officers is included in Appendix A.

11. Grant Thornton is required to make a statement on whether the Council has made arrangements for securing economy, efficiency and effectiveness in its use of resources i.e. whether it provides value for money. The auditor's conclusion is that the Authority has proper arrangements in place in all significant respects. Information confirming this can be found in Appendix E.

Financial Implications

12. The fees charged for the audit of the Statement of Accounts as per the audit plan are detailed in the table below. In addition, there are non-audit fees which are payable in respect of the certification of grant claims and returns for the year.

Fee Element	**£**
Fees payable with regard to external audit services carried out by the appointed auditor	37,943
Additional Audit Fees approved by PSAA	7,500
Total audit fees (excluding VAT)	**45,443**
Fees payable with regard to certification of grant claims and returns for the year: Non-Audit Fee agreed upon procedures on the council's Housing Benefit Subsidy Claim 2019-20	14,000
Total audit and non- audit fees (excluding VAT)	**59,443***

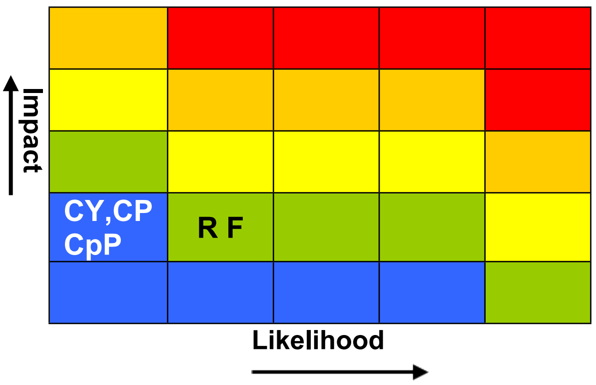
13. *It should be noted that an additional fee will be payable in respect of the audit. This is due to more detailed work being required relating to Property Plant and Equipment at a time when both our staff and the external auditors have been impacted by the current

Covid-19 pandemic. This has led to resource issues on both sides which has hampered progress.

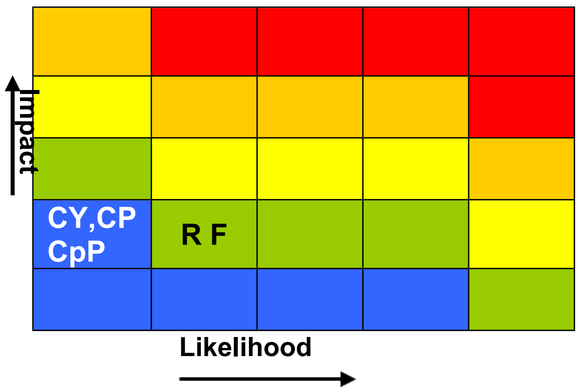
14. The value of the additional fee is not known at this stage as it is dependent on the extent of the additional work to be completed. The final fee will be discussed with management and will be notified in the Annual Audit Letter. The proposed additional fees are subject to approval by PSAA in line with the terms of appointment. Further information on additional fee and the reasons for the additional charge are included in Appendix D.

Risk Matrix

Risk Profile before officer recommendations



Risk Profile after officer recommendations



Key

Categories			**Colours** *(for further detail please refer to Risk management strategy)*		
R	=	Reputation	Red	=	High impact and high probability
CpP	=	Corporate Plan Priorities	Orange	=	Major impact and major probability
CP	=	Community Priorities	Yellow	=	Moderate impact and moderate probability
CY	=	Capacity			
F	=	Financial	Green	=	Minor impact and minor probability
			Blue	=	Insignificant impact and insignificant probability

Council Plan Implications

15. The Audit Findings Report is an integral part of the auditing of the Statement of Accounts which are closely linked to the Council Plan, and maintaining financial resilience and effective resource planning is important to enable the council to continue to fund its priorities for the local community.

Carbon Emissions and Climate Change Implications

16. There are no carbon emissions or climate change implications in this report.

Equality and Diversity Implications

17. There are no equality or diversity implications

Privacy Impact Assessment

18. There is no personal information included in this report.

Background Papers

19. None

The Audit Findings for South Somerset District Council

Year ended 31 March 2020

11 December 2020

Contents

Your key Grant Thornton team members are:

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Headlines

This table summarises the key findings and other matters arising from the statutory audit of South Somerset District Council (‘the Council’) and the preparation of the group and Council's financial statements for the year ended 31 March 2020 for those charged with governance.

Covid-19

The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council and Group. Some of the impacts are indicated below:

Council front-line challenges : administration of grants to businesses, closure of car parks, additional challenges of reopening services under new government guidelines.

Finance team : capacity of teams through re-deployment

Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financial statements to 30 November 2020.

We updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an audit plan addendum on 22 April 2020. In that addendum we reported an additional financial statement risk in respect of Covid -19 and highlighted the impact on our VfM approach. Further detail is set out on page 7.

Restrictions for non-essential travel has meant both Council and audit staff have had to adapt to ensure we have gained sufficient audit evidence for the entries within the financial statements. This has meant a greater reliance on video calling for many aspects of the audit, particularly in terms of the use of sharing of screens to watch transaction listings being run. Where information is normally provided in a spreadsheet format, we have undertaken additional levels of testing to ensure that the information provided hasn’t been manipulated prior to being sent to the audit team. We have utilised a remote information sharing software called Inflo, which has enabled smooth file transfer while team members are working remotely.

Draft Single Entity Accounts were received by the audit team on the 3 August 2020 and Group Accounts on 21 August 2020. Working papers for the notes and main statements were received shortly after each of the statements were provided. The quality of these working papers were of a good standard.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the group and Council's financial statements:

- give a true and fair view of the financial position of the group and Council and the group and Council’s income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed on remotely during August to November 2020. Our findings are summarised on pages 6 to 34. We have identified 5 adjustments to the financial statements that have resulted in a £16k net adjustment to the Council’s Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year’s audit are detailed in Appendix B.

Our work has yet to be completed but there are no matters of which we are aware that would require modification of our audit opinion (Appendix E) or material changes to the financial statements, subject to the following outstanding matters;

- Completion of our testing of: Land & Buildings valuation, Debtors, Bad debt provision, Cash, Developers contributions deferred, Housing benefit expenditure, Grants and Leases;
- Receipt of the final investment and borrowing confirmations currently outstanding;
- Receipt of our assurance letter from the Somerset Pension Fund auditor; and
- Receipt of the Management Letter of Representation and final approved version of the accounts.

Headlines

This table summarises the key findings and other matters arising from the statutory audit of South Somerset District Council ('the Council') and the preparation of the [group and] Council's financial statements for the year ended 31 March 2020 for those charged with governance.

Financial Statements **continued**		We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation. Our anticipated audit report opinion will be unqualified including an Emphasis of Matter paragraph, highlighting uncertainties in relation to the value of Property Plant & Equipment, Investment Properties and the Council's share of the Somerset Pension Fund's property funds
Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	We have completed our risk based review of the Council's value for money arrangements. We have concluded that South Somerset District Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19. We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix E. Our findings are summarised on pages 22 to 25.
Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

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Acknowledgements

The last eight months have been incredibly challenging for those that deliver public services and we do not underestimate the significant efforts that your officers have expended in delivering critical front line services to your citizens. Your finance team have worked hard to support local residents and businesses through the various support packages announced by the Government and the Council. In addition to this, they have produced ever more complex financial statements and supported us in delivering the audit. We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

Audit approach

Overview of the scope of our audit

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

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

Audit approach

Our audit approach was based on a thorough understanding of the group's business and is risk based, and included:

- an evaluation of the group's internal controls environment, including its IT systems and controls;
- an evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that specified audit procedures for SSDC Opium-power was required.

Audit approach (continued)

- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have had to alter our audit plan, as communicated to you on 22 April 2020, to reflect our response to the Covid-19 pandemic. This addendum to the Audit Plan detailed an additional financial statements significant risk in relation to the covid-19 pandemic.

The inclusion of group accounts is a further alteration to our audit plan dated 26 March 2020 and page 6 of this report summarises the group structure and audit approach.

Conclusion

We have yet to complete our audit of your financial statements. Subject to outstanding queries being satisfactorily resolved, we anticipate issuing an unqualified audit opinion as soon as practicable following the Audit Committee meeting on 26 November 2020, as detailed in Appendix E. The outstanding items are summarised on page 3.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan for the council, but we have also set materiality levels for the group.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,644,000	1,530,000	We considered materiality from the perspective of the users of the financial statements. The Council prepares an expenditure based budget for the financial year with the primary objective to provide services for the local community and therefore gross expenditure at the Net Cost of Services level was deemed as the most appropriate benchmark. This benchmark was used in the prior year. We deemed that 2% was an appropriate rate to apply to the expenditure benchmark. We also applied this to the Group.
Performance materiality	1,068,600	995,000	We considered factors such as staff turnover, complex accounting and the nature of significant estimates included in the financial statements. We determined 65% of materiality as an appropriate threshold.
Trivial matters	82,200	76,500	5% of materiality was determined as an appropriate level for triviality
Materiality for the Senior Officer remuneration disclosure table	N/A	20,000	A lower level of materiality was determined for the Senior Officer Remuneration disclosures in the single entity accounts due to the sensitivity and potential public interest in these disclosures.

Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Audit Scope	Risks identified	Planned audit approach
South Somerset District Council	Yes		• Risk identified remain as reported in our Audit Plan of	Full scope UK statutory audit performed by Grant Thornton UK LLP
SSDC Opium-Power	No		• The Valuation of Property Plant & Equipment	As SSDC Opium-Power is below the audit threshold, we will undertake procedures on all material group balances, and those relating to group significant risks. This work will be undertaken for both the 2019-20 and 2018-19 financial periods.
Elleston Services Ltd	No			Subsidiary not consolidated on grounds of materiality. We will review the appropriateness of this judgement and related disclosure.
SSDC Business Services Ltd	No			Subsidiary not consolidated on grounds of materiality. We will review the appropriateness of this judgement and related disclosure.

Key changes within the group:

- Group accounts are being prepared for the first time in 2019-20
- Retrospective restatement of the 2018-19 balances have been included, along with relevant prior period adjustment notes

Key to Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to significant risks of material misstatement of the group financial statements
- Analytical procedures at group level

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Covid– 19 The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to; Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.	We: • worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported. The draft group financial statements were provided on 21 August 2020; • liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the groups' property valuation expert; • evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic; • evaluated whether sufficient audit evidence could be obtained through remote technology; • evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations ; • evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment; • discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence. There has been no change to our assessment reported in the Audit Plan Addendum and our audit work has not identified any issues in this area.
The revenue cycle includes fraudulent transactions Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	As reported in our Audit Plan, we have rebutted this presumed risk, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; • the culture and ethical frameworks of local authorities, including South Somerset District Council, mean that all forms of fraud are seen as unacceptable; and • Group income streams are not material to the group accounts The only change to our assessment reported in the Audit Plan, is to assess the group revenue streams to determine whether or not it is appropriate to rebut them.#

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • gained an understanding of the accounting estimates, judgements applied and decisions made by management and considered their reasonableness; • obtained a full and complete listing of journal entries and identified and subsequently tested any unusual journal entries for appropriateness. As part of this process we included the significant IT findings reported on page 11 as part of our journals sample selection process; • evaluated the rationale for any changes in accounting policies and any significant unusual transactions or estimates; and • reviewed significant related party transactions outside the normal course of business. Our audit work has not identified any issues in respect of management override of controls.
Valuation of land and buildings and Investment Properties **Land & buildings - £42.911m** **Investment Properties - £71.973m** **Opium-Power Land & buildings & Plant & Machinery - £13.092m** The Authority revalues its land and buildings on a rolling five yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management needs to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.	We have: • confirmed the values reported in the financial statements reconcile to the values provided by management's external valuer; • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation expert; • written to the valuer to confirm the basis on which the valuations were carried out ; • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register; • agreed the valuation inputs to source data, ensured the revaluation reserve impact had been appropriately treated, and corroborated the assumptions used by the valuer to supporting information; • confirmed the treatment and value of the group Property Plant and Equipment assets is appropriate; • extended our testing of the floor areas used in the council's building valuations after identifying errors in our testing; • engaged an auditors expert valuer to support us in our work in relation to the valuation of a sample of Investment properties; and • assessed management's disclosure of the material uncertainty in relation to Property, Plant & Equipment and Investment property valuations. Our audit work has identified an issue in respect of the accuracy of the underlying floor areas used in the valuation of land and buildings. Our work has not identified any issues in respect of investment properties. Our work in this area is substantially complete, but we are awaiting receipt of some further evidence to complete our assessment of the impact of different floor areas on the prior period Land and Building balances. As management have disclosed a material uncertainty in relation to the valuation of land and building and investment properties, we have included an Emphasis of Matter paragraph in our draft audit opinion contained in Appendix E.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Valuation of pension fund net liability The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements. We identified the valuation of the pension fund net liability as a risk requiring special audit consideration	We: • identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement; • evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuations and gained an understanding of the basis on which the valuations were carried out; • undertook procedures to confirm the reasonableness of the actuarial assumptions made; • checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial reports; and • gained assurances over the data provided to the actuary to ensure it was robust and consistent with our understanding. Our audit work in this area is still outstanding as we await receipt of the Pension Fund Auditor assurances. Our audit work has identified that management have appropriately accounted for the valuation of the net pension fund liability and that the assumptions and source data used by the Actuary are appropriate. As management have disclosed a material uncertainty in relation to the valuation of their share of the Somerset Pension Fund pooled property funds, we have included an Emphasis of Matter paragraph in our draft audit opinion contained in Appendix E.

Significant findings arising from the group audit

Component	Findings	Group audit impact
SSDC Opium power	**Determining the company is a subsidiary:** Our review of the accounting of SSDC Opium Power to ensure it was correct prior to the 'energisation' of the company identified that the prior period treatment was incorrect. The council had treated the Joint Arrangement as a non-material Joint Venture. Our review in the current year identified that the Council has control over the company, through it's ability to cast a deciding vote and has a right of veto at board level, meaning the appropriate accounting treatment is to fully consolidate the company as a 50% owned subsidiary. As the treatment was incorrect in the prior period, Group accounts for 2018-19 have been produced and relevant Prior Period Adjustment (PPA) disclosures included in the accounts in relation to the subsidiary.	The Council is preparing Group accounts for the first time. As SSDC Opium-Power has not had an audit conducted, the audit team has undertaken specific procedures on all material account balances within the company to ensure these are fairly stated within the Group accounts. We have reported to officers that as the subsidiary companies are now consolidated into he group, there is an audit requirement on those individual companies.
SSDC Opium power	**Valuation of Property, Plant & Equipment:** We identified that initially the Group Property, Plant & Equipment note had only included SSDC Opium powers' assets as a narrative disclosure. In the updated draft accounts, SSDC Opium Power's assets were included within the Group Land & Buildings and Plant & Equipment categories. Whilst the categorisation of land was correct, the plant and equipment balances should have been disclosed as an asset under construction, as the site was not fully operational as at 31 March 2020.	The Group PPE disclosure note was updated to reflect the different asset categories held by the council and the Group. The SSDC Opium Power Plant & Equipment was re-classified into Assets Under Construction. The Land element was originally held at cost of £1.763m and the updated valuation as at 31 March 2020 is between £0.485m and £0.243m, based on the range provided by the Council's valuer. The Council has amended for this difference in valuation. The 2018-19 land value differed by £0.128m to the 2018-19 valuation. This was not amended on the grounds of immateriality.
Lufton 2000	**Share of the Joint Venture disclosed in the single entity accounts:** With the introduction of Group accounts, the Council's disclosure of it's share of Net Assets of the Lufton 2000 Joint Venture is more appropriate in the Group disclosures.	Given the share of net assets is not material, the council have elected to leave the disclosures in the 2019/20 single entity accounts, and plan to amend the disclosures from 2020/21 onwards. We are satisfied with the proposed treatment on the grounds of materiality, and have included the accounting entries in our summary of unadjusted misstatements in Appendix C.
SSDC Business Solutions and Elleston Limited	**Judgement on the consolidation of non-material subsidiaries** During the period, we identified that one wholly owned subsidiary had not been included in the group accounts. On further investigation, we identified that this subsidiary in turn 100% owned a subsidiary that had been consolidated into the accounts. We requested that management re-visit this in order to determine the most appropriate accounting treatment	The council has removed both subsidiaries from their group consolidation and has included a group critical judgements note to explain their judgements on the preparation of group accounts, detailing that any company that is not material will not be consolidated. We have reviewed this disclosure, and the values of the associated companies, and are satisfied it is appropriate.

Significant findings – IT deficiencies

This section provides commentary on the significant matters we have identified significant matters arising from our IT specialist auditors review of the design effectiveness of the IT General Controls (ITGC) within the IT environment, as they affect the financial statements for year-ended 2020. Our audit also included an Oracle authorisation and security design review to help provide assurance over Oracle controls for the financial statements. A more detailed IT audit report has been shared with management for comment.

Assessment	Significant finding	Commentary and risk	Recommendation
● Red	Segregation of Duties (SoD) Conflict	We note that an IT Specialist discharges the Database Administrator role for the ABS E5 application. However, we also note that this individual also has front end access to the application and performs the System Administrator role. **This condition poses the following risks to the Council:** a) Bypass of control mechanisms via inappropriate use of administrative functionality by (i) making unauthorised changes to configuration parameters, (ii) unauthorised accounts creation, (iii) making unauthorised updates to their own account's privileges, or (iv) deletion of audit logs or disabling logging mechanisms. b) Required maintenance may not be resolved (or may not be resolved in a timely way) due to competing responsibilities.	We recommend that the Council undertakes a review of users with elevated permissions on critical financial systems to ensure privileges are appropriate and restricted to personnel with no conflicting financial reporting or IT duties. If it is not possible to strengthen SoD owing to business constraints, we recommend that other mitigating controls be considered instead e.g. monitoring high risk account activity. **Management Response:** It is not possible to strengthen this because of resource constraints. We will review and implement mitigating controls.
● Red	Generic User Accounts for Database Administrator (DBA)	We note that the Council uses a generic administrator account for the DBA for ABS E5. We cannot verify that SoD is appropriate users. **This condition poses the following risks:** a) Bypass of control mechanisms via inappropriate use of administrative functionality by (i) making unauthorised changes to configuration parameters, (ii) unauthorised accounts creation, (iii) making unauthorised updates to their own account's privileges, or (iv) deletion of audit logs or disabling logging mechanisms. b) Access to information assets may not be restricted based on legitimate business need.	We recommend that the Council creates unique user accounts for DBA's in the E5 system and grants access to those with a legitimate business need, whilst enforcing appropriate SoD. **Management Response** The ABS E5 system requires that system upgrade scripts are run as one generic user. Where technically possible we will use unique accounts.

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Assessment	Key to assessment of internal control deficiencies
● Red	Significant Deficiency - risk of significant misstatement
● Amber	Deficiency - risk of inconsequential misstatement

Significant findings – other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant control deficiencies identified during the year.

Issue	Commentary	Auditor view
IFRS 16 implementation has been delayed by one year	Management have appropriately disclosed IFRS 16 as a standard issued, but not yet adopted in Note 2 of the financial statements.	We reviewed the disclosure and requested that management detail the anticipated impact of the standard being adopted. As this is not yet known, management have disclosed that fact. We are satisfied that it complies with requirements.

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Land and Buildings - £42.911m **Investment Properties - £71.973m**	Other land and buildings comprises £17.419m of specialised assets such as libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings £25.492m are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged an internal valuer to complete the valuation of properties as at 31 December 2019 on a five yearly cyclical basis. 52.4% of Land and Building assets were revalued during 2019/20. All investment property assets were revalued as at 31 March 2020 using a fair value methodology. In line with RICS guidance, the Group's valuer disclosed a material uncertainty in the valuation of the Council's land and buildings at 31 March 2020 as a result of Covid-19. The Council has included disclosures on this issue in Note 4. The valuation of properties valued by the valuer has resulted in a net decrease of £5.724m for Land & Buildings and a decrease of £5.424m for Investment Properties. Management have considered the year end value of non-valued properties, but have not considered the potential valuation change in the assets revalued at 31 December 2019. As part of their review, management have applied indices to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the properties not revalued in the period.	We have: • undertaken a review of the work of management's expert (Internal Valuer). This assessment included a review of their experience, capabilities and independence to the council. We have not identified any issues; • considered the assumptions adopted by the expert. This includes a review of the consistency of the estimates with those provided by Gerald Eve; • challenged management as to why no assessment of the movement between the valuation date and the year end has been undertaken and performed our own assessment, using indices provided by Gerald Eve, of the movement to gain assurance that the assets revalued as at 31 December 2019 are not materially misstated; • confirmed the completeness of the data provided to the valuer by agreeing the amounts submitted for valuation back to the fixed asset register. No issues have been identified; • tested individual asset revaluations to confirm that the treatment of these assets within the financial statements has been correct and that the source data used in these valuations agrees to underlying evidence. We have reviewed amounts to ensure the asset register and the valuation reports agree as well as reviewing the revaluation reserve treatment for a sample of assets; • reviewed the adequacy of fair value disclosures in the statement of account; • engaged an auditor's expert valuer to review the valuation of a sample of Investment Property assets to confirm the methodologies are appropriate; • confirmed that all Investment Property assets were revalued as at 31 March 2020; and • reviewed the adequacy of management's disclosure of the material uncertainty reported by their internal valuer.	Yellow

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Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Land and Buildings - £42.911m & Investment Properties - £71.973m **Continued**	The total year end valuation of Other land and buildings was £42.991m, a net decrease of £5.788m from 2018/19 (£48.779m). The total year end valuation of Investment properties was £71.973m, a net increase of £45.864m from 2018/19 (£26.109m).	Our work in this area has not identified any issues with management's estimate calculations. We have identified one control recommendations in relation to the valuations of assets. See Appendix A for details. We have identified that the valuer has reported a material uncertainty in relation to Land and Building and Investment Property valuations. Management have disclosed details of this uncertainty in their accounts, and we have referred to it in an emphasis of matter paragraph, included in our audit opinion. See Appendix E for details.	Yellow

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Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Net pension liability – £79.934m	The Council's net pension liability at 31 March 2020 is £79.934m (PY £76.596m) comprising the Somerset Pension Fund Local Government pension scheme obligations. The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy ,discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £0.995m net actuarial loss during 2019/20.	See below	Green

We have:

- reviewed the estimate, undertaking tests on the asset and liability elements of the net liability. Using analytical procedures we have compared actual results with expectations and have concluded that the results are reasonable;
- We have reviewed the work of Barnett Waddingham, through the use of an auditor's expert, PWC;
- We have undertaken an assessment of the actuary's roll forward approach, including completing detail work to confirm reasonableness of their valuation approach.

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.35%	2.35%	Green
Pension increase rate (and CPI)	1.9%	1.85% – 1.95%	Green
Salary growth	2.9%	1% above CPI	Green
Life expectancy – Males currently aged 45 / 65	24.7 / 23.3	22.8 – 24.7 / 21.4 – 23.3	Green
Life expectancy – Females currently aged 45 / 65	26.2 / 24.7	25.2 – 26.2 / 23.7 – 24.7	Green

- We have undertaken checks on the completeness and accuracy of the underlying information used to determine the estimate in order to determine the reasonableness of increase in the estimate. We have also ensured adequacy of the disclosure of the estimate in the financial statements.

We have concluded that the assumptions used by the Actuary are appropriate, and our final conclusion awaits receipt of the pension fund auditor assurances, which are outstanding at the time of writing.

Assessment

- (Red) We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- (Amber) We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- (Yellow) We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- (Green) We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary	Auditor view
Classification of the Opium Power Loan at Amortised Cost	We reviewed the classification of the Council's loan to subsidiary company, SSDC Opium-Power, to confirm the treatment was appropriate. We concluded that the current treatment is appropriate, but that where there is no intention or ability to repay a loan, it may not be appropriate to be held at amortised cost under IFRS 9.	We recommend that management review the subsidiary's performance against it's business plan. If the subsidiary begins to show signs of a lack of intention or ability to repay the loan, the classification may no longer be appropriate at amortised cost. **Management response** Agreed. We will review the accounting treatment of the loans to our subsidiary SSDC Opium Ltd on an ongoing basis to ensure that not only is the accounting treatment appropriate but also that the report accounts give a "true and fair view".

Significant findings – going concern

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Going concern commentary	Auditor commentary
Management's assessment process	In 2020/21, the Council expects to achieve a balanced budget, despite the estimated increase in costs from Covid-19, through funding from reserves and government grants. Additional funding from central government for lost income would further reduce any overspend but at present it is unclear how much of Covid-19 related costs will be met by central government. If central government does not meet all Covid-19 related costs the Council will, as anticipated in the MTFS, need to meet the costs by utilising its earmarked reserves. However, the Council's reserves position is strong, with £21.9m of revenues reserves held as at 31 March 2020. We have reviewed the Council's cashflow forecast that was prepared for a 24-month period of April 2020 to March 2022 and identified that the council has sufficient headroom over its cash balances for the majority of this period. The Council's lowest cash position at the end of any month through to December 2021 is estimated to be £1.6m, which leaves the Council sufficient headroom for unexpected costs. The cash position after December 2021 is projected to result in an overdraft position, but this is due to a significant short term investment outlay currently profiled into the cashflow projections. The council has multiple options available to them at that point in time and, if required, would not undertake investments in order to maintain sufficient cash balances.
Work performed	We have subjected management's assessment and their cash flow forecast to March 2022 to detailed scrutiny and reviewed the planned savings proposals as part of the Council's MTFS in our consideration of the appropriateness of management's use of the going concern assumption.
Concluding comments	We did not identify any material uncertainty over management's assertion that the use of the going concern assumption is appropriate. Therefore there is no impact on our audit opinion. Our review of management's cashflow forecasts and going concern assessment has not identified any concerns over the veracity of the supporting data, or the reasonableness of management's use of the going concern assumption.

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Other matters for communication

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

Issue	Auditor commentary
Matters in relation to fraud	We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed. Our work in this areas is still ongoing at the time of writing.
Matters in relation to laws and regulations	Management have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, including specific representations in respect of the Group, which is included in Appendix F.
Confirmation requests from third parties	We requested from management permission to send (a) confirmation request(s) to all entities with which management holds Investment and Borrowing balances. This permission was granted and the requests were sent. At the time of writing, most of these requests have returned with positive confirmation, however a number of requests are outstanding. If these are not received, we will undertake alternative procedures to verify the balances.
Disclosures	Our review identified that the Group PPE note was originally not included as a detailed disclosure note by category of asset. This has been reported in Appendix C and management have amended the disclosure.
Audit evidence and explanations/significant difficulties	All information and explanations requested from management was provided.

Other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Although the original Annual Governance Statement and Narrative report made no reference to the Council's Group governance arrangements, after amendment, no inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix E
Matters on which we report by exception	We are required to report on a number of matters by exception in a numbers of areas: • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Detailed work is not required as the Council does not exceed the threshold, therefore we will submit our return to the NAO and plan to issue the certificate at the same time as the opinion.
Certification of the closure of the audit	We intend to certify the closure of the 2019/20 audit of South Somerset District Council in the audit report, as detailed in Appendix E.

Value for Money

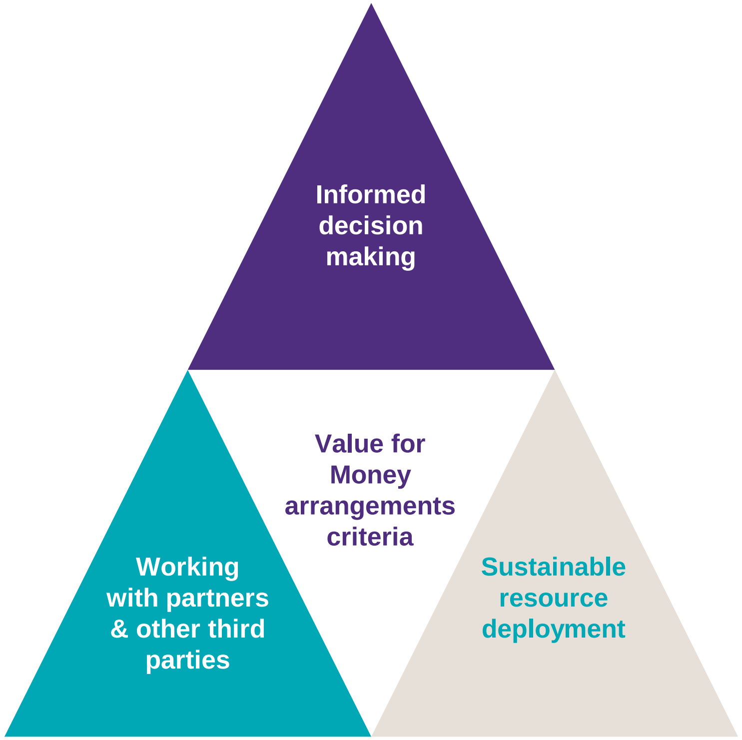
Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in February 2020 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated 26 March 2020.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- The council's Investment acquisition process, and the process undertaken for rejecting potential investments
- Investment asset performance, reporting to members and their oversight and scrutiny.
- The performance of specific measures against targets set as a result of the transformation programme

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 22 to 25.

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix E.

Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendations for improvement.

Our recommendations and management's response to these can be found in the Action Plan at Appendix A

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Value for Money

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings	Conclusion
Transformation Programme – Commercialisation The council has recently completed implementing an ambitious programme transforming the organisation and it's service delivery models, implementing a customer focussed, quality and efficient service in order to release savings into future years. The commercialisation strategy of the council has resulted in investments in a range of commercial properties, a number of which are outside of the council's area. A recent report by the NAO has raised a number of concerns around councils' investment strategies generally, and should be reflected upon by South Somerset. This report has clarified that local authorities should carefully consider investment decisions and ensure that proper consideration is given to the statutory powers they are relying upon in making investment decisions and considering the overall scale of investments compared to their size.	We have reviewed investment acquisition transactions, and understood the process management undertake in assessing each individual investment opportunity. We reviewed two recent asset investments, to confirm that the process undertaken was within expectations. We confirmed that the investment process involves multiple layers, through which various different scenarios are considered (including annual anticipated yield, payback of investment and upfront cost). We also confirmed that the Investment Assessment Group took their decisions based with a full understanding of the worst case scenarios, which we consider is a prudent approach. Our review did not identify any concerns with the investment decisions process. We also reviewed the investment asset reporting, considering both the overall performance of the portfolio, and the performance of the specific assets we reviewed in detail. We identified that the portfolio yield as a whole met the required threshold of 7% in 2019/20 (after factoring in the shorter rental period of those assets purchased in year). We identified that, whilst the full portfolio yield is compared against the target of 7% in the regular reporting, that individual assets are not compared to the target yields agreed on initial investment. We recommend that this level of detail is included in the investment reporting, in order to monitor the performance of individual assets against the factors that determined the investment was appropriate. Through discussions with the property team, we gained an understanding of the process of rejecting investment decisions. Similar to the investment acquisition process, this involves multiple stages of review against specific criteria that will identify whether an individual asset is appropriate for investment. When an asset is determined not to meet one of the criteria, the investment opportunity is no longer pursued. This is an appropriate process. We also gained an understanding of the informal investment exit strategies and the monitoring of asset performance that would inform exit decisions.	Our review has concluded that management's processes through their devolved decision making processes are appropriate, and based on appropriate supporting data. We have also concluded that member oversight and scrutiny is appropriate, and that actions are being taken to address the impact of covid-19 on investment portfolios. As part of our review, we have identified a small number of recommendations which would enhance the current arrangements further: - The implementation of individual asset reporting against the required yield agreed on confirmation of the asset purchase. - Continue the quarterly reporting that was introduced in September 2020, to support the covid-19 related monitoring by members - Management continues to closely monitor the percentage of rental income received, and look to regularly report the impact of any deferred or late rental payments to members as part of investment and covid-19 related reporting. - Formalise an exit strategy which determines the criteria and process to be followed when an investment is no longer appropriate and needs to be divested from the Council's portfolio, or when an asset is performing strongly and the council could capitalise on the gain of the asset. Overall, we have gained sufficient assurance that the council has appropriate arrangements to secure value for money in relation to this significant risk.

Value for Money

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings	Conclusion
Transformation Programme – Commercialisation continued The council has recently completed implementing an ambitious programme transforming the organisation and it's service delivery models, implementing a customer focussed, quality and efficient service in order to release savings into future years. The commercialisation strategy of the council has resulted in investments in a range of commercial properties, a number of which are outside of the council's area. A recent report by the NAO has raised a number of concerns around Councils' investment strategies generally, and should be reflected upon by South Somerset. This report has clarified that local authorities should carefully consider investment decisions and ensure that proper consideration is given to the statutory powers they are relying upon in making investment decisions and considering the overall scale of investments compared to their size.	The impact of covid-19 on investment returns was assessed, reviewing the reported collection rates during 2020/21 and the anticipated full year collection rate to understand the impact of the pandemic on commercial revenue streams. Through our review, we identified that although the council has been impacted by reduced rental income due to financial difficulties faced by tenants, that the authority has been regularly reviewing this impact and communicating with tenants. In some cases the authority has re-negotiated rental terms in exchange for extending a rental grace period. This has meant that the authority is taking positive action to mitigate and potentially prevent future voids in rental agreements and ensuring the commercial revenue streams are not significantly impacted in the long term. As stated in the conclusion section, we have recommended that the council continues to monitor the situation, and that any impact on rental income is reported to members. As part of the governance process regular reports are taken to District Executive, to allow members oversight and scrutiny of investment decisions. The Commercial strategy and investments progress reporting began in June 2018 and continued throughout 2019/20. This reporting to members was, at the start of 2019/20, six-monthly, but post year end (from September 2020), has moved to quarterly. As reported in our conclusion column, we consider that this quarterly reporting as appropriate and recommended that this should continue.	**Management response** We welcome the positive review of our governance procedures in relation to our Commercial investments. We will look to work with the Commercial team to implement the recommendations. Members can be assured that the effects of the pandemic on the yield from our Commercial portfolio is reflected in the Revenue Quarterly Monitoring reports and we would highlight any areas of particular concern. Currently the Commercial Team has been very successful in mitigating the effect on this income stream and securing a large percentage of rentals that are due.

Value for Money

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings	Conclusion
Transformation Programme – Benefits realisation The council has just completed implementing an ambitious programme to redesign service delivery with the aim of ensuring a more customer focused, efficient process. The council now needs to ensure that the services are running as intended and delivering the savings targets predicted. Inadequate realisations could lead to a risk of missed savings targets, which may in turn impact the council's ability to deliver services.	The council has recently completed an ambitious transformation programme, to redesign the organisation and methods of service delivery with the aim of being more customer focused, lean, efficient and release recurring significant savings in future years. 2019/20 saw the conclusion of the transformation project and the beginning of the monitoring of benefits. The council has faced challenges with IT infrastructure, that has in turn caused a backlog of work in certain departments. The council has not shied away from these facts in their reporting and have been open and honest about the further improvements required. The council's reporting of the post-transformation position has been balanced, detailing both the successful elements as well as those requiring improvement. We have reviewed the corporate performance monitoring, focusing on the transformation measures within the protecting core services reporting segment. The chosen measures have been reported quarterly throughout 2019/20 and into 2020/21. The in year performance has been mixed. Some areas have performed well whilst others have faced significant challenges due to the planned reduction in staff and the delay of IT implementation. However, for those areas where service performance was significantly below target at the start of 2019/20, the performance has steadily improved throughout the period, and continues to improve into 2020/21. As noted in the conclusion, we recommend that management continue to monitor the KPI's on a regular basis and ensure that the efficiencies that has now been achieved is maintained.	Our review of benefits has confirmed that the council is providing regular reports to members. Through our review of the transformation project reports, we have confirmed that the reporting is balanced. The total project cost produced a small overspend, but the anticipated financial savings have been delivered. We have also confirmed that non-financial benefits are being monitored through the corporate performance Key Performance Indicators (KPI's) and that monitoring is based not just on targets, but also on the direction of travel since the previous report. As part of our review, we have identified the following recommendations: - The council should continue to monitor non-financial benefits through the use of the KPI's. These should also be reviewed regularly to ensure that the targets set are appropriate and, if required, targets should be updated. - That the transformation reporting should include a monitoring of financial benefits, to track the annual actual savings made through salaries and on-costs, compared to the planned savings of £2.484m - That regular staff surveys continue to be undertaken, to ensure that staff morale is monitored. The council should also consider whether short 'Pulse' surveys, consisting of a very small number of questions, should be undertaken at more regular intervals to gain more timely feedback on specific issues or developments Overall, we have gained sufficient assurance that the council has appropriate arrangements to secure value for money in relation to this significant risk. **Management response** Management have agreed with our findings and recommendations.

Value for Money

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings	Conclusion
Transformation Programme – Benefits realisation The council has just completed implementing an ambitious programme to redesign service delivery with the aim of ensuring a more customer focused, efficient process. The council now needs to ensure that the services are running as intended and delivering the savings targets predicted. Inadequate realisations could lead to a risk of missed savings targets, which may in turn impact the council's ability to deliver services.	The financial savings anticipated as part of the transformation programme have been delivered, with salary and on-cost saving of £2.5m per annum being achieved through the reduction in headcount that concluded in 2018-19. However, we have identified that actual against planned savings on salary costs is not included in the transformation reports, therefore this is included as a recommendation. A staff morale survey was undertaken in 2019. This survey provided some positive results, with over 70% of responses being positively weighted. Given the significant challenges faced by the workforce throughout the transformation period, this was a positive outcome for the council. We understand that a further survey was conducted in June 2020 which has used the same questions as the 2019 survey to enable comparison and track progression. The responses from this latest survey were analysed and the outcomes were shared with staff in September 2020. A high level review showed that whilst the response rate fell to 43% of staff, the overall direction of travel in the majority of areas was positive. The council should ensure that it maintains a programme of staff surveys on a periodic basis and could consider short 'Pulse' surveys on specific areas or developments to promote higher staff engagement and providing more timely feedback.	

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the council. The following non-audit services were identified which were charged relating to the financial year to 31 March 2020, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim	14,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £14,000 in comparison to the total fee for the audit of £45,443 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

Action plan – Value for Money

We have identified 7 best practise recommendations for the council as a result of the work undertaken for our Value For Money audit. These recommendations would enhance the current arrangements further. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 audit.

Assessment	Issue and risk	Recommendations
Low	**Individual Investment yield reporting** Current investment reporting details the yields of individual properties and monitors this against the required portfolio yield of 7%.	We recommend that management reports the yields for each individual asset against the planned yield that was agreed on confirmation of the asset purchase. **Management response** We will work with the Commercial Team to set up this process
Low	**Quarterly Investment reporting** Investment reporting was previously on a six-monthly basis. In September 2020, the council began reporting on investment asset performance on a quarterly basis.	We recommend that management continue to report on a quarterly basis, to ensure that timely information is provided to members, and the impact of the Coronavirus pandemic on investment returns is regularly monitored. **Management response** Agreed. This is also reflected in the quarterly budget monitoring reports.
Low	**Income receipts reporting** Due to the impact of the coronavirus pandemic, the council has had reduced collection rates in 2019-20.	We recommend that management continue to closely monitor the percentage of rental income received and look to regularly report the impact of any deferred or late rental payments to members as part of the quarterly investment reporting. **Management response** Management have agreed to implement this recommendation
Low	**Exit strategy** We identified that while there is an informal exit strategy, this has not yet been formalised.	We recommend that management formalise an exit strategy which determines the criteria and process to be followed when an investment is no longer appropriate and needs to be divested from the council's portfolio, or when an asset is performing strongly, and the council could capitalise on the gain of the asset. **Management response** We will look to work with the Commercial Team to formalise this process.

Key
- High
- Medium
- Low

Action plan – Value for Money continued

Assessment	Issue and risk	Recommendations
Low	**Key Performance Indicators (KPI's)** Management has been reporting against a series of KPI's to identify progression against planned non-financial benefits of the transformation programme.	We recommend that management continues to monitor these benefits using appropriate KPI's. These KPI's should be regularly reviewed to ensure the targets remain appropriate and, where required targets should be updated. **Management response** Management have agreed to implement this recommendation
Low	**Transformation financial savings** We identified that the detail of how the annual £2.5m transformation benefits had been met was not reported as part of the transformation reports.	We recommend that management includes the detail of planned annual financial benefits against the actual savings for each financial year as part of the transformation reports presented to members. **Management response** Management have agreed to implement this recommendation
Low	**Staff Surveys** The council has undertaken annual staff surveys since the completion of the transformation programme. These surveys are used to monitor staff satisfaction and morale.	We recommend that management continues to undertake these annual staff surveys, and the council could look to introduce smaller 'pulse' surveys consisting of a small number of questions, undertaken at more regular intervals, to gain more timely feedback on specific issues or developments. **Management response** Agreed. We feel this is particularly important in the current climate with the pressures that staff are under.

Key

- High
- Medium
- Low

Action plan – Financial Statements

We have identified three recommendations for the group as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	**Valuation movement between the valuation date and the year end** We identified that, whilst management undertakes an exercise using indices to review the movement in value of those Land and Building assets not revalued in the current year, that this same exercise is not undertaken for any assets revalued in year as at the 31 December 2019.	We recommend that management undertakes an annual review of the movement of the value of Land & Building assets between the valuation date (31 December) and the year end (31 March). Undertaking this review will help to ensure that the value of assets is not materially incorrect as at the balance sheet date. Alternatively, the council could ask for the valuations to be undertaken as at 31 March each year. **Management response** Agreed. We will identify which method is most effective for our authority.
Medium	**Subsidiary Company audit requirement** We identified that the council's subsidiary companies do not have audits undertaken. Under the Companies Act there is a requirement for all group companies to be audited annually.	We recommend that management arranges for audits to be undertaken of all group companies. **Management response** Agreed. We will implement the recommendation when we have established the most cost effective way of having all the subsidiaries audited as some are not material.
Medium	**Deminimis level** Through discussions with the Council, it was identified that a de minimis level of £2,000 was set for accruing income and expenditure however, there is no policy for this that has been formally agreed.	We recommend that management formalises arrangements for this deminimis level and communicates it to all staff involved in accruing income and expenditure. **Management response** Agreed this will be communicated and formalised.

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Key

- High
- Medium
- Low

Follow up of prior year recommendations

We identified the following issues in the audit of South Somerset District Council's 2018/19 financial statements, which resulted in 3 recommendations being reported in our 2018/19 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	£148,000 of revalued assets were not updated in the asset register. There is a risk the accounts could be materially incorrect if the asset register is not appropriately updated.	Our reconciliation of the Fixed Asset Register and the Valuers report did not identify any differences in 2019-20.
✓	The draft accounts provided for audit did not include an Inventory note, even tough this balance is material. The council should ensure notes are included for all material account balances.	The council have included an Inventories note in the 2019-20 accounts (note 25).
✓	Our review of the collection fund identified that precepts and demands had been incorrectly allocated to precepting bodies. The council should ensure that precepts and demands are accurately disclosed in the statement of accounts.	Our review of precepts has not identified issues in the current year

Assessment

✓ Action completed

X Not yet addressed

Audit adjustments

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2020.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
We identified a formula error and some double counting of transactions in the council's CIES workings, that led to the restatement of the CIES and various associated notes (see disclosure changes for details). The impact was an increase to net expenditure of £984k.	984	£nil	£984
Our testing of the capitalisation of Property Plant & Equipment in the Opium Power Asset register, identified that the 2018/19 Plant & Equipment balance was £527k too high. This had been reversed in 2019/20 but not 2018/19.	£nil	(527)	£nil
We identified that the council's pooled property investment was overstated by £1m. This also impacted on the gain on investment reported in the CIES, with both requiring reduction by £1m.	(1,000)	(1,000)	(1,000)
Our work on the Capital Expenditure and Financing Note identified that the closing Capital Financing requirement did not reconcile to the balance sheet. Through discussions with management, we identified that a £1.3m loan repayment in year had been treated as if it had been financed by capital, but it had not been financed by capital in the 2018-19 accounts. The Capital Adjustment Account was consequently overstated by £1.351m.	£nil	1,351	£nil
Property Plant & Equipment – Land & Buildings Our initial sample of buildings identified some differences between the source data and the floor areas used in buildings valuations. We extended our sample over, and identified errors of £855k. The council has amended for £800k of this error, and the remaining unadjusted amount has been reported on page 34.	£nil	(800)	(£800)
Overall impact	**(£16)**	**(£1,031)**	**(£16)**

Audit adjustments

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

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission / change	Detail	Adjusted?
Note 17 rolling programme disclosure	The rolling programme disclosure note in Note 17 reconciled to the 31 March 2019 value of Property, Plant & Equipment, not the 31 March 2020 value.	✓
Land & Building and Investment Property Asset Material Uncertainty	As part of the valuation of Property Plant & Equipment and Investment Property, the council's valuer has reported a material uncertainty as at the balance sheet date. The council had not disclosed a material uncertainty in relation to their asset portfolio. We requested that management include this disclosure, which has been appropriately included at Note 4.	✓
Pension Property Asset Material Uncertainty	The council had not disclosed a material uncertainty in relation to their share of the pension fund's property portfolio. As the Somerset Pension Fund has reported a material uncertainty in relation to these assets, we requested that management include this disclosure, which has been appropriately included at Note 4.	✓
Amendments to the Comprehensive Income & Expenditure Statement restatement noted in the adjusted misstatements slide above, impacted on various other notes in the accounts.	The Expenditure and Funding Analysis was impacted by the same value. • Other service expenditure as disclosed in Note 8 increased by £1.17m • Interest payments as disclosed in Note 8 & Note 14 decreased by £984k • Fees & Charges income as reported in Note 8 reduced by £190k The Group CIES was also impacted by the same amount.	✓
Group PPE Note	The draft group accounts did not include a detailed PPE note disclosure. As the group amount is material, we requested management amend the accounts to include a detailed PPE note and detailed comparative for 2018-19. Opium-Power PPE was also re-classified from Plant & Equipment to Assets Under Construction.	✓
Prior Period Adjustment (Council and Group)	The council's Prior Period Adjustment note had the incorrect sign assigned to the movement of the Joint Operations Reserve between the 2018-29 accounts and the 2019-20 accounts, meaning the restated amount did not reconcile to the 2019-20 disclosure note. The draft accounts also did not include a Prior Period Adjustment note in the group accounts. We requested that management include this disclosure Finally, there were a number of 2018-19 disclosures that had been restated, but this was not flagged in the note heading, so we requested that management amend for this.	✓
Capital Commitments	The draft capital commitments disclosure did not agree to the council's records, and was amended from £16.453m to £14.387m	✓

Audit adjustments

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

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission / change	Detail	Adjusted?
Provisions Disclosure note	The provisions disclosure note only disclosed the opening and closing balances. The CIPFA code requires that any additional provisions made and / or utilised in year are disclosed.	✓
General presentational amendments	We have identified other general amendments including, spelling, grammar and syntax, as well as presentational items, such as rounding differences and note references. We requested of management that amendments were made in relation to these items for clarity within the accounts.	✓
Senior Officer Remuneration	As reported in our Audit Plan, we set a lower materiality over the senior officer remuneration disclosure table. Our review of this disclosure identified that the new S 151 Officer, who started in the final few days of the year, had not been disclosed in the table, as no payments were made until 2020-21. We requested that management include a footnote to disclose this fact for completeness.	✓
Leases	The council had not included a disclosure note detailing the future lease agreement receipts as lessee. This was also not included in 2018-19, therefore a prior period adjustment note was required to flag this to the users of the accounts.	TBC
Financial Instruments	The financial instruments disclosures were updated to reflect the £1m adjusted misstatement noted on page 31.	✓
Financial Instruments	The council included the incorrect figures for Trade Receivables and Trade payables in their draft financial instruments note. An amendment was therefore made to reflect the correct trade payable and trade receivable amounts. Trade receivables were increased by £1.235m and Trade payables increased by £0.882m.	✓
Income and Expenditure by Nature Note	We identified that government grants were included in Fees & Charges in the income and expenditure by nature note rather than in the government grants disclosure line. This disclosure table was adjusted for 2019-20 (£33.181m) and the prior period, 2018-19 (36.643m). A prior period adjustment note has also been added to disclose this amendment. We also identified that income of £2.25m in 2018/19 and £4.7m in 2019/20 had been included in Note 8 Other Service expenses, when it should have been included in the Fees & Charges line, thereby understanding both the expenditure and income figures disclosed. Both of these adjustments had a £nil impact on the deficit on provision of services.	TBC

Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2019/20 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000	Reason for not adjusting
Lufton 2000 Joint Venture	£30	£638	£30	The amount is not material
Investments Three investment confirmations were received dated as at 5 April 2020 and recorded in the accounts at that date's value. These differed to the 31 March 2020 balance by £180,845.	(£181)	(£181)	(£181)	The amount is not material
NDR Bad Debt Provision We identified that the NDR Bad debt provision formula did not pick up one cell, therefore understating the provision by £375k	(£375)	(£375)	(£375)	The amount is not material
Manual Creditor accruals In our creditors testing, we identified two errors. Both were confined to the manual creditors population, and when extrapolated, this indicated a potential overstatement of £453k.	£453	£453	£453	The amount is not an actual error identified, and is only a projected error. Consequently we do not seek management to adjust but use this to determine whether there is a potentially material mis-statement that would require further work.
Debtors In our debtors testing, we identified two errors. On extrapolation, this indicated a potential overstatement of £127k.	(£127)	(£127)	(£127)	The amount is not an actual error identified, and is only a projected error. Consequently we do not seek management to adjust but use this to determine whether there is a potentially material mis-statement that would require further work.
Property Plant & Equipment – Land & Buildings As reported on page 31, the council has partially adjusted for errors identified in PPE testing	£nil	(£55)	(£55)	
Overall impact	**(£200)**	**£353**	**(£200)**	

Audit adjustments

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2018/19 financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000	Reason for not adjusting
McCloud Pension Liability Adjustment	£27	£281	£27	The amount was not material
Overall impact	**£27**	**£281**	**£27**	

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Fees

We confirm below our fees charged for the audit and confirm there was one additional fee for the provision of non audit services.

Audit fees	Proposed fee	Final fee
Council Audit per Audit Plan	45,433	45,433
Additional Fees (see note below)		TBC
Total audit fees (excluding VAT)	**£45,433**	**£TBC**

Over the past six months the current Covid-19 pandemic has had a significant impact on all of our lives, both at work and at home. The impact of Covid-19 on the audit of the financial statements for 2019/20 has been multifaceted. This includes:

- Revisiting planning - we have needed to revisit our planning and refresh risk assessments, materiality and testing levels. This has resulted in the identification of a significant risk at the financial statements level in respect of Covid-19 necessitating the issuing of an addendum to our original audit plan as well as additional work on areas such as going concern and disclosures in accordance with IAS1 particularly in respect to material uncertainties.

- Management's assumptions and estimates - there is increased uncertainty over many estimates including property, pension and other investment valuations. Many of these valuations are impacted by the reduction in economic activity and we are required to understand and challenge the assumptions applied by management. There are similar challenges for management and ourselves on areas such as credit loss allowances, financial guarantees, and other provisions. We will be including an Emphasis of Matter in the Audit Report in respect of the material uncertainty on property values.

- Financial resilience assessment – we have been required to consider the financial resilience of audited bodies. Our experience to date indicates that Covid-19 has impacted on the financial resilience of all local government bodies. This has increased the amount of work that we need to undertake on the sustainable resource deployment element of the VFM criteria necessitating enhanced and more detailed reporting in our ISA260.

- Remote working – the most significant impact in terms of delivery is the move to remote working. We, as other auditors, have experienced delays and inefficiencies as a result of remote working, including the delays in receiving accounts and delays in responses. These are understandable and arise from the availability of the relevant information and/or the availability of key staff (due to shielding or other additional Covid-19 related demands). In many instances the delays are caused by our inability to sit with an officer to discuss a query or working paper. Gaining an understanding via Microsoft Teams or phone is more time-consuming.

We have been discussing this issue with PSAA over the last few months and note these issues are similar to those experienced in the commercial sector and NHS. In both sectors there has been a recognition that audits will take longer with commercial audit deadlines being extended by 4 months and NHS deadline by a month. The FRC has also issued guidance to companies and auditors setting out its expectation that audit standards remain high and of additional work needed across all audits. The link attached https://www.frc.org.uk/covid-19-guidance-and-advice (see guidance for auditors) sets out the expectations of the FRC.

Fees

As well as the additional work required as a result of the Covid-19 pandemic, we have been required to undertake further specific procedures at South Somerset District Council that were not included within our original Audit Plan. These include:

- Engaging an auditors expert to review the valuations of land and property provided by your own valuers, to ensure that these are in line with expectations
- Review the Group Accounts that have been prepared for the first time in 2019-20 as a result of the subsidiary companies that the council has established and review of the planned technical treatment prior to preparation of the group accounts.
- Review Prior period Adjustments arising due to the need for Group Accounts that were also required in 2018-19.
- Testing of material Group Accounts balances where we cannot place reliance on Subsidiary auditors.
- Duplication of our reconciliation of the financial statement to the ledger due to a significant amendment to the accounts.

We are not yet in a position to confirm the final value of the additional fees as this will be dependent on the extent of the additional work to be completed. The final amount will be discussed with management and communicated to you within the Annual Audit Letter. Please note that these proposed additional fees are subject to approval by PSAA in line with the Terms of Appointment.

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services – Housing Benefit Grant Claim audit	14,000	TBC
Total non- audit fees (excluding VAT)	**£14,000**	**TBC**

We have reconciled the fees to the council's financial statements (Note 42 – Audit Costs) below:

Audit Fees per the financial statements	Fee	Comment
Fees payable with regard to external audit services carried out by the appointed auditor for the year	**37,943**	**PSAA Scale Fee**
Additional Audit Fees approved by PSAA	7,500	As reported in Audit Plan
Fees payable with regard to certification of grant claims and returns for the year:		
Non-Audit Fee agreed upon procedures on the council's Housing Benefit Subsidy Claim 2019-20	14,000	As reported in Audit Plan
Total audit and non- audit fees (excluding VAT)	**£59,443**	**As per page 36, the final fee is to be confirmed**

Audit opinion

We anticipate we will provide the Group with an unmodified audit report

Independent auditor's report to the members of South Somerset District Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of South Somerset District Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2020 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, , the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the Statement of Accounting Policies, Notes to the Core Statements, Expenditure Funding Analysis, Notes to the Collection Fund and Notes to the Group Financial Statements. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2020 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the S151 Officer and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's and Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's and Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

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Audit opinion

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the S151 Officer' s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the S151 Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the S151 Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the group's and Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the group's and Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority or group will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings and property investments

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's and group's land and buildings and the Authority's share of the pension fund's property investments as at 31 March 2020. As, disclosed in Note 4 to the financial statements, the outbreak of Covid-19 has impacted global financial markets and market activity has been impacted. A material valuation uncertainty was therefore disclosed in both the Authority's property valuer's report and the pension fund's property valuation reports. Our opinion is not modified in respect of this matter.

Other information

The S151 Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement, other than the Authority and group financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Audit opinion

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters**.**

Responsibilities of the Authority, the S151 Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 18, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the S151 Officer.

The S151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the S151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the S151 Officer is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Audit opinion

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of South Somerset District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Barrie Morris, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

[Date - TBC]

Management letter of representation

South Somerset District Council Group
Financial Statements for the year ended 31 March 2020

This representation letter is provided in connection with the audit of the financial statements of South Somerset District Council and its subsidiary undertaking, SSDC Opium-Power for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the group and council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and applicable law.

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

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the group and council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the group and council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The council has complied with all aspects of contractual agreements that could have a material effect on the group and council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the group and council financial statements:
   a. there are no unrecorded liabilities, actual or contingent
   b. none of the assets of the group and council has been assigned, pledged or mortgaged
   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. The prior period adjustments disclosed in Note 1b and Group Note 1 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

xv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the group and council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the council's needs. We believe that no further disclosures relating to the group and council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xv. We have provided you with:
   a. access to all information of which we are aware that is relevant to the preparation of the group and council's financial statements such as records, documentation and other matters;
   b. additional information that you have requested from us for the purpose of your audit; and
   c. access to persons within the council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic, from whom you determined it necessary to obtain audit evidence.

xvi. We have communicated to you all deficiencies in internal control of which management is aware.

xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Management letter of representation

xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and council, and involves:
  a. a.management;
  b. b.employees who have significant roles in internal control; or
  c. c.others where the fraud could have a material effect on the financial statements.

xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxii. We have disclosed to you the identity of the group and council's related parties and all the related party relationships and transactions of which we are aware.

xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the council’s Audit Committee at its meeting on 26th November 2020.

Yours faithfully

Name……………………………

Position………………………….

Date…………………………….

To be Signed on behalf of the council by the S151 Officer and the Audit Committee Chair

grantthornton.co.uk

South Somerset District Council

Statement of Accounts 2019/20

Executive Portfolio Holder:	Peter Seib, Finance and Legal Services
S151 Officer:	Jo Nacey
Lead Officers:	Nicola Hix, Lead Specialist - Finance / Deputy S151 Officer Paul Matravers – Lead Specialist - Finance
Contact Details:	nicola.hix@southsomerset.gov.uk or 01935 462612 paul.matravers@southsomerset.gov.uk or 01935 462275

Purpose of the Report

1. The purpose of this report is to present the 2019/20 Statement of Accounts to Audit Committee for approval.

Forward Plan

2. This report appeared on the Audit Committee Forward Plan with an anticipated Committee date of 26th November 2020. Following the need for additional Audit work, the Audit Committee was moved to 22 December 2020.

Public Interest

3. As a local authority SSDC is required to demonstrate compliance with the underlying principles of good governance and that a framework exists to demonstrate this. By preparing and publishing the annual Statement of Accounts the Council achieves the objective of accountability.

Recommendations

4. That Audit Committee:

   a) note the external auditor's unqualified opinion on the financial statements;

   b) approve the 2019/20 Statement of Accounts (a copy of the Statement of Accounts has been circulated separately with this agenda);

   c) authorise that the S151 Officer and Chair of Audit Committee sign the Letter of Representation.

Background

Please contact Nicola Hix or Paul Matravers before the meeting on 01935 462612 or 01935 462275 with any questions on the information presented.

5. The Accounts and Audit Regulations (England) 2015 came into force on 1 April 2015, bringing a requirement for the Responsible Finance Officer to certify the annual accounts no later than 31 May and to publish with the audit opinion, having been approved by Members and re-certified by the responsible finance officer, no later than 31 July.

6. The Accounts and Audit (Coronavirus) Amendments Regulations 2020 (SI 2020/404) superseded these requirements and extended the statutory audit deadline for 2019/20 for all local authorities, to 30 November 2020. SSDC, like many authorities this year (and several last year) have been unable to have the accounts signed off by the required date due to the need for additional audit work. Members will be aware that the Financial Reporting Council has required external auditors to extend the scope of their audit work and in particular, to examine the records and assumptions around Property, Plant and Equipment in much greater detail. This and the service demands of our Covid-19 response on our staff has led to the delay. ***The publication date for audited accounts is now anticipated to be during December.***

7. Originally, the Responsible Finance Officer was required to ensure that the period for the exercise of public rights includes the first 10 working days of June. The period for the exercise of public rights (which includes the rights of objection, inspection and questioning of the external auditor) may only be exercised within a 30 day period.

8. However, to give local authorities more flexibility, the requirement for the public inspection period to include the first 10 working days of June was removed. Local authorities had to commence the public inspection period on or before the first working day of September 2020. This meant that accounts, confirmed by the Responsible Finance Officer (RFO), must be published by 31 August 2020 at the latest.

9. The Statement of Accounts must include a narrative statement, including commentary by the authority on its financial performance and economy, efficiency and effectiveness in its use of resources over the relevant financial year.

Key Features of the 2019/20 Outturn Reports

Revenue Outturn

10. The end of year position of Net Expenditure against the Net Budget – the "outturn" –for SSDC Services in 2019/20 was £834,349 underspent (or 4.85%) against the final budget. Below is a summary of the figures presented to the District Executive on 6th August 2020.

Table 1 – Revenue Budget Outturn 2019/20

Directorate	Original Budget £'000	Movement During the Year £'000	Final Budget £'000	Actual Spend £'000	Variation on Spend £'000	Variation on Spend after Carry Forwards
Chief Executive	641	-87	555	560	5	5
Strategy	1,720	973	2,693	2,427	-266	-169
Support Services	4,712	-728	3,984	4,274	290	300
Service Delivery	2,460	190	2,650	2,662	13	217
Commercial Services & Income Generation	6,664	646	7,310	6,434	-876	-847
	16,197	**994**	**17,192**	**16,357**	**-834**	**-494**

(Negative figures = income / reduction in budget, positive figures = costs)

Carry Forwards

11. The District Executive approved £340,670 of specific carry forwards into 2020/21.

Revenue Balances and Reserves

12. The Council has £5.099m of revenue balances with £4.492m remaining uncommitted at the year-end. Within the Financial Strategy the current assessment for a minimum balance to be maintained in the General Fund Balance is in the range £2.8m to £3.1m. The current balance exceeds this minimum, however, the surplus may be required to fund the unplanned costs related to Covid-19 during 2020/21, as detailed in the Financial Strategy report.

13. Revenue Earmarked Reserves totalled £21.878m at the end of the financial year. These reserves are actual cash sums set-aside for specific purposes.

Capital Outturn Report

14. The overall position on the Capital Budget for 2019/20 showed revised planned expenditure of **£66.547m**. The total spend was £65.482m, therefore £1.065m (1.6%) less than planned.

Loans

15. As part of the agreed loans policy the amount of any outstanding loans issued by the Council to third parties at the end of each financial year must be reported to District Executive. Outlined below is the summary of the figures presented to the District Executive on 5th August 2020 for loan balances as at 31 March 2020:

Table 2 – Outstanding Loans 2019/20

Borrower	Original Sum Lent £	Fixed Interest Rate	Outstanding at 31 March 20 £	Period of Loan	Final Repayment Date
Hinton St George Shop	190,000	2.67%	148,683	20 years	February 2036
Somerset Waste Partnership (1)	1,567,216	2.22%	795,352	7 years	August 2023
Somerset Waste Partnership (2)	4,125,205	3.19%	4,125,205	10 years	October 2029
SSDC Opium Power Ltd	14,508,705	Various	13,157,055	7.5 years	July 2026
Elleston	132,000	5.00%	132,000	7 years	2026/27
Total	**20,523,126**		**18,358,295**		

16. There was also £4,600 outstanding in relation to the sale of council house mortgages, and £27,917 in car and bike loans.

17. Wessex Home Improvement Loans (WHIL) works in partnership with the Council to provide finance to home owners for essential maintenance and improvement works to their property. Loans are increasingly replacing grants allowing the Council to re-circulate funds. The Council has £672,988 of capital invested with WHIL. As at 31 March 2020 there was £501,599 on the loan book and £171,389 as available capital.

South Somerset District Council

Key Features of the 2019/20 Statement of Accounts

18. The external auditor – Grant Thornton – has reviewed the annual Statement of Accounts and supporting working papers and issued their opinion as to whether the Statements present a true and fair view of the financial position of South Somerset District Council at 31 March 2020 and its income and expenditure for the year end. The Audit Findings Report is included on the agenda for this Committee, with the audit opinion being Appendix E of the audit findings report.

19. A copy of the Statement of Accounts has been circulated separately with this agenda. The Statement of Accounts contains four core statements and the Group Accounts, reflecting the financial position of the Council as at 31 March 2020. These are:

- Comprehensive Income and Expenditure Statement
- Movement in Reserves Statement
- Balance Sheet
- Cash Flow Statement
- Group Accounts

20. There is also an additional statement and notes relating to the Collection Fund (which deals with the collection and distribution of Council Tax and Business Rates).

21. It is a statutory requirement for all local authority financial statements to be International Financial Reporting Standards (IFRS) compliant.

22. The 2019/20 accounts include a new section for Group Accounts. The Council is required to consolidate into its own accounts (as a single entity) the financial activities of outside organisations such as subsidiaries, joint ventures and associates. In previous years our arrangements in respect of Groups have not been material, i.e. the figures involved were not significant enough to report separately.

23. The Group accounts follow the same format of the single entity accounts and include the four core statements (as listed in 19 above), accounting policies for the groups and notes to the financial statements where there are material differences to the disclosures made in the single entity accounts.

Comprehensive Income and Expenditure Statement

24. This account gives detailed information about the total expenditure on the services the Council provides. It also shows the council tax and government grants received to help pay for those services. The net operating expenditure figure is reconciled to the outturn spend position reported to District Executive in the following way:

Table 3 – CIES extract for 2019/20

	£'000
Total Spend Reported to the District Executive	**16,357**
Amounts not reported to management but included on Costs of Services in Comprehensive Income and Expenditure Statement. (Note 7)	12,871
Net Cost of Services **(taken from the Comprehensive Income and Expenditure Statement, page 33 of the financial statements)**	**29,228**

South Somerset District Council

Movement in Reserve Statement

25. Reserves represent the Council's net worth and shows its spending power. This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' reserves.

Table 4 – MIRS extract for 2019/20

	Useable Reserves	Unusable Reserves	Total £'000
31 March 2019	47,200	-19,185	28,015
Movement	1,349	-17,489	-16,140
31 March 2020	**48,549**	**-36,674**	**11,875**

26. With regard to unusable reserves, the pension reserve liability increased by £3.338m due to actuarial assumptions, asset valuations and employer contributions.

Balance Sheet

27. The Balance Sheet provides a snapshot of our financial position as at the 31 March 2020. The Council's net assets amounted to £11.875m (£28.015m at 31 March 2019). This comprises both usable resources and unusable reserve account balances.

28. The balance in the statement of accounts include the large pension fund liability balance, which will be recovered over the long term, with the Council making contributions and lump sum payments each year to reduce the balance.

29. In practice, the amount of "net worth" that can be used is £48.549m. This can be broken down into:

Usable Capital Receipts	£18.433m
Capital Grants Unapplied	£2.501m
Earmarked Reserves	£21.877m
General Fund Balances	£5.100m
Share in Joint Venture	£0.638m

30. In addition, Members will note the contingent liabilities disclosed in note 49. Contingent liabilities are possible future obligations; they are not accounted for within the balance sheet as the obligation will only be confirmed if uncertain events happen in the future. Any claims would need to be funded from SSDC balances.

Cash Flow Statement

31. This statement outlines the changes in cash and cash equivalents of the Council during 2019/20.

32. There has been a net increase in cash and cash equivalents of £1.254m.

33. Cash Equivalents are short-term highly liquid investments that are readily convertible within 24 hours to known amounts of cash and which are subject to an insignificant risk of change in value.

Collection Fund

34. The total amount of Council Tax due for the year, which the council has collected on behalf of all of the precepting authorities (e.g. Somerset County Council, Police and Crime Commissioner, Devon & Somerset Fire & Rescue Authority and town/parish councils) was £109.296m. There is a deficit balance of £0.605m on the Council Tax element of the Collection Fund account at the year end. This deficit is split in proportion to the amount of each authority's precept.

35. Business Rates Retention (BRR) is intended to provide incentives for local authorities to drive economic growth locally. The funding regime is based on performance and has increased the need to monitor and proactively agree priorities to maximise business rate income. Business rates income collected is distributed between Central Government, South Somerset District Council, Somerset County Council, and Fire and Rescue Authority under the Business Rates Retention (BRR) funding system. For 2019/20 this distribution was based on the one-off 75% BRR Pilot arrangements (Gov 25%, SSDC 44%, SCC 30%, Fire 1%).

36. The final business rates funding end of the year position for 2019/20 has delivered positive news regarding the resources available to all parties within the Somerset Business Rates Pool. There is a surplus balance of £4.015m at the year end. This surplus has been apportioned in accordance with the BRR pilot arrangements stated above.

Auditor's Opinion

37. Grant Thornton UK LLP anticipate issuing an unqualified audit opinion, which is good news and endorses that the accounts provide a true and fair view of the financial statements as at 31st March 2020.

38. Grant Thornton are also satisfied that the Council has proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money conclusion and provides a positive endorsement that the Council has proper arrangements in all significant respects to ensure it delivered value for money.

39. During the audit some material misstatements were identified. There has also been a number of misclassification and disclosure requirements which have had to be addressed. Details of the misclassification and disclosure changes are included in Appendix C of the audit findings report.

40. These errors and subsequent changes are regrettable but perhaps not surprising in the current conditions. We will, however, seek to ensure these are not replicated next year and continue to improve our reporting and checking processes.

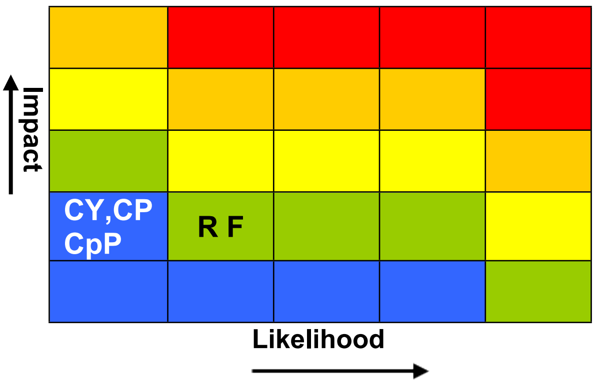
Financial Implications

41. There are no financial implications associated with these recommendations.

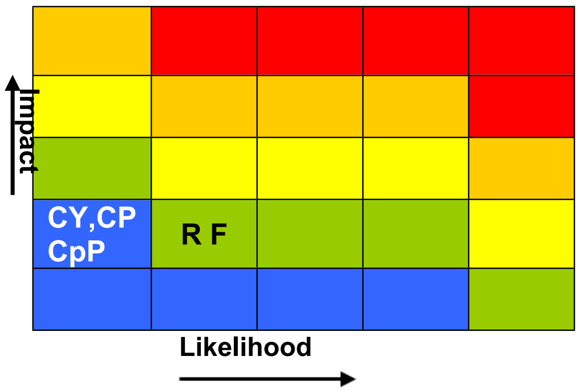
South Somerset District Council

Risk Matrix

Risk Profile before officer recommendations



Risk Profile after officer recommendations



Key

Categories	**Colours** *(for further detail please refer to Risk management strategy)*
R = Reputation CpP = Corporate Plan Priorities CP = Community Priorities CY = Capacity F = Financial	Red = High impact and high probability Orange = Major impact and major probability Yellow = Moderate impact and moderate probability Green = Minor impact and minor probability Blue = Insignificant impact and insignificant probability

Council Plan Implications

42. The Statement of Accounts are closely linked to the Council Plan, and maintaining financial resilience and effective resource planning is important to enable the council to continue to fund its priorities for the local community.

Carbon Emissions and Climate Change Implications

43. There are no carbon emissions or climate change implications in this report.

Equality and Diversity Implications

44. There are no equality or diversity implications

Privacy Impact Assessment

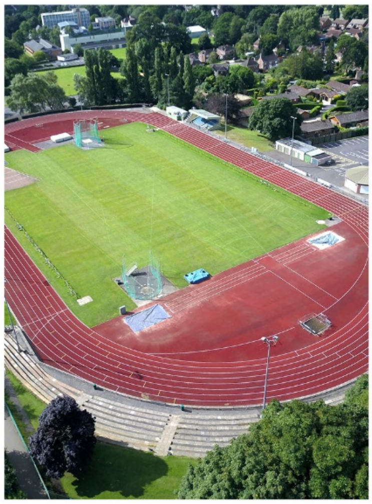
45. There is no personal information included in this report.

Background Papers

46. There are two background papers:
    - Revenue outturn 2019/20
    - Capital outturn 2019/20

Statement of Accounts 2019/2020

(Subject to final audit opinion)



Contents

Narrative Report to the Statement of Accounts

Introduction

The purpose of this narrative report is to provide information about the Council, its main objectives and strategies, how it has used its resources to meet these, and describe the principle risks it faces. It also aims to provide a simple and concise view of the Council's financial position and performance.

Organisational Overview and External Environment

South Somerset forms much of the eastern side of the County of Somerset. It comprises nearly a third of the County with a population of 167,000 and covers an area of 370 square miles (958 square kilometres). South Somerset consists of a mixture of both sparsely inhabited rural areas and a network of market towns. The rural nature of the area is emphasised by the low population density of 1.7 persons per hectare (the England average is 4.1).

Yeovil and Chard are the 2nd and 6th biggest towns in Somerset. South Somerset has 121 parishes with 102 parish and town councils and 39 wards.

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

- Housing policy and enabling
- Housing options and homelessness
- Planning
- Building regulation control and enforcement
- Waste collection and recycling
- 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
- Leisure and arts

Following the District elections in May 2019, the new Council endorsed a revised Council Plan 2020 – 2024 with new and updated priorities. The new Council Plan shows the Council's ongoing commitment to make changes in the way that it operates and delivers services over the coming years whilst continuing to deliver services and priority projects that meet the needs of our residents, visitors and businesses.

Governance

The Annual Governance Statement (AGS) is published alongside the Statement of Accounts on the Council's website. There are no significant issues arising from the AGS, and the action plan recognises the strategic and operational planning processes are in the process of being updated to meet future ambitions of the transformed organisation.

Full Council sets the Budget and Policy framework for the Council and agrees the Strategic and Annual Plans. Council delegates the day to day running of council services to the Executive and Senior Leadership Team, with Scrutiny and Audit Committees in place to hold the Executive and Officers to account on key decisions, and monitor the management of controls and risks. The Council operated a Transformation Board during 2019/20 which is responsible for the key decisions in delivering the Transformation Programme. This programme is one of the key drivers for change in delivering quality, customer focussed and financially sustainable services in future. In addition, there are governance arrangements that provide the framework for decision making for the delivery of the Commercial Strategy and strategic Regeneration Programmes.

Resources

The Council approved its Revenue and Capital Budgets for 2019/20 in February 2019.

2019/20 Band D Council Tax £167.11

Increase of 2.85%

Spending on Services

£16.1m

Funded By...

Council Tax £9.9m
Business Rates £7.1m
Government Grants £0m
New Homes Bonus £2.0m
Reserves (£2.9m)

Budget allocations can be updated during the year where Council and Executive agree changes to original budgets. The final Net Budget at the end of the financial year was £17.1m.

The Capital Programme budget approved in February 2019 totalled £15m, profiled from 2019/20 through to 2023/24. In addition, the Council has supported in principle a further £61m in reserve schemes over the same period of which up to £54m is for the investment in land, property and renewable energy schemes in support of the income generation priority.

Capital Programme

£57.4m

Funded By

Grants and Contributions £3.3m
Capital Receipts and Borrowing £54.1m

<u>Performance</u>

Revenue Budget

The net expenditure for the year 2019/20 was £16.357m, resulting in an underspend of £834k (4.85%). The underspend has supported carry forward of spending commitments into 2020/21, with the remainder being transferred to general reserves. The following table summarises performance against the final budget for the year.

	Final Budget £'000	Net Spend / Funding £'000	Difference £'000
Net Expenditure on Services:			
Chief Executive	555	560	5
Strategy and Support Services	6,677	6,701	24
Service Delivery	2,649	2,662	13
Commercial Services and Income Generation	7,310	6,434	(876)
Net Budget	**17,191**	**16,357**	**(834)**
Funded By:			
Council Tax	(9,924)	(9,924)	0
Business Rates	(7,153)	(7,153)	0
New Homes Bonus	(2,008)	(2,008)	0
Earmarked Reserves	1,894	2,728	(834)
Net Funding (Difference to General Reserves)	**(17,191)**	**(16,357)**	**(834)**

The significant differences relate to:

- Net additional income from new commercial investment properties £812,300
- Increased net income from investments £194,300
- Increased development control costs resulted in net overspend £282,700
- Increased costs on building control to meet resource requirements costing £198,800

The Comprehensive Income and Expenditure Statement gives detailed information about the total expenditure on the services we provide. It also shows the council tax, business rates and government grants we received to help pay for those services. The following information reconciles total expenditure and total income reported for the year.

Where the Money Goes	£'000	Where the Money Comes From	£'000
Employees	17,111	Council tax payers – SSDC Services	10,011
Premises	3,365	Council tax payers – town and parish council precepts	5,487
Transport	709	Business Rates	8,375
Supplies and Services	8,841	Central Government Support	4,146
Third party payments	7,333	Government Subsidy	28,952
Benefit claimants	28,854	Fees, charges , other grants and contributions	17,190
Capital and financing charges	14,377	Investment income	2,880
Town and parish precepts and Council Tax Support Grant	5,599	Share of right to buy receipts and other easements	851
Total Spend	**86,189**	**Total Income**	**77,892**
		Deficit for the Year	**8,297**

Although the table shows a reported deficit for the year within the Comprehensive Income and Expenditure Statement, after taking into account appropriate technical accounting adjustments in the movement of reserves statement the overall position reflects the underspend shown above, with an increase in general balances of £505,770.

Capital Budget

Our Capital account shows the income and expenditure transactions we make when we:

- Buy or sell land or property including investment properties
- Build new property
- Carry out major repairs or improvements to our properties
- Provide grants for the above type of activity

Our final capital budget for the year totalled £66.547m, with a further £28.130m committed in the approved capital programme in subsequent years. Total spend in the year amounted to £65.482m, which included:

- £58.913m on commercial properties and loans.
- £3.122m on economic development schemes.
- £1.258m on affordable housing and housing improvements.
- £0.948m on disabled facilities and home repair grants.
- £0.507m on vehicles for street cleaning and green space maintenance.
- £0.405m on sports and leisure facilities.
- £0.310m on efficiency measures for delivery of future services.

The following table summarises capital spending for the year and how this has been financed:

Where the Money Goes	£'000	Where the Money Comes From	£'000
Investment Property & Loans	58,486	Capital Receipts	5,468
Property, Plant & Equipment	3,984	Capital Fund	551
Affordable Housing & Housing Grants	2,206	Capital Grants from central government	1,028
Intangible Assets	310	Capital Grants from non-government funding partners	303
Sports & Leisure Facilities	405	Internally borrowed – not from Useable Capital Receipts	58,132
Area Committees	91		
Total Spend	**65,482**	**Total Financing**	**65,482**

Reserves and Balances

Sound financial management and a strong track record of striking the right balance between spending and the need to maintain a core level of resources to support the revenue account means that our finances are in a healthy state. This is reflected in the level of reserves and working balances we hold.

The General Fund Balance of £5.100m represents accumulated revenue surpluses. It ensures the Council remains financially resilient, and provides a contingency in the event of unavoidable unplanned expenditure, such as Covid-19 in 2020/21. An assessment of our financial risks indicates that we should maintain this balance at or above £2.8m therefore the position as at 31 March 2020 remains above acceptable levels, but the excess is likely to be utilised in 2020/21.

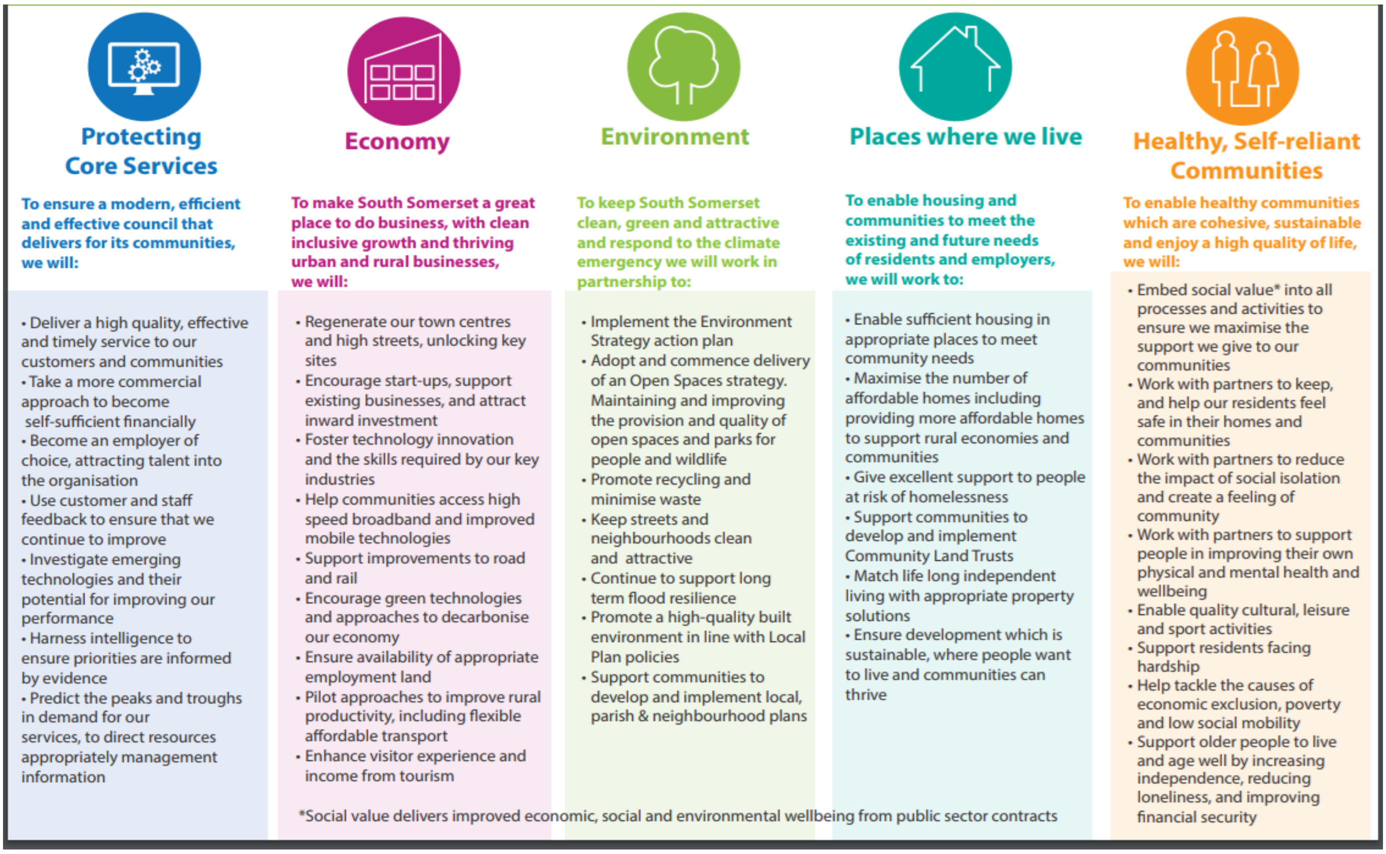
The total Earmarked Reserves balance is £21.878m as at 31 March 2020. These reserves are funds set aside to meet future spending commitments and contingencies for specific financial risks. Examples include election costs, leisure centre repairs, grants and leisure development. We also currently hold £3.277m within a Medium Term Financial Plan (MTFP) Support Fund to protect the annual budget from a sharp decline in New Homes Bonus funding and £2.696m in Business Rates Volatility Reserve which protects against fluctuations in funding levels. The net movement on earmarked reserves during the course of the year was £4.732m.

We also held £18.433m in our capital receipts reserve, which is accumulated funding from asset sales that can be reinvested in our capital programme priorities.

At the year end of 31 March 2020 we were only just beginning to understand the level of impact that Covid-19 would have on the Council. As these accounts are completed we understand that the "healthy" level of our general fund revenue reserves will be an important factor in helping us mitigating the residual pressures caused by the pandemic. In the coming months we will discover to what extent we will need to use our reserves. This is discussed further in the outlook section of this Narrative Report.

Achievements

Our priorities are set out in the Council Plan 2020-24, with an Annual Action Plan (AAP) covering the five areas of focus. Our AAP for 2019-20 is summarised as follows:



Protecting Core Services

To ensure a modern, efficient and effective council that delivers for its communities, we will:

- Deliver a high quality, effective and timely service to our customers and communities
- Take a more commercial approach to become self-sufficient financially
- Become an employer of choice, attracting talent into the organisation
- Use customer and staff feedback to ensure that we continue to improve
- Investigate emerging technologies and their potential for improving our performance
- Harness intelligence to ensure priorities are informed by evidence
- Predict the peaks and troughs in demand for our services, to direct resources appropriately management information

Economy

To make South Somerset a great place to do business, with clean inclusive growth and thriving urban and rural businesses, we will:

- Regenerate our town centres and high streets, unlocking key sites
- Encourage start-ups, support existing businesses, and attract inward investment
- Foster technology innovation and the skills required by our key industries
- Help communities access high speed broadband and improved mobile technologies
- Support improvements to road and rail
- Encourage green technologies and approaches to decarbonise our economy
- Ensure availability of appropriate employment land
- Pilot approaches to improve rural productivity, including flexible affordable transport
- Enhance visitor experience and income from tourism

Environment

To keep South Somerset clean, green and attractive and respond to the climate emergency we will work in partnership to:

- Implement the Environment Strategy action plan
- Adopt and commence delivery of an Open Spaces strategy. Maintaining and improving the provision and quality of open spaces and parks for people and wildlife
- Promote recycling and minimise waste
- Keep streets and neighbourhoods clean and attractive
- Continue to support long term flood resilience
- Promote a high-quality built environment in line with Local Plan policies
- Support communities to develop and implement local, parish & neighbourhood plans

Places where we live

To enable housing and communities to meet the existing and future needs of residents and employers, we will work to:

- Enable sufficient housing in appropriate places to meet community needs
- Maximise the number of affordable homes including providing more affordable homes to support rural economies and communities
- Give excellent support to people at risk of homelessness
- Support communities to develop and implement Community Land Trusts
- Match life long independent living with appropriate property solutions
- Ensure development which is sustainable, where people want to live and communities can thrive

Healthy, Self-reliant Communities

To enable healthy communities which are cohesive, sustainable and enjoy a high quality of life, we will:

- Embed social value* into all processes and activities to ensure we maximise the support we give to our communities
- Work with partners to keep, and help our residents feel safe in their homes and communities
- Work with partners to reduce the impact of social isolation and create a feeling of community
- Work with partners to support people in improving their own physical and mental health and wellbeing
- Enable quality cultural, leisure and sport activities
- Support residents facing hardship
- Help tackle the causes of economic exclusion, poverty and low social mobility
- Support older people to live and age well by increasing independence, reducing loneliness, and improving financial security

*Social value delivers improved economic, social and environmental wellbeing from public sector contracts

Over the last year the Council has made good progress in meeting its corporate priorities and delivering quality services to the community. The Council is committed to give greater emphasis to its desired economic and community regeneration activities. It has put in place plans and governance to give added momentum to its desired projects.

Highlights of our achievements in 2019-20 include:

Protecting Core Services:

- ✓ We have continued to enhance our property portfolio through prudent, ambitious and exciting investments now providing a net annual rental income of £2m.
- ✓ The Taunton Battery Energy Storage Site was completed and operational by year-end, meeting the aims of the Council's commercial investment strategy and environment action plan.
- ✓ Successfully supported the Local Elections, European Election and General Election.
- ✓ We have redesigned our website and branding, with increasing numbers of residents signing up for 'My Account' and more processes available to speed up service and free up visitors for those residents that need assistance.
- ✓ Our hub at Petters Way has also been redesigned, improved assess for all, including self-serve areas.
- ✓ We have enabled customer access point to be established around the District enabling residents to access our services.
- ✓ We saw a new anchor tenant move into the Yeovil Innovation Centre Phase 2, and saw a new meeting room fitted out with modern high tech conferencing and presentation equipment.

Economy:

- ✓ We have finalised plans and progressed the implementation of Chard Regeneration, with planning permission granted in September 2019 and demolition started on site in December 2019. Construction of the leisure centre is currently underway, and we have been awarded £1m from the High Street Heritage Action Zone Fund in September 2019.
- ✓ Our ambitious plan for the regeneration of Yeovil town centre has continued and progressed well. The Yeovil Access Strategy was produced in January 2000 and the Public Realm Design Guide approved and adopted in March 2020.
- ✓ We have successfully engaged with over 200 businesses including 83 'one to one' individual business meetings as part of our business support, retention, innovation and inward investment pledge. Successful pilot of the Somerset Catalyst Entrepreneurs Boot Camp and successful funding request into the Business Rate Retention Fund for an extension of the scheme to create an innovation ecosystem for entrepreneurs.
- ✓ We have worked with and part funded Somerset Education Business Partnership who have engaged with over 66 employers and 16 educational institutions bringing business and education together in South Somerset. Business Rates Retention Project "Skill up" funding secured and commenced across South Somerset to support apprenticeships and training, with a representation on a strategic "Think Tank" hosted by Yeovil College.
- ✓ We have enabled business cases for Business Rate Retention Fund funding approved to 'Enable Growth' and 'Unlock Infrastructure Growth' to deliver employment land, plus housing growth and regeneration through improved planning and enabling infrastructure provision.

Environment:

- ✓ Saw SSDC's first approved Environment Strategy following the acknowledgement of the Climate Emergency.

- ✓ Tree planting completed at Yeovil Recreation Ground and Chard Reservoir, and more widely, the Great Parish Tree Giveaway seeing 3,000 trees planted across 61 parishes.

- ✓ Retained Green Flag Awards at Ham Hill, Yeovil Country Parks and Chard Reservoir Local Nature Reserve.

- ✓ Received 3 gold awards and 2 silver gilts in the South West in Bloom awards.

Places where we live:

- ✓ In partnership with The Newt Somerset, won the Royal Town Planning Institute's Excellent in Planning for Heritage and Culture award.

- ✓ Awarded 126 grants for essential adaptations helping residents to continue to live independently in their homes.

- ✓ 36 Houses in Multiple Occupation (HMOs) were licensed to ensure standards for tenants are maintained in rented accommodation - SSDC has 148 licensed HMO's, as licences are valid for 5 years.

- ✓ Operated the Severe Weather Emergency Provision for 16 nights, and as a result helped 28 people with emergency accommodation.

- ✓ Provided 11-unit temporary accommodation for homeless families with self-contained bedsits and shared communal facilities, and commenced work to bring an old building back into use for six more units of temporary housing.

- ✓ Supported 56 individual homeless customers through specialist drug & alcohol counselling.

- ✓ Secured over £350,000 of Ministry of Housing, Communities and Local Government funds to prevent homelessness and rough sleeping and work with vulnerable people at risk of homelessness.

- ✓ Commended by the Government housing team for our approach to increasing the availability of temporary accommodation.

Healthy, Self-reliant Communities:

- ✓ Bournemouth Churches Housing Association successful tendered for a 5-year contract to provide accommodation and support for people who are homeless and rough sleeping in Somerset.

- ✓ The Homelessness and Rough Sleeper Strategy and Action Plan 2019-2023 was successfully adopted.

- ✓ A new adventure play area and outdoor gym was completed in Stoke Sub Hamdon along with a new skate park in Wincanton.

- ✓ S106 monies funded a number of projects, such as a new play area at Harbin Way and improvements at Merriott Recreation Field, as well as high quality cricket nets installed at South Petherton Recreation Ground.

- ✓ The Octagon Theatre and Westlands Entertainment Venue set a new Box Office record (despite being closed for the last two weeks of the financial year due to COVID-19) selling 161,943 tickets, £2.8million worth of tickets. 64% of tickets were purchased online and volunteers who gave approximately 15,800 hours of their time to support the venues.

- ✓ Completed 607 food inspections to help ensure safe places for communities to eat and buy food.

- ✓ Investigated 300 noise complaints helping to address causes or factors of poor mental health and wellbeing.

- ✓ Carried out 409 rat treatments and provided advice for 249 rat calls to help keep neighbourhoods clean and safe.

- ✓ Ten Local Information Centres helped with running costs, providing help and information to thousands of visitors.

- ✓ Created a First World War commemorative walks guide for Yeovil, funded by the South West Museum Development Fund and launched with a series of locally led events. Temporary displays of SSDC Collections on the Reference Floor of Yeovil Library using a museum quality, lockable display case. This was made possible through a successful Small Grant Big Improvement Fund application administered by South West Museum Development. The CHAC Volunteer Team help to create the displays.

Risks and Opportunities

There are some **inherent risks** in our financial estimates and assumptions including:

- Inflation – rising inflation could place additional pressure on pay settlements and prices for purchases of goods, services and assets.

- Delivery of savings – we are confident in the delivery of transformation savings and have built these into budget plans. However, if the savings are not delivered in full or are delayed this will create budget pressure.

- Demand volatility – fluctuation in costs and income as a result of changes in demand led services and usage (e.g. homelessness, planning, building control, parking, and garden waste).

- Business Rates Retention – retained business rates forecasts are notoriously difficult to predict with accuracy and can therefore change from year to year. The risk of volatility in business rates income remains with previous outstanding appeals, the potential for new appeals against the 2017 valuation, and contested claims from the local NHS Foundation Trusts for mandatory relief.

- Funding settlement – continued austerity and greater reductions in funding will add further financial pressures.

- New Homes Bonus (NHB) – the amount of funding attracted under new homes bonus for housing delivery has reduced, and we have a strong indication that this form of funding will disappear. We expect 2020/21 to be the last year we receive an allocation.

- Economic slowdown – impact on business rates and NHB as well as income from fees and charges.

- Building a commercial investment portfolio brings new risks in terms of managing the performance of the portfolio. We are managing risk by building a balanced portfolio and using appropriate resources and expertise to support robust decisions and ongoing management of the portfolio.

- Treasury performance – we have invested more of our cash reserves in strategic financial instruments that we plan to hold for the long term and deliver a higher return. We access professional and specialist treasury advice to ensure risks are appropriately managed, whilst taking the opportunity to increase our income.

There are also **emerging risks** related to the pandemic and although these have not impacted significantly on our 2019/20 accounts, our risk profile will change in 2020/21 as we understand the impact on our costs and income streams.

We manage our risks in many ways. These include producing regular budget monitoring reports to keep officers and Members fully appraised of the financial performance. Our finance staff are skilled and their knowledge is current with continuous personal development. We regularly update and review our risk register to ensure we are appraised of emerging risks including financial challenges and we work with our district and

County partners to share knowledge and best practice. We also manage our risks by ensuring our budget estimates are robust and that we hold suitable levels of unrestricted reserves to enable us to mitigate unforeseen challenges to our financial stability.

Financial Strategy

The Council reviewed and updated its Financial Strategy in September 2019. Building on the success of the previous strategy the Council set a new Financial Strategy for the next three years, with revised financial targets. The direction in the Financial Strategy agreed in 2017 remained relevant and set out to provide Members with options to respond to the ongoing financial challenges, but also building on this to increase income needed to pay for services and deliver ongoing financial resilience.

The key themes are:

a) Ensuring clear service priorities that clearly align with corporate strategy and plans;
b) Maximising operational efficiency and value for money through optimising benefits of the future operating model and exploring how new technologies can further improve efficiency;
c) Adopting robust financial control and reporting arrangements;
d) Developing approaches to manage and reduce demand on services in partnership with Somerset councils and other service delivery organisations;
e) Investing further in property, energy and new services to generate additional income that can be reinvested to maintain and improve services to our community;
f) Increasing the income yield from financial investments as part of a prudent treasury management approach;
g) Taking a more commercial approach and increasing income yield by 5% per year;
h) Reduce reliance on government grants such as New Homes Bonus for the funding of ongoing services;
i) Supporting and enabling economic and housing growth and regeneration to protect and enhance funding through local taxation and grant funding;
j) Focus on long term financial resilience through robust financial planning and maintaining appropriate reserves to manage risk and meet future commitments.

The strategy seeks to deliver an additional £2m by 2022/23 on top of the £5.5m already achieved as identified in the previous strategy. The new target is significantly focussed on income generation, and will mean the Council aims to be fully self-financing without relying on general Government Grant funding in the medium to longer term. The target includes:

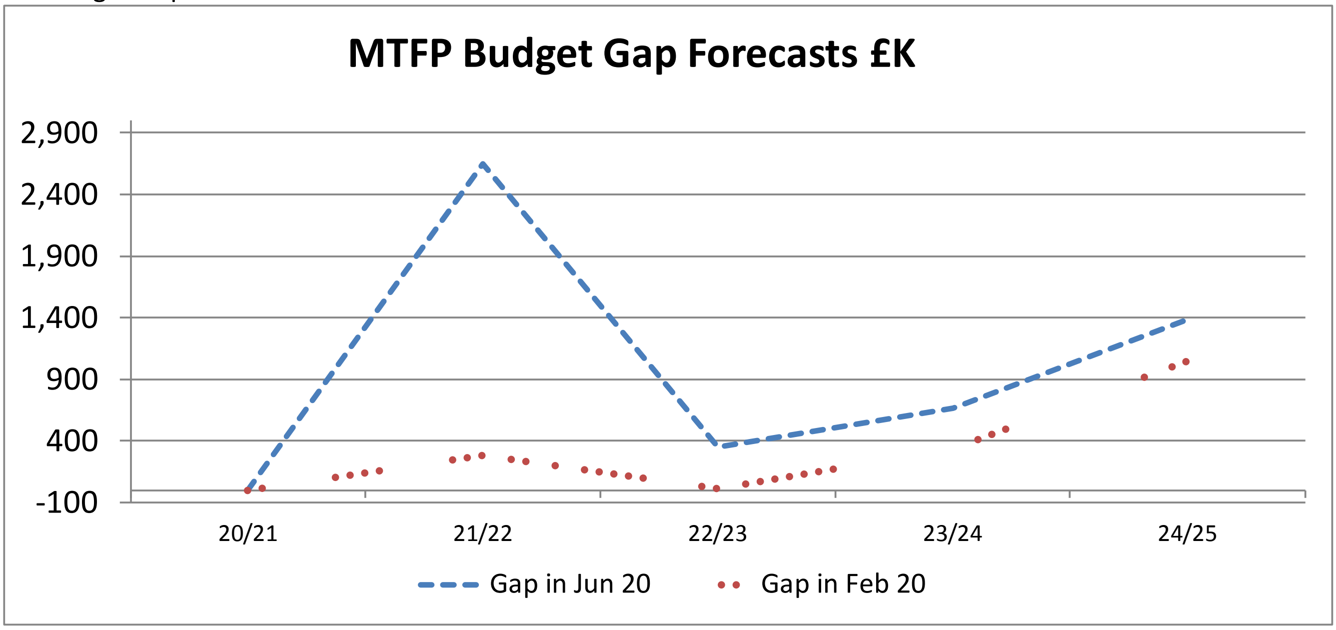
- £1.350m income generation largely through commercial investment property schemes
- £0.300m treasury cash investment income
- £0.225m commercial services and other service sales, fees and charges income
- £0.150m transformation - Non-staff efficiency savings

Outlook

By the time the Council set its 2020/21 budget in February 2020, Executive had agreed 3-Year Savings Targets rising to £2m per year by 2022/23. This was in addition to the £5.5m of savings already delivered through Transformation and the Commercial Strategy and included in the MTFP. The updated budget estimates including these savings and other changes had led to the forecast budget gap in 2024/25 reducing to £1.046m. The Council was confident that further savings could be found and a sustainable, healthy financial position would be maintained.

Covid-19 Pandemic: Unfortunately, the Covid-19 pandemic has had a significant impact on the Council's financial forecasts, particularly in the short-term. The following table shows the new forecast position in our revised MTFP which has sought to anticipate the ongoing effect of Covid-19 on our income streams and expenditure. The forecast gap for 2024/25 now stands at £1.383m which is a modest increase on the February forecast. The stark change is in 2021/22 where we anticipate a considerable hit to our income streams e.g. theatre; parking; and Commercial. The equally concerning pressure is the likely reduction in Business Rates income as businesses struggle in the new economic environment and as more challenge their rateable value on which their business rates bill is based. We have therefore needed to revisit our assumptions re business rates and pare back the growth that we expected to deliver. This has an ongoing detrimental effect which is shared across the preceptors and Central Government. The Council Tax base and income assumptions will also be impacted as more residents become eligible for Council Tax Support as their household income is affected by the impact of the recession.

MTFP Budget Gap in Feb 2020 and June 2020



Clearly this is a developing situation and we will need to regularly review our estimates as pressures crystallise and we understand the effects on our local communities with more certainty. Our residents can be reassured however that our financial position remains strong and our history of sound financial management means that we have mitigating reserves to address our short term pressures.

Like all local authorities, the Council faces the ongoing challenge of delivering local services and priorities with reducing resources.

The local government funding regime continues to be reviewed by Government and the sector, with future grant funding and arrangements for local retention of business rates likely to change in future. The Council accepted a four-year funding settlement from Government for the period 2016/17 to 2019/20, which provided certainty of the pace of funding reduction for a number of grants.

Alongside the effects of Covid-19 on our finances, we are currently facing a high degree of uncertainty with regard to future funding from 2021/22 onwards. There are several significant changes expected, the outcome of which is impossible to predict at this stage, including:

- The Spending Review 2020 – which will determine the total funding available to Local Government
- The Fair Funding Review – which will determine each authority's share of the total funding available
- Business Rates Baseline Reset – which will determine how much historic growth in business rates funding can be retained by the Council
- Business Rates Retention move from 50% to 75% – with authority shares and any transfer of responsibilities from Central Government to be determined
- New Homes Bonus reform – Government was due to consult on scheme changes during 2019 which was expected to determine future grant allocations, this is still in progress.
- Impact of Brexit on local government, the economy and local communities

The Medium Term Financial Plan will need to be updated when further information becomes available.

Local Government Reform Proposals

All councils across Somerset worked together during 2018 and 2019 to discuss options for delivering local government services in the future. Whilst all councils agree the need to change, we do not agree on the best way forward.

Late in 2019 Somerset County Council decided to withdraw from shared discussions and pursue a proposal for a single county unitary, One Somerset is its preferred choice and their business case was approved by their Full Council in July 2020. The district councils do not agree with this proposal. Their collective response is, “We know we can offer a better future for the people of Somerset that reforms local government and is ambitious for our communities and their quality of life. Somerset does not deserve the cheapest local Government. Somerset deserves the best local government”. The districts have been working to develop alternative proposals, which will be progressed over the summer with our communities, town and parish councils, our partners and businesses. Once we have listened to the views of others, we plan to submit an alternative business case to the Secretary of State.

Explanation of Accounting Statements and Basis of Preparation

The Statement of Accounts sets out the Council’s income and expenditure for the year, and its financial position at 31 March 2020. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements are prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, which in turn is underpinned by International Financial Reporting Standards.

The Statement of Accounts has been prepared on a going concern basis. The Council’s S151 Officer has completed a detailed assessment of a range of factors to determine the financial health of the organisation and assess key risks to the affordability of service provision for the foreseeable future. The conclusion following this assessment is that the Council continues to operate as a going concern.

Readers of the Accounts will note that this is the first year that we have included a section for Group Accounts. In previous years, our arrangements in respect of Groups have not been material, i.e. the figures involved were not significant enough to report separately. In Section 22 Joint Venture we refer to Lufton 2000 which we operate with Abbey Manor Developments and we have continued to report this within the single entity accounts, but SSDC Opium Power Ltd is now material enough to report within Group Accounts. Elleston Services Limited have not been consolidated into the Group accounts due to the values involved not being material.

For the 2020/21 Accounts, we will include Lufton 2000 and Elleston Services Limited in the Group Accounts section and have all our Joint Operations reporting in the same area.

The main statements are:

- The **Comprehensive Income and Expenditure Statement** – this records all of the Council’s income and expenditure for the year. The top half of the statement provides an analysis by service area in line with the Council’s operating model. The bottom half of the statement deals with corporate transactions and funding. Expenditure represents a combination of:
  - services and activities that the Council is required to carry out by law (statutory duties) such as street cleaning, planning and registration
  - discretionary expenditure focussed on local priorities and needs

- The **Movement in Reserves Statement** is a summary of the changes to the Council’s reserves over the course of the year. Reserves are divided into “useable”, which can be invested in capital projects or service delivery and improvements, and “unusable” which have occurred due to Local Government accounting practices such as the Revaluation Reserve.

- The **Balance Sheet** is a “snapshot” of the Council’s assets, liabilities, cash balances and reserves at the year-end date.

- The **Cash Flow Statement** shows the reason for changes in the Council's cash balances during the year, and whether that change is due to operating activities, new investment, or financing activities (such as borrowing and other long term liabilities).

- The **Collection Fund**, which summarises the collection and distribution of council tax and business rates to the police, fire service, county council, town and parish councils, Central Government as well as for ourselves.

- **Group Accounts**: The Council is required to consolidate into its own accounts (as a single entity) the financial activities of outside organisations such as subsidiaries, joint ventures and associates. The Council has two of these arrangements: Elleston Services Ltd which is a joint venture and delivers Landscape Services and; SSDC Opium Ltd in which SSDC has 50% ownership. SSDC Opium Power Ltd is a subsidiary.

The notes to the Financial Statements provide more detail about the Council's accounting policies and individual transactions.

Independent auditor's report to the members of South Somerset District Council

The independent auditor's report will appear here following the conclusion of the Statement of Accounts audit and approval by the Audit Committee in December 2020.

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Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Council is required to: -

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

S151 Officer Responsibilities

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

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

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the CIPFA Code of Practice.

The S151 officer has also:

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

Certification of the Accounts

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

The Draft Statement of Accounts is unaudited and the Statement of Accounts as published may be subject to change. The audited Statement of Accounts will be presented to be approved by resolution of the Audit Committee in December 2020 under powers allocated by the constitutional arrangements of the Council, and signed by the Chair of Audit Committee.

Signed

J Nacey ACMA, CGMA
S151 Officer

10 Aug 2020

Statement of Accounting Policies

1. General Principles

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

2. Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract. With effect from 1st April 2018, IFRS15 *Revenue from Contracts with Customers* has been adopted, which resulted in no material impact to the Council's recognition of revenues.

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

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

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

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

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of changes in value. The Council will include deposits in Money Market Funds and Business Reserves in Cash Equivalents.

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

4. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

5. Charges to Revenue for Non-Current Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding non-current assets during the year:

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

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

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution to the General Fund Balance (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

6. Council Tax and Non Domestic Rates

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

Accounting for Council Tax and National Non-Domestic Rates
The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

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

7. Employee Benefits

Benefits Payable During Employment
Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward

into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

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

Post-Employment Benefits

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

The Local Government Pension Scheme

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

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

- Liabilities are discounted to their value at current prices, using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). This is consistent with the approach used at the previous accounting date.

- The assets of the Somerset County Council Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities - current bid price.
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value

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

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

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

- Contributions paid to the Somerset County Council Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

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

8. Events after the Reporting Period

Events after the Reporting Period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statements of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

9. Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

Financial Liabilities
A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council. The majority of the Council's financial liabilities held during the year are measured at amortised cost and comprised:

- short-term loans from other local authorities,
- long-term loans from the Public Works Loan Board and commercial lenders
- lease payables
- trade payables for goods and services received.

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

- Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) comprising:
    - cash in hand,
    - bank current and deposit accounts,
    - fixed term deposits with banks and building societies,
    - loans to other local authorities,
    - certificates of deposit
    - treasury bills and gilts issued by the UK Government,
    - bonds issued by multilateral development banks and large companies,
    - loans made for service purposes,
    - lease receivables, and
    - trade receivables for goods and services provided.

- Fair value through profit and loss (all other financial assets) comprising:
    - money market funds
    - pooled bond, equity and property funds
    - equity investments,
    - covered bonds issued by banks and building societies
    - loans where the cash flows are not solely payments of principal and interest,
    - structured deposits with banks and building societies, and
    - forward contracts on fixed rate investments and loans where interest rates have moved in the Council's favour since the contract was agreed.

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

Expected Credit Loss Model
The authority recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant fair value through other comprehensive income), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

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

Fair Value Measurement
Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2020.

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

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.

- The fair values of finance lease assets and liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.

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

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

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

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

- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments

- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

10. Government Grants and Contributions

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

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

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

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

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

Community Infrastructure Levy

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

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

11. Heritage Assets

A heritage asset is an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. There is no requirement for valuations for heritage assets to be verified by external auditors, nor is there any prescribed minimum period between valuations. Where the cost of obtaining valuation information is not commensurate with the benefits, the Council will not recognise these assets in the Balance Sheet.

The Council's heritage assets are predominantly the museum stock that is held at the Community Heritage Access Centre (CHAC).

The Authority recognises these collections on the Balance Sheet using its base as the detailed insurance valuations held by the Authority in respect of the collections. The collections are deemed to have indeterminate lives; hence the Authority does not consider it appropriate to charge depreciation.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment. Disposals of any heritage assets are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

12. Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the authority will be able to generate future economic benefits or deliver service potential by being able to use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

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

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

13. Interests in Companies and Other Entities

The authority has material interest in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the authority's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

14. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO (first in first out) costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

15. Investment Properties

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

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

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

16. Joint Operations

Joint operations are arrangements where the parties that have control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises:

- Its assets, including its share of any assets held jointly
- Its liabilities, including its share of any liabilities incurred jointly
- Its revenue from the sale of its share of the output arising from the joint operation
- Its share of the revenue from the sale of the output by the joint operation
- Its expenses, including its share of any expenses incurred jointly.

17. Leases

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

The finance leases recorded in the Statement of Accounts are due to the fact that:

- The lease term is for the major part of the economic life of the asset
- The present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset

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

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

The Authority as Lessee

Finance Leases
Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for acquisition of the interest in the property, plant and equipment - applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period)

The authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

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

The Authority as Lessor

Finance Lease
Where the authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals are apportioned between:

- a charge for acquisition of the interest in the property - applied to write down the lease debtor (together with premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the

Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

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

18. 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.

19. Property, Plant and Equipment

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

Recognition
Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. There are two exceptions to this:

- The expenditure incurred is below £10,000, except Capital Grants where the limit is £250. In such cases expenditure is charged direct to the revenue accounts.
- The asset is acquired through an operating lease when rental payments are charged to the revenue account.

Measurement
Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use (such as purchase price; any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management).

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

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- All other assets – fair value, determined as the amount that would be paid for the asset in existing use (existing use value – EUV).

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

Assets included in the balance sheet at current value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

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

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

Capital expenditure incurred in enhancing assets or increasing their useful life is classed as enhancing expenditure.

Assets which have been significantly enhanced are brought forward in the five-year rolling programme to ensure that the independent valuer can correctly assess their new carrying value, this ensures that any potential overstatement only reflects a short timing difference between the enhancement taking place and the valuer assessing its impact on the asset's carrying value.

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

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

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

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

Depreciation
Depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the assets in the balance sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant and equipment - straight-line allocation over the life of the asset.
- Infrastructure – straight-line allocation over the life of the asset.

The following standard estimated lives are used for newly acquired assets:

	Years
Office Buildings	60
Public Conveniences	50
Sports and Leisure Centres	40
Vehicles	10
Cremators	10

Where an asset includes a number of components with significantly different asset lives, these components are then treated as separate assets and depreciated over their own useful economic lives. See Component Accounting policy.

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

Assets that are sold during the year are treated as if sold on 31 March and the service accounts receive a full year's charge for depreciation as appropriate. Assets acquired during the year attract no charge.

Disposals and Non-Current Assets Held for Sale

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

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

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

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

Amounts in excess of £10,000 received from disposals are categorised as capital receipts and credited to the Capital Receipts Reserve, which can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. If the proceeds are £10,000 or less, they are not treated as capital receipts but are instead credited to revenue.

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

A proportion of receipts relating to housing disposals is payable to the Government. In practice this relates only to mortgage repayments, 75% of which must be paid over to the Government.

Component Accounting

Components of non-current assets do not always have the same useful lives and may depreciate or wear out at different rates throughout their life. Therefore, it is appropriate to depreciate each significant component separately over its useful life, in order that the Comprehensive Income & Expenditure Account is fairly charged with the consumption of economic benefits of those assets.

Where a significant component is expected to wear out more quickly than the overall asset, it is depreciated over a shorter period of time and any subsequent expenditure on restoring or replacing the component is capitalised (with any carrying amount of the replaced component being written off to the Comprehensive Income and Expenditure Statement).

From 1st April 2010, components will be recognised when an asset is enhanced, acquired or re-valued. Where a component is replaced or restored, the carrying amount of the old component is derecognised.

- Land and individual buildings will be valued separately.

- Assets are deemed to be material and considered for componentisation when the cost or value in the Balance Sheet is at least £500,000 (approximately 1% of the authority's non-current assets).

- Each asset will be reviewed individually by the valuer to determine whether any part of a material asset has a differing useful life or method of depreciation. The assets will be reviewed by the following:
  - Sub Structure
  - Superstructure (frame, upper floors, roof, stairs, external walls, windows, external doors, internal walls, partitions, internal doors)
  - Internal finishes (walls, floors and ceilings)
  - Fixtures (sanitary, water, disposal equipment)
  - Engineering services (heating, air treatment, gas installations, lifts, protective, communications)
  - External works

- Where component spend is worth 20% of the total cost value of the asset it is deemed to be significant. Where information is not readily available to determine the value of components, a best estimate will be accounted for and detail of how the estimate was arrived at, in liaison with relevant professional advice, will be documented.

20. Provisions, Contingent Liabilities and Contingent Assets

Provisions
Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the authority has an obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet. Estimated settlements are reviewed at the end of each financial year; where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payments required to settle a provision are expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settle the obligation.

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

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

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

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

21. Related Party Transactions

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

The materiality of the transaction has been considered before justifying inclusion in the statements. Transactions disclosed elsewhere in the statement of accounts are not cross referenced in the note. Disclosure is only required where the authority has gone beyond providing financial assistance to having a relationship with the assisted organisation that allows it to exert control over the organisation's financial and operational policies.

22. Reserves

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Authority.

23. Revenue Expenditure Funded from Capital Under Statute

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

24. VAT

The Council does not include VAT as part of income or expenditure, whether of a capital or revenue nature except where it is not able to recover VAT.

Comprehensive Income and Expenditure Statement

(Brackets represent income)

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserve Statement.

Restated Gross Expenditure year ended 31 March 2019 £'000	Restated Gross Income year ended 31 March 2019 £'000	Restated Net Cost of Services year ended 31 March 2019 £'000	Service	Note Number	Gross Expenditure year ended 31 March 2020 £'000	Gross Income year ended 31 March 2020 £'000	Net Cost of Services year ended 31 March 2020 £'000
4,057	(22)	4,035	Chief Executive		1,273	(81)	1,192
17,535	(9,796)	7,739	Director of Commercial Services and Income Generation		20,621	(10,254)	10,367
42,222	(37,149)	5,073	Director of Service Delivery		41,132	(33,748)	7,384
3,766	(638)	3,128	Director of Strategy and Commissioning		5,676	(1,264)	4,412
6,158	(776)	5,382	Director of Support Services		6,657	(784)	5,873
73,738	**(48,381)**	**25,357**	**Cost of Services**		**75,359**	**(46,131)**	**29,228**
5,248	(1,670)	3,578	Other Operating expenditure	11	5,474	(851)	4,623
	(40)	(40)	Net Loss/(Gain) on Disposal of Property, Plant and Equipment	13		(11)	(11)
5,720	(1,427)	4,293	Financing and Investment Income and Expenditure	14	5,356	(2,880)	2,476
	(26,842)	(26,842)	Taxation and Non-Specific Grant Income	15		(28,019)	(28,019)
84,706	**(78,360)**	**6,346**	**(Surplus)/Deficit on Provision of Services**		**86,189**	**(77,892)**	**8,297**
		(1,007)	(Surplus)/Deficit on revaluation of Property, Plant and Equipment	34			3,670
		106	(Surplus)/Deficit on revaluation of Pooled Funds	34			3,208
		(8,005)	Remeasurement of the Net Defined Benefit Liability	48			995
		159	Share of Other Income and Expenditure of Joint Operations	22			(30)
		(8,747)	**Other Comprehensive Income and Expenditure**				**7,843**
		(2,401)	**Total Comprehensive Income and Expenditure**				**16,140**

Movement in Reserves Statement

Reserves represent the Council's net worth and shows its spending power. This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance	Earmarked Reserves	**Total General Fund Balance**	Capital Receipts Reserve	Capital Grants Unapplied	Joint Operations Reserves	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
	£'000	£'000	**£'000**	£'000	£'000	£'000	**£'000**	£'000	**£'000**
Balance at 31 March 2018	**(4,361)**	**(18,176)**	**(22,537)**	**(25,268)**	**(1,038)**	**(767)**	**(49,610)**	**23,993**	**(25,617)**
Reclassification of Financial Instruments	14	**0**	14	0	0	0	14	(11)	3
Adjusted Balance at 31 March 2018	**(4,347)**	**(18,176)**	**(22,523)**	**(25,268)**	**(1,038)**	**(767)**	**(49,596)**	**23,982**	**(25,614)**
Movement in reserves during 2018/19:									
Total Comprehensive Income and Expenditure	6,346	0	**6,346**	0	0	159	**6,505**	(8,906)	**(2,401)**
Adjustments between accounting basis and funding basis under regulations (note 10)	(5,923)	0	**(5,923)**	2,470	(656)	0	**(4,109)**	4,109	**0**
Net Increase/Decrease before transfers to Earmarked Reserves	**423**	**0**	**423**	**2,470**	**(656)**	**159**	**2,396**	**(4,797)**	**(2,401)**
Transfers (to)/from Earmarked Reserves (note 33)	(670)	670	**0**	0	0	0	**0**	0	**0**
(Increase)/Decrease in 2018/19	**(247)**	**670**	**423**	**2,470**	**(656)**	**159**	**2,396**	**(4,797)**	**(2,401)**
Restated Balance at 31 March 2019	**(4,594)**	**(17,506)**	**(22,100)**	**(22,798)**	**(1,694)**	**(608)**	**(47,200)**	**19,185**	**(28,015)**
Movement in reserves during 2019/20:									
Total Comprehensive Income and Expenditure	8,297	0	**8,297**	0	0	(30)	**8,267**	7,873	**16,140**
Adjustments between accounting basis and funding basis under regulations (note 10)	(13,174)	0	**(13,174)**	4,365	(807)	0	**(9,616)**	9,616	**0**
Net Increase/Decrease before transfers to Earmarked Reserves	**(4,877)**	**0**	**(4,877)**	**4,365**	**(807)**	**(30)**	**(1,349)**	**17,489**	**16,140**
Transfers to/from Earmarked Reserves (note 33)	4,371	(4,371)	**0**	0	0	0	**0**	0	**0**
(Increase)/Decrease in 2019/20	**(506)**	**(4,371)**	**(4,877)**	**4,365**	**(807)**	**(30)**	**(1,349)**	**17,489**	**16,140**
Balance at 31 March 2020	**(5,100)**	**(21,877)**	**(26,977)**	**(18,433)**	**(2,501)**	**(638)**	**(48,549)**	**36,674**	**11,875**

Balance Sheet (Brackets represent liabilities)

The Balance Sheet is a ‘snapshot’ of the Council’s financial position at a specific point in time, showing what it owns and owes at 31st March. The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is ‘Usable Reserves’ i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences in the Movement in Reserve Statement line ‘adjustments between accounting basis and funding basis under regulations’.

Restated as at 31 March 2019		Note No.	As at 31 March 2020	
£’000			**£’000**	**£’000**
53,746	Property, Plant & Equipment	16	47,011	
26,109	Investment Properties	18	71,973	
1,273	Intangible Assets	21	1,083	
608	Investment in Joint Ventures	22	638	
1,789	Heritage Assets	23	1,792	
3,129	Long Term Investments	35	2,106	
11,078	Long Term Debtors	24	17,417	
97,732	**TOTAL LONG TERM ASSETS**			**142,020**
27,687	Short Term Investments	35	28,471	
3,817	Inventories	25	4,592	
9,507	Short Term Debtors	26	10,909	
493	Cash & Cash Equivalents	27	2,009	
41,504	**CURRENT ASSETS**			**45,981**
(19,500)	Short term Borrowing	28	(79,500)	
(702)	Bank Overdraft	27	(755)	
(9,108)	Short term Creditors	29	(10,923)	
(29,310)	**CURRENT LIABILITIES**			**(91,178)**
(1,401)	Provisions	31	(880)	
(3,679)	Developers Contributions Deferred	32	(4,091)	
(185)	Long Term Liabilities – Creditors	30/35	(23)	
(51)	Long Term Liabilities – Finance Lease	46/35	(20)	
(76,596)	Liability related to defined benefit pension scheme	48	(79,934)	
(81,912)	**LONG TERM LIABILITIES**			**(84,948)**
28,014	**NET ASSETS**			**11,875**
46,591	Usable Reserves	33	47,911	
608	Usable Reserve – Share in Joint Operations	33/22	638	
(19,185)	Unusable Reserves	34	(36,674)	
28,014	**TOTAL RESERVES**			**11,875**

Cash Flow Statement (Brackets on this page represent income)

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

Year Ended 31 March 2019 £'000		Year Ended 31 March 2020 £'000
(6,346)	Net surplus/(deficit) on the provision of services	**(8,297)**
7,095	Adjustments to net surplus or deficit on the provision of services for non-cash movements (note 36)	**12,459**
(2,132)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (note 36)	**(1,106)**
(1,383)	**Net cash flows from operating activities**	**3,056**
(19,589)	Investing Activities (note 37)	**(61,562)**
19,470	Financing Activities (note 38)	**59,969**
(1,502)	**Net increase or decrease in cash and cash equivalents**	**1,463**
1,293	Cash and Cash Equivalents (including bank overdraft) at 1 April (note 27)	**(209)**
(209)	**Cash and Cash Equivalents (including bank overdraft) at 31 March (note 27)**	**1,254**

Notes to the Core Financial Statements

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

1a. Prior Period Restatements

Restatement of Comprehensive Income and Expenditure Statement:

Expenditure on services and income relating to or derived from those services is classified in the Comprehensive Income and Expenditure Statement in accordance with the CIPFA Code of Local Authority Accounting in the UK on the basis of its reportable segments. These reportable segments are based on the council's internal management and reporting structure which changed during 2019/20. The comparative figures for 2018/19 have been restated onto the new structure. This note shows how the net expenditure and income has been restated.

These changes will also have an effect on the Expenditure and Funding Analysis and other sections of the accounts.

Old Reporting Classification	As reported in the CIES 2018/19 £'000	Adjustments between old and new internal reporting classification £'000	As Restated 2018/19 £'000	New Reporting Classification
Cost of Services				
Gross Expenditure				
Chief Executive	4,057	0	4,057	Chief Executive
Director of Strategy and Support Services	43,183	43,183	0	Director of Strategy and Support Services
Director of Strategy and Commissioning	0	(3,766)	3,766	Director of Strategy and Commissioning
Director of Support Services	0	(6,158)	6,158	Director of Support Services
Director of Service Delivery	4,122	(33,668)	37,790	Director of Service Delivery
Communities	1,343	1,343		
Director of Commercial Services and Income Generation	21,033	(934)	21,967	Director of Commercial Services and Income Generation
	73,738	**0**	**73,738**	
Gross Income				
Chief Executive	(22)	0	(22)	Chief Executive
Director of Strategy and Support Services	(34,938)	(34,938)	0	Director of Strategy and Support Services
Director of Strategy and Commissioning	0	638	(638)	Director of Strategy and Commissioning
Director of Support Services	0	776	(776)	Director of Support Services
Director of Service Delivery	(1,873)	33,431	(35,304)	Director of Service Delivery
Communities	(110)	(110)		
Director of Commercial Services and Income Generation	(11,438)	203	(11,641)	Director of Commercial Services and Income Generation
	(48,381)	**0**	**(48,381)**	
Net Cost of Services				
Chief Executive	4,035	0	4,035	Chief Executive
Director of Strategy and Support Services	8,245	8,245	0	Director of Strategy and Support Services
Director of Strategy and Commissioning	0	(3,128)	3,128	Director of Strategy and Commissioning
Director of Support Services	0	(5,382)	5,382	Director of Support Services
Director of Service Delivery	2,249	(237)	2,486	Director of Service Delivery
Communities	1,233	1,233		
Director of Commercial Services and Income Generation	9,595	(731)	10,326	Director of Commercial Services and Income Generation
	25,357	**0**	**25,357**	

Restatement of Expenditure and Funding Analysis:

The Expenditure and Funding Analysis note has been restated due to the change in the council's internal management and reporting structure. The comparative figures for 2018/19 have been restated, the movement in the figures as a result of this change are below. The tables show the movement in figures by service and the associated movements in the notes to the Expenditure and Funding Analysis

Service	**As reported in the EFA 2018/19 £'000**	**Adjustments between old and new internal reporting classification £'000**	**As Restated 2018/19 £'000**
Net Expenditure Chargeable to the General Fund			
Chief Executive	715	0	715
Director of Commercial Services and Income Generation	6,163	230	6,393
Director of Service Delivery	1,825	1,148	2,973
Director of Strategy and Commissioning	986	1,556	2,542
Director of Support Services	6,658	(2,934)	3,724
	16,347	**0**	**16,347**
Adjustments between the Funding and Accounting Basis			
Chief Executive	3,320	0	3,320
Director of Commercial Services and Income Generation	2,082	(735)	1,347
Director of Service Delivery	425	1,674	2,099
Director of Strategy and Commissioning	246	340	586
Director of Support Services	2,937	(1,279)	1,658
	9,010	**0**	**9,010**
Net Expenditure in the Comprehensive Income & Expenditure Statement			
Chief Executive	4,035	0	4,035
Director of Commercial Services and Income Generation	8,245	(505)	7,740
Director of Service Delivery	2,250	2,822	5,072
Director of Strategy and Commissioning	1,232	1,896	3,128
Director of Support Services	9,595	(4,213)	5,382
	25,357	**0**	**25,357**

Restated of EFA note - Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

Service	**As reported in the EFA 2018/19 £'000**	**Adjustments between old and new internal reporting classification £'000**	**As Restated 2018/19 £'000**
Adjustments for Capital Purposes			
Chief Executive	897	0	897
Director of Commercial Services and Income Generation	727	3,563	4,290
Director of Service Delivery	2,851	(724)	2,127
Director of Strategy and Commissioning	225	553	778
Director of Support Services	3,316	(3,392)	(76)
Net Cost of Services	**8,016**	**0**	**8,016**
Other income and expenditure from the Expenditure and Funding Analysis	(3,623)	0	(3,623)

Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**4,393**	**0**	**4,393**
Net change for the Pensions Adjustments			
Chief Executive	28	0	28
Director of Commercial Services and Income Generation	156	(36)	120
Director of Service Delivery	96	70	166
Director of Strategy and Commissioning	18	14	32
Director of Support Services	124	(48)	76
Net Cost of Services	**422**	**0**	**422**
Other income and expenditure from the Expenditure and Funding Analysis	3,041	0	3,041
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**3,463**	**0**	**3,463**
Other Differences			
Chief Executive	2,395	0	2,395
Director of Commercial Services and Income Generation	1,198	(4,261)	(3,063)
Director of Service Delivery	(2,521)	2,327	(194)
Director of Strategy and Commissioning	3	(227)	(224)
Director of Support Services	(503)	2,161	1,658
Net Cost of Services	**572**	**0**	**572**
Other income and expenditure from the Expenditure and Funding Analysis	(2,505)	0	(2,505)
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(1,933)**	**0**	**(1,933)**
Total Adjustments			
Chief Executive	3,320	0	3,320
Director of Commercial Services and Income Generation	2,081	(734)	1,347
Director of Service Delivery	426	1,673	2,099
Director of Strategy and Commissioning	246	340	586
Director of Support Services	2,937	(1,279)	1,658
Net Cost of Services	**9,010**	**0**	**9,010**
Other income and expenditure from the Expenditure and Funding Analysis	(3,087)	0	(3,087)
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**5,923**	**0**	**5,923**

Restatement of Expenditure and Income analysed by nature:
The Expenditure and Income analysed by nature note has been restated to incorporate the changes to the Other services expenses, Fees, charges and other service income and government grants and contributions. The changes are detailed below.

<u>Other services expenses</u>

(a) Amended to remove the income in respect of trading accounts and investment properties, the income has been moved to Fees, charges and other service income.

<u>Fees, charges and other service income</u>

(a) A number of government grants received had been included, the grants have been re-allocated to government grants and contributions.
(b) Income from trading accounts and investment properties included (see Other services expenses)

Government grants and contributions

(a) Income from government grants transferred from Fees, charges and other service income

Expenditure/Income	As reported 2018/19 £'000	Movement £'000	As Restated 2018/19 £'000
Expenditure			
Employee benefits expenses	20,918	0	20,918
Other services expenses	55,987	2,254	58,241
Depreciation, amortisation, impairment	2,287	0	2,287
Interest Payments	267	0	267
Precepts and levies	5,246	0	5,246
Payments to housing capital receipts pool	1	0	1
Loss on the disposal of assets	0	0	0
Total Expenditure	**84,706**	**2,254**	**86,960**
Income			
Fees, charges and other service income	(50,051)	34,389	(15,662)
(Gain) on the disposal of assets	(40)	0	(40)
Interest and investment income	(1,427)	0	(1,427)
Income from council tax and NDR	(22,218)	0	(22,218)
Government grants and contributions	(4,624)	(36,643)	(41,267)
Total Income	(78,360)	(2,254)	(80,614)
Surplus or Deficit on the Provision of Services	**6,346**	**0**	**6,346**

1b. Prior Period Adjustments

The Council has reviewed the accounting treatment of its joint operations and has concluded that SSDC Opium Power Ltd should be accounted for as a subsidiary rather than a joint venture, and therefore group accounts have been prepared. The following tables detail the prior period adjustments to recognise changes in joint operations in the Comprehensive Income (CIES) and Expenditure Statement, the Balance Sheet (BS) and the Movement in Reserves Statement (MIRS).

	As reported in the CIES 2018/19 £'000	Prior Period Adjustment £'000	As Restated 2019/20 £'000
Share of other income and Expenditure of Joint Operations	270	(111)	159

	As reported in the BS 2018/19 £'000	Prior Period Adjustment £'000	As Restated 2019/20 £'000
Investment in Joint Operations	497	111	608
Usable Reserves – Share in Joint Operations	497	111	608

	As reported in the MIRS 2018/19 £'000	Prior Period Adjustment £'000	As Restated 2019/20 £'000
Joint Operations Reserves	(497)	(111)	(608)

2. Accounting standards that have been issued but have not yet been adopted

Paragraph 3.3.4.3 of the Code of Practice requires that the Authority discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2020 for 2019/20).

In compiling the 2019/20 accounts there are no material effects in relation to these standards.

In response to the Covid 19 pandemic, CIPFA/LASAAC deferred the implementation of IFRS 16 Leases in the public sector until 1 April 2021. This will require lessees to recognise assets subject to leases as right-of-use assets on their balance sheet, along with corresponding lease liabilities (there are exceptions for low-value and short-term leases). The effect of this change on the Council's accounts for the coming year has not yet been quantified.

3. Critical Judgements in applying accounting policies

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

- Whether to make provisions for appeals on business rates

    The Council collects approximately net £47.2m in business rates. It is in a pilot area for the local retention of business rates for 2019/20 and therefore the Council's share of the business rates income (before tariff) is 44%. The assumptions around the outcome of appeals against the NNDR valuations (either received to date or expected in future years) represent a material and critical judgement applied to the accounts. The appeals provision is based on experience with the 2010 list and data available to date for the 2017 list. Using this information an assessment is made on the likely success rate of appeals and their value, in particular the check, challenge, appeal process which appears to have resulted in most cases being resolved a check stage and very few challenges progressing to appeal. The Council's current share of the appeals provision is £0.792m which has reduced from £1.313m in 2018/19. A 1% variance in the determined appeals provision would alter the net locally retained income to the Council by approximately £7.9k. Due to the technical adjustments relating to the collection fund adjustment accounts this will not impact the general reserves in that year and only hit the Council's general fund account in future years. However, if the net rate income reduces below the levels set by central government the Council will be compensated accordingly.

- Whether SSDC Opium Power Limited is a joint venture or subsidiary

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

- Whether to make provisions for the effect of COVID19

    Expected reviews of the future level of funding for local government have caused a high degree of uncertainty. This has been compounded by the COVID19 pandemic and lockdown, which began on 20 March 2020. The impact of this on the finances of this Authority will be material with income streams reduced and some necessary reactive expenditure. The extent to which Authorities will be reimbursed for these impacts has not yet been clarified. However, the Authority has determined that mitigations, including reliance on short-term reserves and expressions of intentions of support from Central Government, are sufficient to provide an indication that the assets of the Authority might not be impaired as a result of a need to close facilities and reduce levels of service provision.

1c. Prior Period Adjustments – Leases

We have extended our note on leases (Note 46) to include a table showing what is due to us over a range of years. This table also includes the prior year position.

4. Assumptions made about the future and other major sources of estimation uncertainty

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

The outbreak of COVID-19, declared a "Global Pandemic" by the World Health Organisation as of 11th March 2020, has impacted global financial markets. The Government implemented restrictions on selected businesses on the 20th March, before a full scale restriction on the movement of people was implemented on the 23rd March. With restrictions on non-essential travel and businesses, the impact on the economy has been significant and has resulted in changes to who can work and how and where they can work.

Market activity is being impacted in many sectors. The Property, Pensions and financial instruments are linked to economic activity and demand. The Council uses professionals in each field to help establish what the fair value estimates of assets and liabilities are as at the 31st March each year. Fair values for Property are provided by our in-house qualified experts, and fair values for Pensions are received from our 3rd party Actuary, both are reflected in the financial statements.

As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

The Property valuers have included the following statement in their valuation report.

Our valuation is therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of the portfolio under review in coming months and be prepared for volatility in the figures reported.

Any adjustment to fair value on Investments, Property and Pensions are shown on the face of the CIES, however the Council is not required to show the gain or loss against the General Fund balance until the asset / liability is sold. The gain or loss is held in reserves on the balance sheet until that time. The Council does not consider there to be a risk to its general fund balance from any estimate uncertainty on its fair valued assets and liabilities as a result.

In addition to the statement regarding the impact of COVID-19, in line with the Code of Practice on Local Authority Accounting section 3.4.2.90 and IAS 1: 125-133 the items in the Council's balance sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. Depreciation charges for property, plant and equipment will change in direct relation to changes in estimated current value. The net book value of assets subject to potential revaluation is £27.483m	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls, conversely if useful lives were increased the carrying amount of assets would increase. If estimated useful lives were reduced by 5 years, the depreciation charge would increase by £2.653m, if however useful lives were to increase by 5 years, the depreciation charge would reduce by £1.175m.
Pension Valuation	The Local Government Pension Scheme, that the Council is a member of, holds assets in the form of a Property portfolio. The assets provide returns on the investment to offset the liabilities in the form of pension contributions to members. The Council has 9% of its pension assets invested in Real Estate which accounts for £8.978m of the total assets held.	As with the valuation of the Council's directly owned assets, there is a similar level of uncertainty of the Pension Scheme property asset value as at the balance sheet date.

Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The Council has engaged Barnett Waddingham as its consulting actuary to provide the authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. A sensitivity analysis is included in the Defined Benefit Pension Schemes (note 48).

Item	**Uncertainties**	**Effect if actual results differ from assumptions**
Investment Properties	Investment properties are measured (valued) initially at cost and subsequently at fair value, being the price that would be received to sell an asset in the market. Properties are not depreciated but are revalued annually according to market conditions at year end. This takes the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date.	A variation in the annual estimated valuations could result in a movement being recorded inappropriately in the Comprehensive Income and Expenditure Statement. If the value of the Council's investment properties were to reduce by 10%, this would result in a charge to the Comprehensive Income and Expenditure Statement of approximately £7.193m If the value of the Council's investment properties were to increase by 10%, this would result in a gain to the Comprehensive Income and Expenditure Statement of approximately £7.193m.
Arrears	At 31 March 2020, the Authority had a balance for sundry debtors of £3.024m. A review of significant balances suggested that an impairment allowance of £924k was appropriate. However, in the current economic climate it is not certain that this will be sufficient.	An understanding of doubtful debts would lead to a future adjustment and impairment to be reflected. The impairment allowances held are based on policies adapted to the nature of the debt and service area, historic experience and success rates experienced in collection. If collection rates were to deteriorate by 5% or 10% then the Council would need to review its policies on the calculation of its impairment allowance for doubtful debts.

5. Material items of income and expenditure

Where items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

As part of the Authority's Commercial Strategy a number of investments have been purchased in 2019/20. These transactions are detailed in the relevant notes.

6. Events after the balance sheet date

The Statement of Accounts was authorised for issue by the S151 Officer on 10th August 2020. Events taking place after this date are not reflected in the financial statements or notes.

7. Expenditure & Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (Government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under Generally Accepted Accounting Practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2018/19				2019/20		
Restated Net Expenditure Chargeable to the General Fund £'000	**Restated Adjustments between the Funding and Accounting Basis £'000**	**Restated Net Expenditure in the Comprehensive Income & Expenditure Statement £'000**	**Service**	**Net Expenditure Chargeable to the General Fund £'000**	**Adjustments between the Funding and Accounting Basis £'000**	**Net Expenditure in the Comprehensive Income & Expenditure Statement £'000**
715	3,320	4,035	Chief Executive	560	632	1,192
6,393	1,347	7,740	Director of Commercial Services and Income Generation	6,434	3,933	10,367
2,973	2,099	5,072	Director of Service Delivery	2,662	4,722	7,384
2,542	586	3,128	Director of Strategy and Commissioning	2,427	1,985	4,412
3,724	1,658	5,382	Director of Support Services	4,274	1,599	5,873
16,347	**9,010**	**25,357**	**Net Cost of Services**	**16,357**	**12,871**	**29,228**
(15,924)	**(3,087)**	**(19,011)**	Other Income and Expenditure	**(21,234)**	**303**	**(20,931)**
423	**5,923**	**6,346**	**Surplus or Deficit**	**(4,877)**	**13,174**	**8,297**
22,523			Opening General Fund Balance	**22,100**		
(423)			Less deficit on General Fund	**0**		
0			Add Surplus on General Fund	**4,877**		
22,100			**Closing General Fund Balance at 31 March 2020**	**26,977**		

Notes to the expenditure and funding analysis

Adjustments between Funding and Accounting Basis 2019/20				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	**Adjustments for Capital Purposes (Note 1)**	**Net change for the Pensions Adjustments (Note 2)**	**Other Differences (Note 3)**	**Total Adjustments**
	£'000	**£'000**	**£'000**	**£'000**
Chief Executive	537	4	91	**632**
Director of Commercial Services and Income Generation	7,174	29	(3,270)	**3,933**
Director of Service Delivery	3,931	34	757	**4,722**
Director of Strategy and Commissioning	1,944	8	33	**1,985**
Director of Support Services	(715)	17	2,297	**1,599**
Net Cost of Services	**12,871**	**92**	**(92)**	**12,871**
Other income and expenditure from the Expenditure and Funding Analysis	**(1,647)**	**2,251**	**(301)**	**303**
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**11,224**	**2,343**	**(393)**	**13,174**

Restated Adjustments between Funding and Accounting Basis 2018/19				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	**Adjustments for Capital Purposes (Note 1)**	**Net change for the Pensions Adjustments (Note 2)**	**Other Differences (Note 3)**	**Total Adjustments**
	£'000	**£'000**	**£'000**	**£'000**
Chief Executive	897	28	2,395	**3,320**
Director of Commercial Services and Income Generation	4,290	120	(3,063)	**1,347**
Director of Service Delivery	2,127	166	(194)	**2,099**
Director of Strategy and Commissioning	778	32	(224)	**586**
Director of Support Services	(76)	76	1,658	**1,658**
Net Cost of Services	**8,016**	**422**	**572**	**9,010**
Other income and expenditure from the Expenditure and Funding Analysis	**(3,623)**	**3,041**	**(2,505)**	**(3,087)**
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**4,393**	**3,463**	**(1,933)**	**5,923**

Note 1: Adjustments for Capital Purposes

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

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

Note 2: Net change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS19 *Employee Benefits* pension related expenditure and income:

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

Note 3: Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Segmental Income

Restated 2018/19			**2019/20**	
Revenues from external customers	**Grants & Contributions**		**Revenues from external customers**	**Grants & Contributions**
£'000	**£'000**		**£'000**	**£'000**
3	18	Chief Executive	6	75
11,137	1,029	Director of Commercial Services and Income Generation	14,336	340
3,320	35,809	Director of Service Delivery	3,374	32,503
364	278	Director of Strategy and Commissioning	1,073	193
196	618	Director of Support Services	2,689	893
15,020	**37,752**	**Total income analysed on a segmental basis**	**21,478**	**34,004**

8. Expenditure and Income analysed by nature

Restated 2018/19		**2019/20**
£'000	**Expenditure/Income**	**£'000**
	Expenditure	
20,918	Employee benefits expenses	17,780
58,241	Other services expenses	61,973
2,287	Depreciation, amortisation, impairment	5,316
267	Interest Payments	367
5,246	Precepts and levies	5,472
1	Payments to housing capital receipts pool	2
0	Loss on the disposal of assets	0
86,960	**Total Expenditure**	**90,940**
	Income	
(15,662)	Fees, charges and other service income	(18,522)
(40)	(Gain) on the disposal of assets	(11)
(1,427)	Interest and investment income	(2,880)
(22,218)	Income from council tax and NDR	(23,873)
(41,267)	Government grants and contributions	(37,327)
(80,614)	**Total Income**	**(82,613)**
6,346	**Surplus or Deficit on the Provision of Services**	**8,297**

9. Contracts with Service Recipients

Included with income from fees and charges of £46.8m (£50.1m 2018/19) are the following amounts derived from contracts with service recipients as defined by IFRS 15.

Previous year 2018/19 £'000	Service	Current year 2019/20 £'000
(404)	Building Control	(397)
(1,684)	Planning	(1,514)
(1,993)	Car Park Income	(2,012)
(1,559)	Commercial Rent & Licences	(4,134)
(433)	Other Rents & Wayleaves	(424)
(400)	Careline	(407)
(340)	Licences	(326)
(837)	Waste	(938)
(375)	Land Charges	(312)
(2,041)	Theatre Venues	(2,336)
(10,065)	**Total Income from Contracts with Service Recipients**	**(12,801)**

The performance obligations relating to the key lines of income above are all fulfilled when payment is made except where the charge is for a monthly, quarterly or annual fee or licence where the obligation is discharged within the period.

There are no performance obligations unsatisfied at the balance sheet date.

10. Adjustments between accounting basis and funding basis under regulations

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

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

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

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

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

2019/20	**Movement in Usable Reserves**			
	General Fund Balance	**Capital Receipts Reserves**	**Capital Grants Unapplied**	**Movement in Unusable Reserves**
	£'000	**£'000**	**£'000**	**£'000**
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for depreciation, amortisation and impairment of non-current assets	(2,682)	0	0	**(2,682)**
Revaluation losses on Property, Plant and Equipment	(2,633)	0	0	**(2,633)**
Capital grants and contributions applied	1,149	0	181	**1,330**
Capital grants and contributions unapplied	988	0	(988)	**0**
Revenue expenditure funded from capital under statute	(4,553)	0	0	**(4,553)**
Movement in market value of Investment Property	(5,424)	0	0	**(5,424)**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(7)	0	0	**(7)**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of capital investment	520	0	0	**520**
Capital expenditure charged against the capital fund	551	0	0	**551**
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure	870	(870)	0	**0**
Use of Capital Receipts Reserve to finance capital expenditure	0	5,468	0	**5,468**
Transfer from the Deferred Capital Receipts reserve to the Capital Receipts Reserve upon receipt of cash	0	(236)	0	**(236)**
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(2)	2	0	**0**
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 48)	(6,228)	0	0	**(6,228)**
Employer's pensions contributions and direct payments to pensioners payable in the year	3,885	0	0	**3,885**
Adjustments involving the Collection Fund Adjustments Account:				
Amount by which council tax income and non-domestic rates credited to the Comprehensive Income and Expenditure Statement is different from council tax income and non-domestic rates calculated for the year in accordance with statutory requirements	515	0	0	**515**
Adjustment involving the Accumulating Compensated Absences Adjustment Accounts:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(122)	0	0	**(122)**
TOTAL ADJUSTMENTS	**(13,174)**	**4,364**	**(807)**	**(9,616)**

2018/19 Comparative figures	Movement in Usable Reserves			
	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for depreciation, amortisation and impairment of non-current assets	(2,341)	0	0	**(2,341)**
Revaluation losses on Property, Plant and Equipment	54	0	0	**54**
Capital grants and contributions applied	1,389	0	137	**1,526**
Capital grants and contributions unapplied	793	0	(793)	**0**
Revenue expenditure funded from capital under statute	(2,969)	0	0	**(2,969)**
Movement in market value of Investment Property	(3,341)	0	0	**(3,341)**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(286)	0	0	**(286)**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of capital investment	221	0	0	**221**
Capital expenditure charged against the capital fund	186	0	0	**186**
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure	1,903	(1,903)	0	**0**
Use of Capital Receipts Reserve to finance capital expenditure	0	4,600	0	**4,600**
Transfer from the Deferred Capital Receipts reserve to the Capital Receipts Reserve upon receipt of cash	0	(229)	0	**(229)**
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(2)	2	0	**0**
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 48)	(7,067)	0	0	**(7,067)**
Employer's pensions contributions and direct payments to pensioners payable in the year	3,604	0	0	**3,604**
Adjustments involving the Collection Fund Adjustments Account:				
Amount by which council tax income and non-domestic rates credited to the Comprehensive Income and Expenditure Statement is different from council tax income and non-domestic rates calculated for the year in accordance with statutory requirements	1,929	0	0	**1,929**
Adjustment involving the Accumulating Compensated Absences Adjustment Accounts:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	4	0	0	**4**
TOTAL ADJUSTMENTS	**(5,923)**	**2,470**	**(656)**	**(4,109)**

11. Other operating income and expenditure

Previous year 2018/19 £'000		Current year 2019/20 £'000
5,246	Parish council precepts and levies	5,472
2	Payments to the Government housing Capital Receipts Pool	2
5,248	**Total Other Operating Expenditure**	**5,474**
(1,670)	Easements and other Capital Receipts (note 12)	(851)
3,578	**Total Other Operating Income and Expenditure**	**4,623**

12. Easements and other capital receipts

The Council received £819k in Right to Buy receipts (compared to £1,071k in 2018/19) and a further £32k in other capital receipts (£599k in 2018/19).

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

The net gain on disposal of plant, property and equipment amounts to £11k (compared to a net gain of £40k in 2018/19)

14. Financing and investment income and expenditure

Previous year 2018/19 £'000		Current year 2019/20 £'000
267	Interest Payable and similar charges	367
3,041	Net interest on the net defined benefit liability	2,251
(155)	(Surplus)/Deficit on Trading Undertaking (note 39)	(263)
2,567	(Surplus)/Deficit on Investment Properties (note 18)	3,001
5,720	**Total Financing and Investment Expenditure**	**5,356**
(1,428)	Interest receivable and similar income	(2,880)
4,292	**Total Financing and Investment Income and Expenditure**	**2,476**

15. Taxation and non-specific grant income

Previous year 2018/19 £'000		Current year 2019/20 £'000
(14,892)	Council tax income	(15,498)
(7,326)	Non domestic rates	(8,375)
(4,624)	Non ring-fenced government grants	(4,146)
(26,842)	**Total Taxation and Non Specific Grant Income**	**(28,019)**

16. Property, plant and equipment

Movement in 2019/20:

	Total Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infra-structure Assets £'000	Com-munity Assets £'000	Surplus Assets £'000	Total Property Plant & Equipment £'000
Cost or Valuation As at 1 April 2019	51,467	4,496	1,097	698	0	**57,758**
Additions	865	856	0	28	0	**1,749**
Disposals	0	(30)	0	0	0	**(30)**
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	(3,660)	(13)	0	0	0	**(3,673)**
Revaluation Increases/(decreases) recognised in the surplus/deficit on the provision of Services	(3,944)	(97)	0	0	0	**(4,041)**
Impairment (losses)/reversals recognised in the surplus/deficit on the provision of services	217	0	0	0	0	**217**
As at 31 March 2020	**44,945**	**5,212**	**1,097**	**726**	**0**	**51,980**
Accumulated Depreciation						
As at 1 April 2019	(2,687)	(1,189)	(136)	0	0	**(4,012)**
Depreciation charge	(1,283)	(877)	(16)	0	0	**(2,176)**
Depreciation written out to the surplus/deficit on the Provision of Services	1,177	13	0	0	0	**1,190**
Derecognition – Disposals	0	30	0	0	0	**30**
Derecognition – Reclassification	0	0	0	0	0	**0**
As at 31 March 2020	**(2,793)**	**(2,023)**	**(152)**	**0**	**0**	**(4,968)**
Net Book Value						
At 31 March 2020	**42,152**	**3,189**	**945**	**726**	**0**	**47,012**
At 31 March 2019	**48,779**	**3,307**	**961**	**698**	**0**	**53,746**

Comparative movements in 2018/19:

	Total Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infra-structure Assets £'000	Com-munity Assets £'000	Surplus Assets £'000	Total Property Plant & Equipment £'000
Cost or Valuation						
As at 1 April 2018	50,261	4,488	1,097	698	0	**56,544**
Additions	1,025	315	0	0	0	**1,340**
Disposals	0	(333)	0	0	0	**(333)**
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	980	26	0	0	0	**1,006**
Revaluation Increases/(decreases) recognised in the surplus/deficit on the provision of Services	(897)	0	0	0	0	**(897)**
Impairment (losses)/reversals recognised in the surplus/deficit on the provision of services	98	0	0	0	0	**98**
As at 31 March 2019	**51,467**	**4,496**	**1,097**	**698**	**0**	**57,758**
Accumulated Depreciation						
As at 1 April 2018	(2,077)	(1,022)	(120)	0	0	**(3,219)**
Depreciation charge	(1,452)	(483)	(16)	0	0	**(1,951)**
Depreciation written out to the surplus/deficit on the Provision of Services	842	0	0	0	0	**842**
Derecognition - Disposals	0	316	0	0	0	**316**
Derecognition – Reclassification	0	0	0	0	0	**0**
As at 31 March 2019	**(2,687)**	**(1,189)**	**(136)**	**0**	**0**	**(4,012)**
Net Book Value						
At 31 March 2019	**48,779**	**3,307**	**961**	**698**	**0**	**53,746**
At 31 March 2018	**48,184**	**3,465**	**978**	**698**	**0**	**53,525**

17. Property, Plant and Equipment valuation

All property, plant and equipment owned by South Somerset District Council have been valued on a five year rolling programme by SSDC's internal valuers. This year the internal valuers were Robert Orrett; BSc MRICS, RICS Registered Valuer and Brendan Fisher; BA(Hons) MSc MRICS, RICS Registered Valuer – in accordance with the Statements of Asset Valuation Practice and Guidance Notes of The Royal Institute of Chartered Surveyors. Not all assets are inspected each year, as this is neither practicable nor considered by the valuer to be necessary for the purposes of the valuation. The basis of valuation is as set out in the Statement of Accounting Policies. The effective date of revaluation is 31st December 2019.

The Council has been given assurance by the internal valuers that the carrying value of assets not revalued within year is not materially different to the fair value of the assets.

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

The following table shows the progress of the rolling programme:

	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Total £'000
Valued at historical cost	0	90	809	694	**1,593**
Valued at current value at:					
31st December 2015	6,704	884	0	0	**7,588**
31st December 2016	3,927	969	136	28	**5,060**
31st December 2017	6,893	392	0	4	**7,289**
31st December 2018	2,916	51	0	0	**2,967**
31st December 2019	21,711	803	0	0	**22,514**
Total	**42,151**	**3,189**	**945**	**726**	**47,011**

18. Investment Property

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

Previous year 2018/19 £'000		Current year 2019/20 £'000
(1,845)	Rental Income from Investment Property	(4,275)
1,496	Operating Expenses and Financing costs arising from Investment Property	1,852
3,341	Net gains / Losses from fair value adjustments	5,424
2,567	**Total**	**3,001**

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

Previous year 2018/19 £'000		Current year 2019/20 £'000
17,633	Balance at the start of the year	26,109
12,076	Additions	51,295
(3,341)	Net gains / (losses) from fair value adjustments	(5,424)
(259)	Disposals	(7)
	Transfers:	
0	(To)/from Property, Plant & Equipment	0
26,109	**Balance at the end of the year**	**71,973**

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

Previous year 2018/19 £'000	Significant Unobservable Inputs (Level 2)	Current year 2019/20 £'000
26,109	Commercial Building	71,973
26,109	**Investment Property**	**71,973**

The valuation technique applied in respect of all the Fair Value figures was the market approach, which is described in paragraphs 85 to 87 of IFRS 13. It uses prices paid and other relevant information generated by market transactions involving directly comparable (i.e. similar) assets.

The inputs to this technique constitute Level 2 inputs in each instance. Level 2 inputs are inputs that are observable for the asset, either directly or indirectly. The inputs used took the form of analysed and weighted market evidence such as sales, rentals, yields and costs in respect of comparable properties in the same or similar locations at or around the valuation date.

19. Capital commitments

At 31 March 2020 the Council had a capital commitment of £14.388m relating to phase 1 of the Chard Regeneration scheme, primarily the construction of a new leisure centre.

20. Construction contracts

At 31 March 2020 the Council had one large construction contract in progress, which was:

- Construction of Chard Leisure Centre for £16.466m.

21. Intangible assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and

Equipment. The intangible assets include software. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. Software assets are assigned useful lives of between 3 and 5 years.

The movement on Intangible Asset balances during the year is as follows:

	31 March 2019 £'000	31 March 2020 £'000
Balance at start of year:		
• Gross carrying amounts	1,087	1,909
• Accumulated amortisation	(248)	(636)
Net carrying amount at start of year	**839**	**1,273**
Additions	822	316
Disposals	0	0
Amortisation for the period	(388)	(506)
Amortisation on disposal	0	0
Net Carrying amount at end of year	**1,273**	**1,083**
Comprising:		
• Gross carrying amounts	1,909	2,225
• Accumulated amortisation	(636)	(1,142)
Total Intangible Assets	**1,273**	**1,083**

22. Joint Venture

The Council is part of a joint venture called Lufton 2000, with Abbey Manor Developments Ltd, to purchase and develop 30 acres of industrial land at Lufton. The initial contribution was £351k in 1999/2000. The draft unaudited accounts of the joint operation for the year ended 31 March 2020 disclose net assets of £1.275m and a net profit of £59k. SSDC and Abbey Manor Developments Ltd hold the shares joint each with a 50% interest.

SSDC Opium Power Ltd is now treated as a subsidiary as detailed in the note 1b prior period adjustments.

Restated 31 March 2019 £'000		31 March 2020 £'000
608	Lufton 2000	638
608	**Investment in Joint Operations/Ventures**	**638**

Restated 31 March 2019 £'000		31 March 2020 £'000
608	Lufton 2000	638
608	**Useable Reserves – Share in Joint Operations/Ventures**	**638**

Restated 31 March 2019 £'000		31 March 2020 £'000
159	Lufton 2000	(30)
159	**Share of Other Income and Expenditure in Joint Operations/Ventures**	**(30)**

23. Heritage Assets

31 March 2019 £'000		31 March 2020 £'000
1,763	Balance at start of year	1,789
16	Additions	0
10	Revaluations/(Impairments)	3
1,789	**Total Heritage Assets**	**1,792**

24. Long term debtors

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

31 March 2019 £'000		31 March 2020 £'000
10,784	Loans	17,122
6	Mortgages	3
276	Rights to receipts – long term lease	276
12	Car/bike/learning loans	16
11,078	**Total Long Term Debtors**	**17,417**

Further information relating to long term debtors is contained within Note 35 on Financial Instruments.

25. Inventories

2018/19				2019/20		
SSDC Consumables	Property Acquired or constructed for sale	Total		SSDC Consumables	Property Acquired or constructed for sale	Total
£'000	£'000	£'000		£'000	£'000	£'000
129	2,358	**2,487**	Balance 1 April	133	3,684	**3,817**
14	1,326	**1,340**	Purchases	9	788	**797**
(10)	0	**(10)**	Expenses in year	(22)	0	**(22)**
133	**3,684**	**3,817**	**Balance 31 March**	**120**	**4,472**	**4,592**

26. Short term debtors

31 March 2019 £'000		31 March 2020 £'000
824	Central Government Bodies	497
454	Other Local Authorities	363
1	NHS Bodies	2
8,228	Other Entities and Individuals	10,047
9,507	**Total Short Term Debtors**	**10,909**

27. Cash and cash equivalents

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

31 March 2019 £'000		31 March 2020 £'000
13	Cash held by the Authority	11
480	Short-term deposits with Business Reserve accounts and Money Market Funds	1,998
493	**Total Cash and Cash Equivalents**	**2,009**
(702)	Bank overdrafts	293
	Cash held on behalf of others	(1,048)
(209)	**Net Cash and Cash Equivalents as per cashflow statement**	**1,254**

The cash held on behalf of others relates to funds held in respect the Dorcas House Trust (See note 50), Boden Mill and Chard Regeneration Scheme and the Yeovil Cemetery and Crematorium Burial Committee.

28. Short-term Borrowings

31 March 2019 £'000		31 March 2020 £'000
(11,500)	Other Local Authorities	(79,500)
(8,000)	Other Entities and Individuals	0
(19,500)	**Total Short Term Borrowing**	**(79,500)**

29. Short-term creditors

31 March 2019 £'000		31 March 2020 £'000
(1,839)	Central Government Bodies	(3,296)
(1,388)	Other Local Authorities	(1,856)
(8)	NHS Bodies	(1)
(5,873)	Other Entities and Individuals	(5,770)
(9,108)	**Total Short Term Creditors**	**10,923**

30. Long term liabilities – creditors

31 March 2019 £'000		31 March 2020 £'000
(185)	Other Entities and Individuals	(23)
(185)	**Total Long term Liabilities - Creditors**	**(23)**

The long term liabilities – creditors relate to garden waste income for 2019/20 which was paid in advance.

31. Provisions

31 March 2019 £'000		31 March 2020 £'000
(1,313)	Business Rates Provisions for Appeals	(792)
(88)	MMI Provision	(88)
(1,401)	**Total Provisions**	**(880)**

The Business Rates Provision is reviewed each year to ensure it is adequate. It is used to offset any loss on business rates appeals and is replenished to ensure it mitigates our risk appropriately. During the year we have utilised £521k of the provision.

32. Developers contribution deferred

31 March 2019 £'000		31 March 2020 £'000
(3,799)	Balance at start of year	(3,679)
(735)	Additional Deposits	(851)
855	Applied Deposits	438
(3,679)	**Total Developers Contribution Deferred**	**(4,092)**

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

33. Usable reserves

Restated 31 March 2019 £'000		31 March 2020 £'000
(4,593)	General Fund Balance	(5,099)
(17,506)	Earmarked Reserves	(21,878)
(22,798)	Capital Receipts Reserve	(18,433)

(1,694)	Capital Grants Unapplied	(2,501)
(608)	Authority's share of Joint Operation	(638)
(47,199)	**Total Usable Reserves**	**(48,549)**

Capital Receipts Reserve

31 March 2019 £'000		31 March 2020 £'000
(25,268)	Balance of Usable Receipts at 1 April	(22,798)
(2,132)	Receipts from Sale of Assets	(1,105)
4,600	Receipts applied to finance Capital Expenditure	5,468
2	Amount payable to the housing capital receipt pool	2
(22,798)	**Total Capital Receipts Reserve**	**(18,433)**

The capital receipts reserve holds the proceeds from the sale of capital assets and is used for financing capital expenditure.

Capital Grants Unapplied

31 March 2019 £'000		31 March 2020 £'000
(1,038)	Balance at start of year	(1,694)
(793)	Additional Capital Grants recognised through the Comprehensive Income and Expenditure Statement	(988)
137	Applied Deposits	181
(1,694)	**Total Capital Grants Unapplied**	**(2,501)**

The capital grants unapplied reserve holds any capital grant received but not yet spent.

Transfers to/from earmarked reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2019/20. All earmarked reserves are revenue balances.

	Balance as at 31 March 2018 £'000	Trans-fers in 2018/19 £'000	Trans-fers out 2018/19 £'000	Balance as at 31 March 2019 £'000	Trans-fers in 2019/20 £'000	Trans-fers out 2019/20 £'000	Balance as at 31 March 2020 £'000
Capital Fund	**(1,274)**	(189)	186	**(1,277)**	(199)	550	**(926)**
Cremator Replacement Reserve	**(549)**	0	0	**(549)**	0	0	**(549)**
Internal Borrowing Repayments	**(58)**	(60)	0	**(118)**	(91)	0	**(209)**
Elections Reserve	**(189)**	(41)	0	**(230)**	(40)	96	**(174)**
Sports Facilities Reserve	**(21)**	(10)	0	**(31)**	(10)	0	**(41)**
Local Plan Inquiry Reserve	**(71)**	0	71	**0**	0	0	**0**
Yeovil Athletics Track Repairs	**(151)**	(18)	2	**(167)**	(19)	7	**(179)**
Planning Delivery Reserve	**(16)**	0	0	**(16)**	0	0	**(16)**
Bristol to Weymouth Rail Reserve	**(26)**	(2)	0	**(28)**	(48)	0	**(76)**
Local Authority Business Growth	**(14)**	0	14	**0**	0	0	**0**
Yeovil Refresh Reserve	**(122)**	0	10	**(112)**	0	0	**(112)**
IT Replacement Reserve	**(10)**	0	0	**(10)**	0	0	**(10)**
Insurance Fund	**(50)**	0	0	**(50)**	0	0	**(50)**
Transformation Fund	**(2,266)**	(388)	2,425	**(229)**	(179)	269	**(139)**
Treasury Management Reserve	**(100)**	(50)	0	**(150)**	(450)	0	**(600)**
Local Plan Implementation Fund	**(125)**	0	125	**0**	0	0	**0**
Revenue Grant Reserve	**(788)**	(436)	720	**(504)**	(35)	83	**(456)**
MTFP Support Fund	**(6,012)**	0	993	**(5,019)**	(1,000)	2,742	**(3,277)**
CTAX/Housing Benefits Reserve	**(625)**	(300)	103	**(822)**	(172)	290	**(704)**
Closed Churchyards Reserve	**1**	(13)	1	**(11)**	(12)	8	**(15)**
Health Inequalities	**(32)**	0	0	**(32)**	0	0	**(32)**
Deposit Guarantee Claims Reserve	**(5)**	0	1	**(4)**	0	1	**(3)**
Park Homes Replacement Reserve	**(164)**	(62)	0	**(226)**	(30)	0	**(256)**
Planning Obligations Admin Reserve	**(35)**	0	5	**(30)**	0	0	**(30)**

	Balance as at 31 March 2018 £'000	Trans-fers in 2018/19 £'000	Trans-fers out 2018/19 £'000	Balance as at 31 March 2019 £'000	Trans-fers in 2019/20 £'000	Trans-fers out 2019/20 £'000	Balance as at 31 March 2020 £'000
Local Strategic Partnership Reserve	**(8)**	0	8	**0**	0	0	**0**
Artificial Grass Pitch Reserve	**(108)**	(20)	0	**(128)**	(22)	4	**(146)**
Business Support Scheme (flooding)	**(139)**	0	17	**(122)**	0	11	**(111)**
Regeneration Fund	**(803)**	(1,508)	217	**(2,094)**	(1,482)	311	**(3,265)**
NNDR Volatility Reserve	**(3,955)**	0	0	**(3,955)**	(1,241)	2,500	**(2,696)**
Ticket Levy Income	**(35)**	(141)	112	**(64)**	(158)	136	**(86)**
Waste Reserve	**(215)**	(79)	0	**(294)**	0	194	**(100)**
Community Housing Fund	**(211)**	0	0	**(211)**	0	0	**(211)**
Community Safety Reserve	**0**	(79)	0	**(79)**	(20)	31	**(68)**
Housing and Homelessness Reserve	**0**	(458)	0	**(458)**	(321)	377	**(402)**
Commercial Investment Reserve	**0**	(132)	0	**(132)**	(6,168)	0	**(6,300)**
Spatial Policy Reserve	**0**	(334)	0	**(334)**	(63)	92	**(305)**
YIC Maintenance Reserve	**0**	(20)	0	**(20)**	(20)	0	**(40)**
Climate Change Fund	**0**	0	0	**0**	(350)	56	**(294)**
Total Reserves	**(18,176)**	**(4,340)**	**5,010**	**(17,506)**	**(12,130)**	**7,758**	**(21,878)**

34. Unusable reserves

31 March 2019 £'000		31 March 2020 £'000
(21,981)	Revaluation Reserve	(17,832)
(430)	Pooled Fund Adjustment Account	2,779
(33,915)	Capital Adjustment Account	(26,736)
(286)	Deferred Capital Receipts	(281)
76,596	Pensions Reserve	79,934
(1,043)	Collection Fund Adjustment Account	(1,558)
244	Accumulating Compensated Absences Adjustment Account	367
19,185	**Total Unusable Reserves**	**36,674**

Revaluation Reserve

The Revaluation Reserve holds the unrealised revaluation gains which have arisen, since 1 April 2007, from holding property, plant and equipment. Where assets which had previously been revalued are impaired as a result of reductions in property values, then the revaluation reserve is reduced to the extent of the value held for that specific asset.

31 March 2019 £'000		31 March 2020 £'000
(21,593)	Balance at start of year	(21,981)
(1,699)	Revaluation gains on non-current assets	(2,153)
683	Downward revaluation on non-current assets	5,823
14	Disposals of non-current assets	0
614	Current value depreciation transferred to Capital Adjustment Account	479
(21,981)	**Total Revaluation Reserve**	**(17,832)**

Pooled Fund Adjustment Account

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

31 March 2019 £'000		31 March 2020 £'000
0	Balance at start of year	(429)
(535)	Reclassification of financial instruments	0
0	Loss on derecognition/maturity	0
106	Revaluation losses on pooled fund adjustment	3,208

	account	
(429)	**Total Pooled Fund Adjustment Account**	**2,779**

The change to IFRS9 means that pooled funds are accounted for at fair value through profit and loss with the changes in fair value being taken to the Comprehensive Income and Expenditure statement.

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling posting from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and subsequent costs.

The Account contains accumulated gains and losses on Investment Properties. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 10 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

31 March 2019			**31 March 2020**	
£'000	**£'000**		**£'000**	**£'000**
	(35,872)	**Balance at start of year**		**(33,915)**
(4,600)		Capital Expenditure financed from Capital Receipts	(5,468)	
(614)		Current value depreciation transferred from Revaluation Reserve	(479)	
(221)		Minimum Revenue Provision	(520)	
(186)		Revenue Contribution to capital	(551)	
(1,525)		Capital Grants and Contributions Applied	(1,331)	
	(7,146)			**(8,349)**
		Less:		
2,969		Write down of Revenue Expenditure funded from Capital under Statute	4,553	
108		Carrying amount of assets disposed	7	
2,341		Depreciation	2,682	
(54)		Impairment	2,633	
3,505		Movement in market value of Investment Property	5,424	
234		Repayment of Capital Loans	230	
	9,103			**15,529**
	(33,915)	**Total Capital Adjustment Accounts**		**(26,735)**

Deferred Credits Account

31 March 2019 £'000		**31 March 2020 £'000**
(291)	Balance at start of year	(286)
2	Repayment of mortgages on sale of Council Houses	2
3	Right to Receipts – St Johns Ambulance	3
(286)	**Total Deferred Credits**	**(281)**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

31 March 2019 £'000		31 March 2020 £'000
81,138	Balance at start of year	76,596
(8,005)	Re-measurement of the net defined benefit liability	995
7,067	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provisions of Services in the Comprehensive Income and Expenditure Statement	6,228
(3,604)	Employer's pensions contributions and direct payments to pensioners payable in year	(3,885)
76,596	**Total Pensions Reserve**	**79,934**

Collection Fund Adjustment Account

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

31 March 2019 £'000		31 March 2020 £'000
886	Balance at start of year	(1,043)
146	Collection Fund Adjustment in year for Council Tax	24
(2,075)	Collection Fund Adjustment in year for non-domestic rates	(539)
(1,043)	**Total Collection Fund Adjustment Account**	**(1,558)**

Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March 2020. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfer to or from the Account.

31 March 2019			31 March 2020	
£'000	£'000		£'000	£'000
	249	**Balance at start of year**		**245**
(249)		Settlement or cancellation of accrual made at the end of preceding year	(245)	
245		Amounts accrued at the end of the current year	367	
	(4)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		122
	245	**Total Accumulating Compensated Absences Adjustment Account**		**367**

35. Financial Instruments

The Authority's accounting policies relating to financial instruments are in accordance with the 2019/20 Code of Practice on Local Authority Accounting.

Financial Instruments Balances

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

31 March 2019			31 March 2020	
Long Term £'000	**Current £'000**	**Financial Liabilities**	**Long Term £'000**	**Current £'000**
		Loans at amortised cost:		
	19,500	Principal sum borrowed		79,500
	16	Accrued interest		134
0	**19,516**	**Total Borrowing**	**0**	**79,634**
		Liabilities at amortised cost:		
185	3,188	Trade payables	23	2,449
51	30	Finance Lease	20	31
236	**3,218**	**Included in Creditors**	**43**	**2,480**
236	**22,734**	**Total Financial Liabilities at amortised cost**	**43**	**82,114**

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

31 March 2019			31 March 2020	
Long Term £'000	**Current £'000**	**Financial Assets**	**Long Term £'000**	**Current £'000**
		At amortised cost		
1,000	2,000	Principal		8,000
4	3	Accrued Interest		5
	(1)	Loss Allowance		
		At fair value through profit & loss		
2,129	25,687	Fair value	2,105	20,471
3,133	**27,689**	**Total Investments**	**2,105**	**28,476**
		At amortised cost		
	0	Principal		2,000
		Accrued Interest		
		Loss Allowance		(2)
		At fair value through profit & loss		
	481	Fair value		
	481	**Total Cash and Cash Equivalents**		**1,998**
		At amortised cost		
	2,590	Trade receivables		3,024
11,079	2,046	Loans and Receivables	17,417	1,250
11,079	**4,636**	**Included in Debtors**	**17,417**	**4,274**
14,212	**32,806**	**Total Financial Assets**	**19,522**	**34,748**

Financial Instruments Gains/Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

31 March 2019					31 March 2020			
Financial	**Financial Assets**				**Financial**	**Financial Assets**		
Liabilities Amortised Cost £'000	**Amortised Cost £'000**	**Fair Value through Profit & Loss £'000**	**Total £'000**	**Financial Assets**	**Liabilities Amortised Cost £'000**	**Amortised Cost £'000**	**Fair Value through Profit & Loss £'000**	**Total £'000**
267			267	Interest expense	1,351			1,351
		5	5	Losses on derecognition				
		3	3	Losses from change in fair value				
267		**8**	**275**	**Interest payable and similar charges**	**1,351**			**1,351**
	(456)	(970)	(1,426)	Interest income		(1,687)	(1,195)	(2,882)
				Gains on derecognition				
		(14)	(14)	Gains from change in fair value			(25)	(25)
	(456)	**(984)**	**(1,440)**	**Interest & Investment Income**		**(1,687)**	**(1,220)**	**(2,907)**
267	**(456)**	**(976)**	**(1,165)**	**Net impact on (surplus)/deficit on provision of services**	**1,351**	**(1,687)**	**(1,220)**	**(1,556)**
		106	106	(Gain)/Losses on revaluation			3,208	3,208
267	**(456)**	**(870)**	**(1,059)**	**Net (Gain)/Loss for the year**	**1,351**	**(1,687)**	**1,988**	**1,652**

Financial Instruments – Fair Values

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

The fair values of other instruments have been estimated calculating the net present value of the remaining contractual cash flows at 31st March 2020 using the following methods and assumptions:

- Certificates of deposit have been discounted at market interest rates for instruments of similar credit quality and remaining term to maturity.

Financial Liabilities

31 March 2019			Fair Value Level	31 March 2020	
Carrying Amount £'000	**Fair Value £'000**	**Financial Liabilities**		**Carrying Amount £'000**	**Fair Value £'000**
		Financial Liabilities held at Amortised Cost			
		Long Terms Loans from PWLB			
19,516	19,519	Other Long Term Loans	2	79,500	79,851
81	81	Finance Lease		51	51
	19,600	**Total**			**79,902**
3,373		Liabilities for which fair value is not disclosed	*	2,472	
22,970		**Total Financial Liabilities**		**82,023**	
		Recorded on Balance Sheet as:			
3,188		Short Term Creditors		2,449	
19,567		Short Term Borrowing		79,531	
185		Long Term Creditors		23	
30		Long Term Borrowing		20	
22,970				**82,023**	

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

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

Financial Assets

31 March 2019			Fair Value Level	31 March 2020	
Carrying Amount £'000	Fair Value £'000	Financial Assets		Carrying Amount £'000	Fair Value £'000
		Financial Assets held at Fair Value			
481	481	Money Market Funds	1		
23,679	23,679	Bond, Equity and Property Funds	1	22,577	22,577
4,137	4,137	Covered Bonds & Floating Rate Notes	1		
		Financial Assets held at Amortised Cost			
(689)	(689)	Bank Accounts		1,254	1,254
3,007	3,007	Term Deposits		8,005	8,005
12,366	12,366	Loans made for Service Purposes	2	18,358	18,358
42,981	**42,981**	**Total**		**50,194**	**50,194**
2,905		Assets for which fair value is not disclosed		2,097	
45,886		**Total Financial Assets**		**52,291**	
		Recorded on Balance Sheet as:			
3,134		Long Term Investments		2,105	
11,079		Long Term Debtors		17,417	
4,010		Short Term Investments		8,005	
4,192		Short Term Debtors		3,038	
23,471		Cash & Cash Equivalents		21,726	
45,886				**52,291**	

Financial assets classified as loans and receivables are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2020. The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Financial Instruments – Risk

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

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

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

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

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

Credit Risk: Investments

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

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

The Table below summarises the credit risk exposures of the Council's investment portfolio by credit rating.

Credit Rating	Long Term		Short Term	
	31/03/2020	31/03/2019	31/03/2020	31/03/2019
	£'000	£'000	£,000	£'000
AAA	2,000	2,000		2,480
AA+				
AA				
AA-			2,000	
A+				
A				
A-				
Unrated Local Authorities		1,000	8,000	2,000
Unrated Pooled Funds			23,250	23,250
Total Investments (nominal amount)	**2,000**	**3,000**	**33,250**	**27,730**

Liquidity Risk

South Somerset District Council ensures it has adequate, though not excessive, cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates.

The Council's current borrowing matures in throughout 2020/21 there will be a need to replace this borrowing. There will be an additional borrowing requirement going forward, the Council ensure that borrowing costs are kept to a minimum and seek advice from its Treasury Management advisors to ensure this is achieved.

Market risk – Interest rate risk

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

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise
- Investments at fixed rates – the fair value of the liabilities borrowings will fall

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

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

According to this assessment strategy, at 31 March 2020, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

31 March 2019 £'000		31 March 2020 £'000
191	Increase in interest payable on variable rate borrowings	497
(40)	Increase in interest receivable on variable rate investments	(254)
151	**Impact on Surplus or Deficit on the Provision of Services**	**243**
0	Decrease in fair value of fixed rate borrowings	0
73	Decrease in fair value of fixed rate investments	0

Market Risk – Price risk

The market prices of the Council's fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the market risk associated with these instruments is managed alongside interest rate risk.

The Council's investment in a pooled property fund and pooled equity funds are subject to the risk of falling commercial property prices or falling share prices. This risk is limited by the Council's maximum exposure to pooled funds of £10m nominal value per fund. A 5% fall in commercial property prices or share prices would result in a £573k charge to Other Comprehensive Income and Expenditure – this would have no impact on the General Fund until the investments were sold.

Market risk – Foreign exchange risk

The Council has not financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates. The Eurobonds held by the Council are denominated in Pound Sterling.

36. Cash Flow Statement – Operating activities

The cash flows for operating activities include the following items:

Previous Year 2018/19 £'000		Current Year 2019/20 £'000
1,116	Interest received	2,258
(61)	Interest paid	(243)
1,055	**Net Cash Flows from Operating Activities relating to interest**	**2,015**

Previous Year 2018/19 £'000		Current Year 2019/20 £'000
2,339	Depreciation and amortisation	2,683
(43)	Impairment and downward valuations	2,633
3,600	Movement in market value of investment property	5,431
1,892	Increase/(decrease) in creditors	1,653
(2,775)	(Increase)/decrease in debtors	(1,401)
(1,330)	(Increase)/decrease in inventories	(774)
(120)	Increase/(decrease) in developer contributions	413
52	Increase/(decrease) in provisions	(522)
3,463	Movement in pension liability	2,343
17	Carrying amounts of non-current assets and non-current assets held for sale, sold or derecognized	0
7,095	**Total Adjustments for Non-Cash Movements**	**12,459**

Previous Year 2018/19 £'000		Current Year 2019/20 £'000
(2,132)	Proceeds from the sale of property, plant and equipment and intangible assets	(1,106)
(2,132)	**Total Adjustments for Investing and Financing Activities**	**(1,106)**

37. Cash Flow Statement – Investing activities

Previous Year 2018/19 £'000		Current Year 2019/20 £'000
(14,254)	Purchase of property, plant and equipment, investment property and intangible assets	(53,360)
(215,578)	Purchase of short-term and long-term investments	(175,234)
(9,840)	Other payments for investing activities	(7,594)
2,132	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,106
217,470	Proceeds from sale of short-term and long-term investments	172,265
481	Other receipts from investing activities	1,255
(19,589)	**Net Cash Flows from Investing Activities**	**(61,562)**

38. Cash Flow Statement – Financing activities

Previous Year 2018/19 £'000		Current Year 2019/20 £'000
19,500	Cash receipts of short-term borrowing	60,000
(30)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(31)
19,470	**Net Cash Flows from Financing Activities**	**59,969**

39. Trading operations

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

The MOT Station is operated by the Streetscene service.

Previous Year		Current Year		
2018/19 (Surplus)/Deficit £'000		**2019/20 Expenditure £'000**	**2019/20 Income £'000**	**2019/20 (Surplus)/Deficit £'000**
(154)	Careline	111	(407)	(296)
0	MOT Station	70	(37)	33
(154)	**Total Trading Accounts**	**181**	**(444)**	**(263)**

40. Members' Allowances

Previous Year 2018/19 £'000		Current Year 2019/20 £'000
397	Basic Allowance	404
112	Special Responsibility Allowance	111
17	Expenses	16
526	**Total Members Allowance**	**531**

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

41. Officers' Remuneration

During the 2019/20 financial year the number of officers who received remuneration, which includes salary, leased car and termination payments, in excess of £50k were as follows:

2018/19			Remuneration Band	2019/20		
Total	**Left during year**	**Compensation for loss of office**		**Total**	**Left during year**	**Compensation for loss of office**
10	4	4	£50,000 - £54,999	8		
23	10	10	£55,000 - £59,999	14		
7	3	3	£60,000 - £64,999	6	1	
4	2	2	£65,000 - £69,999	4		
6	4	4	£70,000 - £74,999			
3	3	3	£75,000 - £79,999	3		
1	1	1	£80,000 - £84,999			
2	2	2	£85,000 - £89,999			
1	1	1	£90,000 - £94,999			
			£95,000 - £99,999			
4	1	1	£100,000 - £104,999			
			£110,000 - £114,999	3		
			£120,000 - £124,999			
1	0	0	£145,000 - £149,999			
			£150,000 - £154,999	1		
1	1	1	£180,000 - £184,999			

Senior Officers

A senior officer is an employee whose salary is more than £150k per year, or one whose salary is at least £50k (to be calculated pro rata for a part-time employee) and who are either the designated Head of Paid Services, a statutory officer and any person having responsibility for the management of the relevant body, to the extent that the person has power to direct or control the major activities of the body.

Senior employees are typically an authority's Chief Executive (or equivalent), officers that report direct to them (other than administration staff), and statutory chief officers. For South Somerset District Council, the senior employees are the Directors Officers with statutory roles.

Senior Officers' Emoluments

Current year 2019/20 Post Title	Name of officer	Salary (including Fees & Allowances) £'000	Benefits in kind £'000	Compen-sation for loss of office £'000	Total Remuneration (excl. pension contribution) £'000	Pension Contribution £'000	Total Remuneration (incl. pension contribution) £'000
Chief Executive	A Parmley	115	2	0	**117**	18	**135**

Previous year 2018/19 Post Title	Name of officer	Salary (including Fees & Allowances) £'000	Benefits in kind £'000	Compen-sation for loss of office £'000	Total Remuneration (excl. pension contribution) £'000	Pension Contribution £'000	Total Remuneration (incl. pension contribution) £'000
Chief Executive	A Parmley	113	2	0	**115**	18	**133**

Current Year 2019/20 Post Title	Salary (including Fees & Allowances) £'000	Benefits in kind £'000	Compen-sation for loss of office £'000	Total Remuneration (excl. pension contribution) £'000	Pension Contribution £'000	Total Remuneration (incl. pension contribution) £'000
Director (Strategy and Support Services)	86	0	0	**86**	14	**100**
Director (Service Delivery)	87	0	0	**87**	14	**101**
Director (Commercial Services & Income Generation	86	0	0	**86**	14	**100**
Lead Specialist Legal/Monitoring Officer	47	0	0	**47**	8	**55**
Lead Specialist Finance/S151 Officer	52	0	0	**52**	8	**60**

The Council's S151 Officer for the period April to December 2019 was employed by Somerset West and Taunton Council (SWTC) and SSDC paid SWTC for 40% or 0.4 full time equivalent. In the interests of transparency, the total costs charged SSDC for this post in 2019/20 was £32,604 including salary, on costs and expenses. On the 20th March a new S151 Officer started at the Council, however any salary for the period up to 31st March was not paid until April 2020 therefore nothing is included in the table above.

The Council's Monitoring Officer for the period January to March 2020 was employed by Eastleigh Borough Council (EBC) and SSDC paid EBC for their services, the total cost being £6,012.

Previous Year 2018/19 Post Title	Salary (including Fees & Allowances) £'000	Benefits in kind £'000	Compen-sation for loss of office £'000	Total Remuneration (excl. pension contribution) £'000	Pension Contribution £'000	Total Remuneration (incl. pension contribution) £'000
Strategic Lead for Transformation	66	0	94	**160**	11	**171**
Director (Strategy and Support Services)	79	0	0	**79**	13	**92**
Director (Service Delivery)	80	1	0	**81**	13	**94**
Director (Commercial Services & Income Generation	79	1	0	**80**	13	**93**
Lead Specialist Legal/Monitoring Officer	53	0	0	**53**	9	**62**

The Council's S151 Officer was employed by Somerset West and Taunton Council (SWTC) and SSDC pays SWTC for 40% or 0.4 full time equivalent. As the Officer was not an employee of SSDC the remuneration details are not included above, with full remuneration details disclosed within the SWTC Statement of Accounts. However, in the interests of transparency, note the total costs charged SSDC for this post in 2018/19 was £42,680 including salary, on costs and expenses

Exit Packages

The total cost of £9.83k for 2019/20 (£1.960m for 2018/19) has been charged to the authority's Comprehensive Income and Expenditure Statement in the current year.

Exit Package Costs Band (including special payments)	Number of Compulsory Redundancies		Number of Voluntary/Efficiency of service		Total Number of Exit Packages		Total Cost of Exit Packages	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19 £'000	2019/20 £'000
£0 - £20,000	5	0	7	2	12	2	169	10
£20,001 - £40,000	15	0	24	0	39	0	1,160	0
£40,001 - £60,000	3	0	6	0	9	0	411	0
£60,001 - £80,000	2	0	0	0	2	0	126	0
£80,001 - £100,000	1	0	0	0	1	0	94	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
TOTAL	**26**	**0**	**37**	**0**	**63**	**0**	**1,960**	**10**

Termination Benefits

The authority terminated the contracts of two employees in 2019/20, incurring liabilities of £9.3k (£1.960m in 2018/19). These officers left the authority as an efficiency of service.

42. Audit Costs

In 2019/20 the Council incurred the following fees relating to external audit and inspection:

Previous Year 2018/19 £'000		**Current Year 2019/20 £'000**
38	Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor	45
10	Fees payable to Grant Thornton UK LLP for the certification of grant claims and returns	14
48	**Total Audit Costs**	**59**

43. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive income and Expenditure Statement in 2019/20.

Previous Year 2018/19 £'000		**Current Year 2019/20 £'000**
2,181	Capital Grants	2,138
2,007	New Homes Bonus	2,008
269	Revenue Support Grant (UK Government)	0
166	Other non-specific Government Grant	0
4,623	**Total Grants credited to taxation and Non-Specific Grant income and Expenditure**	**4,146**
2,680	Business Rates Tax loss reimbursement	2,752
223	Cost of Collection – Business Rates	224
33,011	Housing Benefits	29,602
443	Homelessness Grants	388
286	Miscellaneous Grants	215
36,643	**Total Grants credited to services**	**33,181**
41,266	**Total Grants**	**37,327**

44. Related Party Transactions

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

Precepts from Other Local Authorities are detailed in Note 1 to the Collection Fund and receipts received from the UK Central Government (which exerts significant influence through legislation and grant funding) are detailed above in Note 43 to the Core Financial Statements.

Transactions to and from the Pension Fund are detailed in Note 48 to the Core Financial Statements.

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

Organisation	SSDC Contribution in 2019/20	SSDC Councillor
Ilminster Cricket Club	£17,415 S106 payments	Cllr B Hamilton
Parrett Drainage Board	£63,683 as a special levy	Cllr M Stanton Cllr G Tucker
Preston Grove Medical Centre	£27,588 Medical References	Cllr O Patrick
Somerset Mind	£10,490 Mental Health courses & training	Cllr A Kendall
South West Councils	£8,490 Subscription & training	Cllr V Keitch
UNISON	£14,646 Employees subscriptions	Cllr D Bulmer
Yeovil Youth Theatre	£10,713 Balance of show	Cllr K Gill

South Somerset District Council is a member of the South West Audit Partnership which is a company limited by guarantee and is wholly owned and controlled, as an in-house company, by the members and is a Local Authority Controlled Company for the purposed of Part V of the Local Government and Housing Act 1989. The liability of each member is limited to £1, being the amount that each member undertakes to contribute to the assets of the Company in the event of it being wound up while the Authority is a member or within one year after the Authority ceases to be a member. South West Audit Partnership provides internal audit services.

45. Capital expenditure and financing

Previous Year 2018/19			Current Year 2019/20	
£'000	£'000		£'000	£'000
	17,439	**Opening Capital financing Requirement**		**39,361**
		Capital Expenditure		
821		Intangible Non-Current Assets	310	
23,077		Non-Current Assets	52,260	
1,547		Assets under Construction	785	
0		Long Term Debtors	7,574	
2,969		Revenue Expenditure funded from Capital under Statute	4,553	
	28,414			**65,482**
		Sources of Finance		
(4,560)		Use of Capital Receipts	(5,468)	
(1,525)		Government Grants & Other Contributions	(1,331)	
(186)		Capital expenditure charged against the capital fund	(551)	
(221)		Minimum Revenue Provisions	(520)	
	(6,492)			**(7,870)**
	39,361	**Closing Capital Financing Requirement**		**96,973**

46. Leases

Authority as Lessee

Finance Leases

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

31 March 2019 £'000		31 March 2020 £'000
77	Vehicles, Plant, Furniture and Equipment	48
77	**Total Carrying Amount of Leases**	**48**

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31 March 2019 £'000		31 March 2020 £'000
81	Finance lease liabilities (net present value of minimum lease payments)	51
5	Finance Cost Payable in future years	2
86		**53**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000
Not later than one year	33	32	30	31
Later than one year and not later than five years	53	21	51	20
Total Finance Lease Payments	**86**	**53**	**81**	**51**

Operating Leases

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

31 March 2019		£'000		31 March 2020		£'000
Vehicles, Plant & Equipment	Property	**Total**		Vehicles, Plant & Equipment	Property	**Total**
42	28	**70**	Not later than one year	75	24	**99**
48	90	**138**	Later than one year and not later than five years	75	93	**168**
0	869	**869**	Later than five years	0	849	**849**
90	**987**	**1,077**	**Total Operating Lease Payments**	**150**	**966**	**1,116**

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

Previous Year 2018/19 £'000		Current Year 2019/20 £'000
	Minimum lease payments	
42	• Vehicles, Plant and Equipment	75
35	• Property	34
77	**Total Operating Lease Payments Charge to the Comprehensive Income and Expenditure Statement**	**109**

Authority as Lessor

Operating Leases

The Council leases out property and equipment under operating leases for economic development purposes to provide suitable affordable accommodation for local businesses.

The Council has granted leases in respect of a number of properties (principally commercial premises and business units) which are treated as operating leases.

The future minimum lease payments receivable under non-cancellable leases in future years can be broken down as follows:

31-Mar-19 Restated £'000		31-Mar-20 £'000
5,736	No later than one year	5,506
20,830	Later than one year and not later than five years	16,972
15,385	Later than five years	13,736
41,951	**Total future lease payments receivable**	**36,214**

47. Impairment Losses

During 2019/20, the Authority recognised a net impairment loss of £14.456m (£4.113m in 2018/19). This was made up of £14.709m reduction in value and £253k of reversing previous impairment losses.

The impairment losses of £8.669m have been charged to various service lines on the Comprehensive Income and Expenditure Statement and downward revaluations of £5.023m have been charged to the Revaluation Reserve.

48. Defined benefit pension schemes

Participation in Pension Schemes

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

South Somerset District Council participates in the Local Government Pension Scheme (LGPS) for employees, administered by Somerset County Council – this is a funded defined benefit scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The benefits accrued up to 31 March 2020 are based on final salary and length of service on retirement. Changes to the LGPS came into effect from 1 April 2014 and any benefit accrued from this date will be based on career average revalued salary.

Transactions Relating to Post-Employment Benefits

The Council recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund Balance via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Previous Year 2018/19			Current Year 2019/20	
£'000	**£'000**		**£'000**	**£'000**
		Comprehensive Income and Expenditure Statement		
		Cost of Services:		
3,966		• Current service costs	3,902	
1,009		• Past service and curtailment costs	454	
60		• Administration Expenses	75	
	5,035			4,431
		Financing and Investment Income and Expenditure		
4,578		• Interest Cost	4,275	
(2,546)		• Return on Assets	(2,478)	
	2,032			1,797
	7,067	**Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement**		**6,228**
£'000	**£'000**		**£'000**	**£'000**
		Other Post Employment benefit charged to the Comprehensive Income and Expenditure Statement		
		Remeasurement of the net defined benefit liability comprising:		
(2,710)		Return on plan fund assets in excess of interest	9,997	
5,040		Change in financial assumptions	(16,402)	
(10,335)		Change in demographic assumptions	1,070	
		Experience (gain)/losses on defined benefit obligation	6,330	
		Other actuarial (gains)/losses on assets		
	(8,005)	**Total remeasurement of net defined benefit liability**		**995**
	(938)	**Total post employment benefit charged to the Comprehensive Income and Expenditure Statement**		**7,223**
		Movement in Reserves Statement		
		Reversal of net charges made to the surplus or deficit for the provision of services for post-employment benefits in accordance with the code		
		Actual amount charged against the General Fund Balance for pensions in the year:		
(3,389)		• Employer's contributions payable to scheme	(3,677)	
(215)		• Retirement benefits payable to pensioners	(208)	
	(3,604)			**(3,885)**

The change in financial assumptions reflects a decrease in the discount rate from 2.40% to 2.35%. The discount rate is based on corporate bond yields that match the duration of the employer's liabilities. Although the yields have been volatile they have decreased overall which indicates an increase in liabilities.

Assets and Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2020 are as follows:

Reconciliation of the Present Value of Scheme Liabilities and Fair Value of Scheme Assets to the Liabilities and Assets on the Balance Sheet

Previous Year 2018/19 £'000		Current Year 2019/20 £'000
178,055	Present Value of Funded Obligation	172,060
(104,227)	Fair Value of Assets in Scheme	(94,688)
73,828	**Net Liability**	**77,372**
2,768	Present Value of Unfunded Obligation	2,562
76,596	**Closing Balance at 31 March**	**79,934**

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total liability of £79.934m has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in an overall balance of £13.635m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Reconciliation of Present Value of the scheme liabilities

Previous Year 2018/19 £'000		Current Year 2019/20 £'000
181,783	Opening Balance at 1 April	180,823
3,966	Current service cost	3,902
4,578	Interest cost	4,275
	Remeasurement (gains) and losses:	
5,040	Actuarial gains/losses from change in financial assumptions	(16,402)
(10,335)	Actuarial gains/losses from change in demographic assumptions	1,070
0	Experience loss/(gain) on defined benefit obligation	6,330
0	Liabilities assumed/(extinguished) on settlements	0
(5,692)	Estimated benefits paid net of transfers in	(6,331)
1,009	Past service costs, including curtailments	454
689	Contributions by scheme participants	709
(215)	Unfunded Pension Payments	(208)
180,823	**Closing balance at 31 March**	**174,622**

An allowance for the estimated impact of the recent McCloud judgement is included as a past service cost. The estimated impact on the total liabilities as at 31st March 2020 is £236,000 (or 0.1% as a percentage of total liabilities).

Reconciliation of Fair Value of Scheme Assets

Previous Year 2018/19 £'000		Current Year 2019/20 £'000
100,645	Opening Balance at 1 April	104,227
2,546	Interest on Assets	2,478
2,710	Return on Assets less interests	(8,584)
0	Other actuarial gains/(losses)	(1,413)
(60)	Administration expenses	(75)
3,604	Contribution by the employers	3,885
689	Contributions by scheme participants	709
(5,907)	Benefits paid	(6,539)
0	Settlement prices received/(paid)	0
104,227	**Closing balance at 31 March**	**94,688**

The expected return on assets is based on the long-term future expected investment return for each asset class at the beginning of the period. The return on gilts and other bonds are assumed to the gilt yield and corporate bond yield respectively (with an adjustment to reflect default risk) at the relevant date. The return on equities and property is then assumed to be a margin above gilt yields.

Sensitivity Analysis

	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	171,270	174,622	178,043
Projected service cost	3,478	3,575	3,674
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	174,783	174,622	174,462
Projected service costs	3,575	3,575	3,575
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	177,893	174,622	171,413
Projected service costs	3,675	3,575	3,478
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year

Present value of total obligation	182,082	174,622	167,486
Projected service costs	3,685	3,575	3,468

Projected Pension Expense for the year to 31 March 2021

	Year to 31 March 2021 £'000
Service Cost	3,575
Net Interest on the defined liability	1,839
Administration expenses	68
Total Loss/(Profit)	**5,482**
Employer Contributions	**3,180**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumption about mortality rates, salary levels etc. The Peninsula Pension Fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries. Estimates for the Peninsula Pension Fund being based on the latest full valuation of the scheme as at 31 March 2019.

The principal assumptions used by the actuary have been:

31 March 2019		31 March 2020
2.40%	Rate of inflation (CPI)	1.90%
3.90%	Rate of general long-term increase in salaries	2.90%
2.40%	Rate of increase to pensions in payment	1.90%
2.40%	Rate of increase to deferred pensions	1.90%
2.40%	Discount Rate	2.35%

Assumed life expectations from aged 65 (years) are:

	Males	Females
Current Pensioners	23.3	24.7
Future Pensioners (20 years from now)	24.7	26.2

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

% of total Scheme as at 31 March 2019	Value of total Scheme as at 31 March 2019 £'000		% of total Scheme as at 31 March 2020	Value of total Scheme as at 31 March 2020 £'000
70	72,847	Equity Investments	67	63,865
6	5,919	Government Bonds	7	6,206
9	9,521	Corporate Bonds	10	9,489
9	9,074	Property	9	8,978
6	6,866	Cash	7	6,150
100	**104,227**		**100**	**94,688**

49. Contingent liabilities

There is a potential environmental risk in the Birchfield Park area as part of the land is an old landfill site. The site continues to be monitored and there is a bond in place with the developer to meet any liabilities resulting from the development of the road. However, there remains a contingent residual liability of £311k that falls on the Council. As this still remains unlikely to be payable we are treating this as a contingent liability. Should the possibility of payment become more likely, we will consider making a specific provision to cover this cost. A specific working group manages any risks within existing revenue and capital budgets.

50. Dorcas House

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

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

Previous Year 2018/19 £'000		Current Year 2019/20 £'000
(3)	Total Income for the Year	(3)
0	Total Expenditure of the Year	0
(3)	**Deficit/(Surplus) for the Year**	**(3)**

(Brackets represent income)

Previous Year 2018/19 £'000		Current Year 2019/20 £'000
448	Capital & Unrestricted Funds	452
448	**Total Reserves**	**452**

The Statement of Accounts for Dorcas House Trust may be obtained by contacting The Council Offices, Brympton Way, Yeovil, Somerset, BA20 2HT.

Collection Fund Account

Income and Expenditure Account for the year ended 31 March 2020

This account reflects the statutory requirement contained in section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) for billing authorities to establish and maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and National Non Domestic Rates (NNDR).

Previous Year 2018/19		Year Ended 31 March 2020		
Collection Fund £'000		**Business Rates £'000**	**Council Tax £'000**	**Collection Fund £'000**
	Income			
(103,252)	Council Tax Receivable		(109,296)	(109,296)
(45,756)	Business Rates Receivable	(46,075)		(46,075)
	Apportionment of Previous Year Deficit			
(1,198)	Central Government			
(216)	Somerset County Council		(170)	(170)
	Police and Crime Commissioner for Avon & Somerset		(28)	(28)
(24)	Devon & Somerset Fire & Rescue		(12)	(12)
(959)	South Somerset District Council (including Parishes)		(35)	(35)
(151,405)	**Total Income**	**(46,075)**	**(109,541)**	**(155,616)**
	Expenditure			
	Precepts and Demands			
20,800	Central Government	10,801		10,801
75,260	Somerset County Council	12,961	74,714	87,675
11,626	Police and Crime Commissioner for		13,127	13,127
5,456	Avon & Somerset			
	Devon & Somerset Fire & Rescue	432	5,214	5,646
32,117	South Somerset District Council (including Parishes)	19,390	15,573	34,963
	Apportionment of Previous Year Surplus			
295	Central Government	742		742
48	Somerset County Council	134		134
21	Police and Crime Commissioner for Avon & Somerset			
63	Devon & Somerset Fire & Rescue	15		15
	South Somerset District Council (including Parishes)	594		594
	Charges to Collection Fund			
315	Write offs of uncollectable amounts	184	160	344
609	Increase/(Decrease) in bad debt	154	925	1,079
132	Increase/(Decrease) in Provision for Appeals	(1,484)		(1,484)
224	Cost of Collection	224		224
0	Legal Fees	1		1
615	Transitional Protection Payments	147		147
147,581	**Total Expenditure**	**44,295**	**109,713**	**154,008**
(3,824)	**(Surplus)/Deficit for Year**	(1,780)	172	(1,608)
2,022	**(Surplus)/Deficit Balances at Start of Year**	(2,235)	433	(1,802)
(1,802)	**(Surplus)/Deficit Balances at End of Year**	**(4,015)**	**605**	**(3,410)**

Previous Year 2018/19	Attributable to:	Year Ended 31 March 2020		
Collection Fund £'000		Business Rates £'000	Council Tax £'000	Collection Fund £'000
(1,118)	Central Government	(1,191)		(1,191)
98	Somerset County Council	(1,047)	416	(631)
50	Police and Crime Commissioner for Avon & Somerset		73	73
(1)	Devon & Somerset Fire & Rescue	(40)	29	(11)
(831)	South Somerset District Council (including Parishes for Council Tax)	(1,737)	87	(1,650)
(1,802)		(4,015)	605	(3,410)

(Brackets represent income or liabilities)

Notes to the Collection Fund

The Collection Fund is a statutory fund set up to deal with the collection and distribution of amounts due in respect of Council tax and Business Rates. The Collection Fund is managed and administered by South Somerset District Council as the Billing Authority on behalf of the council taxpayers and business ratepayers within its area. All sums raised from council tax and business rates are paid into the fund together with relevant Government grants. Payments out of the fund include contributions to the national Non-Domestic Rate pool and precept payments to Somerset County Council, Police and Crime Commissioner for Avon & Somerset, Devon & Somerset Fire & Rescue Authority, South Somerset District Council and Town/Parish Councils to fund their net service requirements.

1. **Income from Council Tax**

Council Tax income is calculated by estimating the amount of income or precept required from the Collection Fund for Somerset County Council, Police and Crime Commissioner for Avon & Somerset, Devon & Somerset Fire & Rescue Authority and South Somerset District Council.

The estimate is made by calculating a tax base and dividing the precepts by the tax base to establish the tax payable for a Band D property (properties in other bands pay a proportion of the Band D charge). The first step in calculating the tax base is to adjust the total number of properties in each band to the effective number of properties by reducing the number to allow for the number of discounts and exemptions. The effective number of dwellings is then converted to the number of Band D equivalents by applying the weighting for each band. The following table illustrates how the tax base has increased from 2019/20.

Tax Base						
Previous Year 2018/19					**Current Year 2019/20**	
Effective No of dwellings	Band D Equivalent	Weighting	Tax Band	Property Value (at April 1991)	Effective No of dwellings	Band D Equivalent
7	4	5/9ths	A-	Disabled band	11	6
8,568	5,712	6/9ths	A	Up to £40,000	8,560	5,707
19,966	15,529	7/9ths	B	Between £40,001 & £52,000	20,052	15,596
14,683	13,051	8/9ths	C	Between £52,001 & £68,000	14,792	13,148
10,993	10,994	1	D	Between £68,001 & £88,000	11,068	11,068
8,726	10,665	11/9ths	E	Between £88,001 & £120,000	8,810	10,768
4,518	6,526	13/9ths	F	Between £120,001 & £160,000	4,539	6,557
1,760	2,933	15/9ths	G	Between £160,001 & £320,000	1,763	2,938
142	285	18/9ths	H	Over £320,000	145	290
69,363	**65,699**				**69,740**	**66,078**
	(606)			Less adjustment for non-collection and banding reductions		(609)
	(5,105)			Less adjustment for Council Tax Reduction Scheme		(5,203)
	59,988			**Council Tax Base**		**60,266**

Details of the precepts are shown below:

Previous Year 2018/19 £	Precepting Authorities	Current Year 2019/20 £
71,515,639	Somerset County Council	74,713,671
11,626,109	Police and Crime Commissioner for Avon & Somerset	13,126,553
5,039,615	Devon & Somerset Fire & Rescue Authority	5,214,220
9,746,896	District Council's own requirement	10,071,063
5,228,082	Total of Parish Precepts & Levies	5,487,326

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

Previous Year 2018/19 £	Council Tax Levy at Band D	Current Year 2019/20 £
1,192.16	Somerset County Council	1,239.73
193.81	Police and Crime Commissioner for Avon & Somerset	217.81
84.01	Devon & Somerset Fire & Rescue Authority	86.51
162.48	South Somerset District Council	167.11
1,632.46		1,711.16
87.15	Add Town & Parish Councils (average)	91.05
1,719.61	**Average Council Tax Levy at Band D**	**1,802.21**

2. Council Tax Surplus/Deficit on collection fund

An estimate is made each January of the surplus or deficit on the Collection Fund in order for the County, Police Authority, Fire & Rescue Authority and the District Council to take into account when setting their precept for the following year.

3. Income collectable from business rate payers

The Council collects the Business Rates on behalf of the Government. HM Revenue & Customs assesses the Rateable Values and the Government sets the rate in the £ (or multiplier). Comparative details are shown below:

Previous Year 2018/19		Current Year 2019/20
	National Non-Domestic Rates (NNDR)	
£118,472,937	Rateable value at 31st March	£120,356,757
	NNDR rate poundage	
49.3p	- National Multiplier	50.4p
48.0p	- Small Business Multiplier	49.1p

4. Debtors for Local Taxation

The debtors for Local Taxation represent the Council's share only and not for the whole of the collection fund. The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

Previous Year 2018/19 £'000	Period	Business Rates £'000	Council Tax £'000	Total 2019/20 £'000
112	Less than 2 months	524	184	708
197	2 to 4 months	290	145	435
215	4 to 6 months	203	258	461
499	6 to 12 months	133	106	239
1,155	More than 12 months	518	647	1,165
2,178	**Total**	**1,668**	**1,340**	**3,008**

Group Accounts

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

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

The Council has three joint arrangements: SSDC Business Solutions Ltd; Elleston Services Ltd and SSDC Opium Power Ltd.

SSDC Business Solutions Ltd is a wholly owned subsidiary and the parent company of Elleston Services Ltd. SSDC Business Solutions Ltd has not been consolidated in the group accounts due to the low level of materiality of the figures.

Elleston Services Ltd

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

The Board consists of six directors appointed by South Somerset District Council. The Board of Directors approved draft accounts in July 2020.

Elleston Services Ltd has not been consolidated into the Group accounts for 2019/20 due to the values involved not being material.

SSDC Opium Power Limited

South Somerset District Council has 50% ownership in SSDC Opium Power Limited. SSDC Opium Power Limited is a subsidiary as despite the ownership ratio, South Somerset District Council has the right to exercise control with a deciding vote on the Board. The company was established in 2018.

The Board consists of four directors, J H Dobson; D Owen; C Pestell and P W Ashton. The Board of Directors approved draft accounts in August 2020.

Group Accounting Policies

South Somerset District Council's accounts are prepared under IFRS reporting standards. SSDC Opium Power Ltd prepare their accounts under FRS102, which is usual practice and compatible with Local Authority Accounts. The accounting policies are therefore the same as those applied to the single entity financial statements.

Subsidiaries

A subsidiary is an entity that the Council controls through the power to govern their financial and operating polices so as to obtain benefits from the entities' activities. Control is usually presumed where the Council owns more than half the voting power of an entity however, it may also occur where a council has an over-riding voting right.

Basis of the Preparation of the Group Financial Statements

The Group accounts have been prepared using the Group accounts requirements of the 2019/20 Code. Companies or other reporting entities that are under the ultimate control of the Council have been included in the Council's Group accounts, to the extent that they are material to the users of the financial statements in relation to their ability to see the complete economic activities of the Council and its exposure to risk through interests in other entities and participation in their activities. The subsidiaries have been consolidated by:

- adding like items of assets, liabilities, reserves, income and expenses together on a line by line basis to those of other group members in the financial statements; and
- eliminating intra-group balances and transactions in full.

Group Comprehensive Income and Expenditure Statement

(Brackets represent income)

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserve Statement.

Restated Gross Expenditure year ended 31 March 2019 £'000	Restated Gross Income year ended 31 March 2019 £'000	Restated Net Cost of Services year ended 31 March 2019 £'000	Service	Note Number	Gross Expenditure year ended 31 March 2020 £'000	Gross Income year ended 31 March 2020 £'000	Net Cost of Services year ended 31 March 2020 £'000
4,057	(22)	4,035	Chief Executive		1,273	(81)	1,192
17,535	(9,794)	7,741	Director of Commercial Services and Income Generation		20,621	(10,252)	10,369
42,222	(37,149)	5,073	Director of Service Delivery		41,132	(33,748)	7,384
3,766	(638)	3,128	Director of Strategy and Commissioning		5,676	(1,264)	4,412
6,158	(776)	5,382	Director of Support Services		6,657	(784)	5,873
115	0	115	Subsidiary Companies		76	(2)	74
73,853	**(48,379)**	**25,474**	**Cost of Services**		**75,435**	**(46,131)**	**29,304**
5,248	(1,670)	3,578	Other Operating expenditure		5,474	(851)	4,623
	(40)	(40)	Net Loss/(Gain) on Disposal of Property, Plant and Equipment		0	(11)	(11)
5,825	(1,427)	4,398	Financing and Investment Income and Expenditure	2	5,356	(2,252)	3,104
	(26,842)	(26,842)	Taxation and Non-Specific Grant Income		0	(28,019)	(28,019)
84,926	**(78,358)**	**6,568**	**(Surplus)/Deficit on Provision of Services**		**86,265**	**(77,264)**	**9,001**
		(1,007)	(Surplus)/Deficit on revaluation of Property, Plant and Equipment				5,190
		106	(Surplus)/Deficit on revaluation of Pooled Funds				3,208
		(8,005)	Remeasurement of the Net Defined Benefit Liability				995
		159	Share of Other Income and Expenditure of Joint Operations				(30)
		(8,747)	**Other Comprehensive Income and Expenditure**				**9,363**
		(2,179)	**Total Comprehensive Income and Expenditure**				**18,363**

The Deficit on the Provision of Services of £9.001m includes a Deficit of £0.35m attributable to the Minority Interest (18/19: Deficit £0.11m).

The Minority Interest represents 50% of the Income and Expenditure of SSDC Opium Power Limited, the subsidiary undertaking.

Group Movement in Reserves Statement

Reserves represent the council's net worth and shows its spending power. This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	Total General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Joint Operations Reserves	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**	Authorities share of subsidiary (Usable)	Authorities share of subsidiary (Unusable)	**Total Authorities share of subsidiary**	Minority Interest	**Total Group Reserves**
	£'000	£'000	£'000	£'000	**£'000**	£'000	**£'000**	£'000	£'000	**£'000**	£'000	**£'000**
Balance at 31 March 2018	**(22,537)**	**(25,268)**	**(1,038)**	**(767)**	**(49,610)**	**23,993**	**(25,617)**	**0**	**0**	**0**		**(25,617)**
Reclassification of Financial Instruments	14	0	0	0	14	(11)	3	0	0	**0**	0	**3**
Adjusted Balance at 31 March 2018	**(22,523)**	**(25,268)**	**(1,038)**	**(767)**	**(49,596)**	**23,982**	**(25,614)**	**0**	**0**	**0**	**0**	**(25,614)**
Movement in reserves during 2018/19:										**0**		
Total Comprehensive Income and Expenditure	**6,346**	0	0	159	**6,505**	(8,906)	**(2,401)**	**111**	**0**	**111**	**111**	**(2,179)**
Adjustments between accounting basis and funding basis under regulations (note 10)	**(5,923)**	2,470	(656)	0	**(4,109)**	4,109	**0**	**0**	**0**	**0**		**0**
Net Increase/Decrease before transfers to Earmarked Reserves	**423**	**2,470**	**(656)**	**159**	**2,396**	**(4,797)**	**(2,401)**	**111**	**0**	**111**	**111**	**(2,179)**
Transfers (to)/from Earmarked Reserves (note 33)	**0**	0	0	0	**0**	0	**0**	**0**	**0**	**0**	**0**	**0**
(Increase)/Decrease in 2018/19	**423**	**2,470**	**(656)**	**159**	**2,396**	**(4,797)**	**(2,401)**	**111**	**0**	**111**	**111**	**(2,179)**
Balance at 31 March 2019	**(22,100)**	**(22,798)**	**(1,694)**	**(608)**	**(47,200)**	**19,185**	**(28,015)**	**111**	**0**	**111**	**111**	**(27,793)**
Movement in reserves during 2019/20:												
Total Comprehensive Income and Expenditure	**8,297**	0	0	(30)	**8,267**	7,873	**16,140**	**352**	**760**	**1,112**	**1,112**	**18,364**
Adjustments between accounting basis and funding basis under regulations (note 10)	**(13,174)**	4,365	(807)	0	**(9,616)**	9,616	**0**	**0**	**0**	**0**		**0**
Net Increase/Decrease before transfers to Earmarked Reserves	**(4,877)**	**4,365**	**(807)**	**(30)**	**(1,349)**	**17,489**	**16,140**	**352**	**760**	**1,112**	**1,112**	**18,364**
Transfers to/from Earmarked Reserves (note 33)	**0**	0	0	0	**0**	0	**0**	**0**	**0**	**0**		**0**
(Increase)/Decrease in 2019/20	**(4,877)**	**4,365**	**(807)**	**(30)**	**(1,349)**	**17,489**	**16,140**	**352**	**760**	**1,112**	**1,112**	**18,364**
Balance at 31 March 2020	**(26,977)**	**(18,433)**	**(2,501)**	**(638)**	**(48,549)**	**36,674**	**(11,875)**	**463**	**760**	**1,223**	**1,223**	**(9,430)**

Group Balance Sheet (Brackets represent liabilities)

The Balance Sheet is a 'snapshot' of the council's financial position at a specific point in time, showing what it owns and owes at 31st March. The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is 'Usable Reserves' i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences in the Movement in Reserve Statement line 'adjustments between accounting basis and funding basis under regulations'.

Restated As at 31 March 2019		Note No.	As at 31 March 2020	
£'000			**£'000**	**£'000**
63,513	Property, Plant & Equipment	3	58,583	
26,109	Investment Properties		71,973	
1,273	Intangible Assets		1,083	
608	Investment in Joint Operations		638	
1,789	Heritage Assets		1,792	
3,129	Long Term Investments		2,106	
1,156	Long Term Debtors	4	4,582	
97,577	**TOTAL LONG TERM ASSETS**			**140,757**
27,687	Short Term Investments		28,471	
3,817	Inventories		4,592	
9,504	Short Term Debtors	5	9,973	
523	Cash & Cash Equivalents		2,146	
41,531	**CURRENT ASSETS**			**45,182**
(19,500)	Short term Borrowing		(79,500)	
(702)	Bank Overdraft		(755)	
(622)	Trade Creditors	6	(383)	
(8,580)	Short term Creditors		(10,923)	
(29,404)	**CURRENT LIABILITIES**			**(91,561)**
(1,401)	Provisions		(880)	
(3,679)	Developers Contributions Deferred		(4,091)	
(185)	Long Term Liabilities – Creditors		(23)	
(51)	Long Term Liabilities – Finance Lease		(20)	
(76,596)	Liability related to defined benefit pension scheme		(79,934)	
(81,912)	**LONG TERM LIABILITIES**			**(84,948)**
27,792	**NET ASSETS**			**9,430**
46,480	Usable Reserves		47,449	
608	Usable Reserve – Share in Joint Operations		638	
(19,185)	Unusable Reserves		(37,434)	
(111)	Unusable Reserves – Minority Interest		(1,223)	
27,792	**TOTAL RESERVES**			**9,430**

Group Cash Flow Statement (Brackets on this page represent income)

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

Restated Year Ended 31 March 2019 £'000		Year Ended 31 March 2020 £'000
(6,568)	Net surplus/(deficit) on the provision of services	(9,001)
17,115	Adjustments to net surplus or deficit on the provision of services for non-cash movements (note 7)	16,594
(2,132)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (note 6)	(1,106)
8,415	**Net cash flows from operating activities**	6,487
(29,357)	Investing Activities (note 8)	(64,887)
19,470	Financing Activities	59,969
(1,472)	**Net increase or decrease in cash and cash equivalents**	1,569
1,293	Cash and Cash Equivalents (including bank overdraft) at 1 April	(179)
(179)	**Cash and Cash Equivalents (including bank overdraft) at 31 March**	1,390

Notes to the Group Financial Statements

1. Prior Period Adjustments

The Council has reviewed the accounting treatment of its joint operations and has concluded that SSDC Opium Power Ltd should be accounted for as a subsidiary rather than a joint venture, and therefore group accounts have been prepared. All 2018/19 group account figures have been restated.

2. Financing and investment income and expenditure

Previous year 2018/19 £'000		Current year 2019/20 £'000
267	Interest Payable and similar charges	997
3,041	Net interest on the net defined benefit liability	2,251
(155)	(Surplus)/Deficit on Trading Undertaking (note 39)	(263)
2,567	(Surplus)/Deficit on Investment Properties (note 18)	3,001
5,720	**Total Financing and Investment Expenditure**	**5,986**
(1,428)	Interest receivable and similar income	(2,882)
4,292	**Total Financing and Investment Income and Expenditure**	**3,104**

3. Property, Plant and Equipment

Within the Property, Plant and Equipment figure in the Group Balance Sheet is an asset under construction (battery storage facility) on the Balance Sheet of SSDC Opium Power Ltd which at the balance sheet date was valued at cost £11.572m (£10.295m in 2018/19), as it was not then operational.

The asset value of £11.572m is split between Land and Buildings valued at £0.243m and Assets Under Construction valued at £11.329m. Since the balance sheet date, the site became operational with the Fair Value estimated at £19.325m. This will be added to our Investment Property portfolio in 2020/21.

Movement in 2019/20:

	Total Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Assets Under Construction £0'00	Infra-structure Assets £'000	Com-munity Assets £'000	Surplus Assets £'000	Total Property Plant & Equipment £'000
Cost or Valuation	53,195	4,496	8,039	1,097	698	0	67,525
As at 1 April 2019							
Additions	900	856	3,290	0	28	0	5,074
Disposals	0	(30)	0	0	0	0	(30)
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	(5,180)	(13)	0	0	0	0	(4,393)
Revaluation Increases/(decreases) recognised in the surplus/deficit on the provision of Services	(3,944)	(97)	0	0	0	0	(4,041)
Impairment (losses)/reversals recognised in the surplus/deficit on the provision of services	217	0	0	0	0	0	217
As at 31 March 2020	**45,188**	**5,212**	**11,329**	**1,097**	**726**	**0**	**63,552**
Accumulated Depreciation							
As at 1 April 2019	(2,687)	(1,189)	0	(136)	0	0	(4,012)
Depreciation charge	(1,283)	(877)	0	(16)	0	0	(2,217)
Depreciation written out to the surplus/deficit on the Provision of Services	1,177	13	0	0	0	0	1,190
Derecognition – Disposals	0	30	0	0	0	0	30
Derecognition – Reclassification	0	0	0	0	0	0	0
As at 31 March 2020	**(2,793)**	**(2,023)**	**0**	**(152)**	**0**	**0**	**(4,968)**
Net Book Value							
At 31 March 2020	**42,395**	**3,189**	**11,329**	**945**	**726**	**0**	**58,584**
At 31 March 2019	**50,508**	**3,307**	**8,039**	**961**	**698**	**0**	**63,513**

Comparative movement in 2018/19:

	Total Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Assets Under Construction £,000	Infra-structure Assets £'000	Com-munity Assets £'000	Surplus Assets £'000	Total Property Plant & Equipment £'000
Cost or Valuation							
As at 1 April 2018	50,261	4,488	0	1,097	698	0	56,544
Additions	2,753	315	8,039	0	0	0	11,107
Disposals	0	(333)	0	0	0	0	(333)
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	980	26	0	0	0	0	1,006
Revaluation Increases/(decreases) recognised in the surplus/deficit on the provision of Services	(897)	0	0	0	0	0	(897)
Impairment (losses)/reversals recognised in the surplus/deficit on the provision of services	98	0	0	0	0	0	98
As at 31 March 2019	**53,195**	**4,496**	**8,039**	**1,097**	**698**	**0**	**67,525**
Accumulated Depreciation							
As at 1 April 2018	(2,077)	(1,022)	0	(120)	0	0	(3,219)
Depreciation charge	(1,452)	(483)	0	(16)	0	0	(1,951)
Depreciation written out to the surplus/deficit on the Provision of Services	842	0	0	0	0	0	842
Derecognition – Disposals	0	316	0	0	0	0	316
Derecognition – Reclassification	0	0	0	0	0	0	0
As at 31 March 2019	**(2,687)**	**(1,189)**	**0**	**(136)**	**0**	**0**	**(4,012)**
Net Book Value							
At 31 March 2019	**50,508**	**3,307**	**8,039**	**961**	**698**	**0**	**63,513**
At 31 March 2018	**48,184**	**3,465**	**0**	**978**	**698**	**0**	**53,325**

4. Long term debtors

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

Restated 31 March 2019 £'000		31 March 2020 £'000
862	Loans	4,154
6	Mortgages	3
276	Rights to receipts – long term lease	276
12	Car/bike/learning loans	16
1,156	**Total Long Term Debtors**	**4,449**

5. Short term debtors

Restated 31 March 2019 £'000		31 March 2020 £'000
824	Central Government Bodies	497
454	Other Local Authorities	363
1	NHS Bodies	2
8,225	Other Entities and Individuals	9,111
9,504	**Total Short Term Debtors**	**9,973**

6. Trade Creditors

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

7. Cash Flow Statement – Operating activities

The cash flows for operating activities include the following items:

Restated Previous Year 2018/19 £'000		Current Year 2019/20 £'000
1,011	Interest received	1,631
(61)	Interest paid	(243)
950	**Net Cash Flows from Operating Activities relating to interest**	1,388

Restated Previous Year 2018/19 £'000		Current Year 2019/20 £'000
2,339	Depreciation and amortisation	2,683
(43)	Impairment and downward valuations	2,633
3,600	Movement in market value of investment property	5,431
13,286	Increase/(decrease) in creditors	4,806
(4,149)	(Increase)/decrease in debtors	(419)
(1,330)	(Increase)/decrease in inventories	(774)
(120)	Increase/(decrease) in developer contributions	413
52	Increase/(decrease) in provisions	(522)
3,463	Movement in pension liability	2,343
17	Carrying amounts of non-current assets and non-current assets held for sale, sold or derecognized	0
17,115	**Total Adjustments for Non-Cash Movements**	**16,594**

Previous Year 2018/19 £'000		Current Year 2019/20 £'000
(2,132)	Proceeds from the sale of property, plant and equipment and intangible assets	(1,106)
(2,132)	**Total Adjustments for Investing and Financing Activities**	**(1,106)**

8. Cash Flow Statement – Investing activities

Restated Previous Year 2018/19 £'000		Current Year 2019/20 £'000
(24,022)	Purchase of property, plant and equipment, investment property and intangible assets	(56,685)
(215,578)	Purchase of short-term and long-term investments	(175,234)
(9,840)	Other payments for investing activities	(7,594)
2,132	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,106
217,470	Proceeds from sale of short-term and long-term investments	172,265
481	Other receipts from investing activities	1,255
(29,357)	**Net Cash Flows from Investing Activities**	**(64,887)**

These are the only notes to the accounts which have material differences between the single entity (SSDC) and the Group Accounts.

Glossary of Terms

Local Government, in common with many specialized activities, has developed over the years its own unique set of terms and phrases.

This glossary helps to identify some of those terms and phrases (more often than not abbreviated in common usage to initial letters only) which will be found in this statement.

Accruals
are one of the main accounting concepts and ensures that income and expenditure are shown in the accounting period that they are earned or incurred, not as money is received or paid.

Accumulated Absences Account
is the account that holds the differences between the amounts debited or credited to the Comprehensive Income and Expenditure Statement in accordance with the Code and the amounts debited and credited to the General Fund in accordance with the statutory regulations relating to accruals made for the cost of holiday entitlements earned by employees but not yet taken before the year end.

Agency Work
is the provision of services by an authority on behalf of, and reimbursed by, the responsible authority/body.

Amortised Cost
is a mechanism that sees through the contractual terms of a financial instrument to measure the real cost or return to the authority by using the effective interest rate method which incorporates the impact of premiums or discounts.

Annual Governance Statement (AGS)
sets out the arrangements the authority has put in place to manage and mitigate the risks it faces when meeting its responsibilities.

Apportionments
are a mechanism for allocating the cost of support services to front line and other services using appropriate bases (e.g. floor space for accommodation related support services to spread the cost fairly).

Appropriation
is the transfer of an asset (e.g. land, buildings) from one service to another.

Asset
is something that South Somerset owns that has a monetary value. Assets are either 'current' or 'non-current'.

- Current assets are assets that will be used, or will cease to have material value, by the end of the next financial year (e.g. stock and debtors)
- Non-current assets provide South Somerset benefits for a period of more than one year.

Audit of Accounts
is an examination by an independent expert of an organisation's financial affairs to check that the relevant legal obligations and the codes of practice have been followed.

Available-for-Sale Assets
are financial assets which are not classed as loans and receivables. These include gilt-edged stocks and bonds which are quoted in an active market. They are carried in the balance sheet at fair value.

Available-for-Sale Financial Instruments Reserve
is a revaluation reserve introduced to manage the fair value process for Available-for-Sale Financial Assets. It is permitted to have a negative value provided that the losses posted to it are not impairment losses.

Balances
is the accumulated surplus of revenue income over expenditure.

Balance Sheet
is a financial statement summarizing the Council's assets, liabilities and other balances at the end of each accounting period.

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

Capital Adjustment Account
is a reserve created from the balances on the Capital Financing Account and Fixed Asset Restatement Account as at 31 March 2007. This account will continue to record the consumption of historic cost over the life of the asset and Revenue Expenditure Funded from Capital under Statute over the period that the authority benefits from the expenditure. The account will also record the resources set aside to finance capital expenditure.

Capital Charges
represent the cost to services for the use of non-current assets in the provision of their services; the charges reflect depreciation and impairment.

Capital Contributions/Grants
are monies received from external bodies towards the financing of capital expenditure on a particular service or scheme.

Capital Expenditure (Outlay)
is on the acquisition of a non-current asset that will be used to provide services beyond the current accounting period or expenditure that adds value to an existing non-current asset.

Capital Discharged
is the extent to which capital expenditure has been met over a period by charging instalments to the revenue account, including the direct financing of expenditure in the year of acquisition.

Capital Financing Charges
represent, in the main, the cost to the Capital Financing Reserve of repaying loans, excluding interest, or the direct cost of acquiring assets, etc., in the year.

Capital Programme
is a financial summary of the capital schemes that the Council intends to carry out over a specified time period.

Capital Receipts
are the proceeds from the sale of capital assets; they are available to repay debt on existing assets and/or to finance new capital expenditure within rules set by the Government.

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

Cash Flow Statement
summarises the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes.

Cash Limited Budgets
are fixed sums of money, including allowances for pay and price increases, allocated to services, and within which all spending should be met; this also involves flexibility in the carrying forward of under and over-spendings.

Central Government Grants
comprise three types:

- Grants paid by central government to aid local authority services in general, as opposed to specific grants, which may only be used for a specific purpose.

- Specific service grants – grants in aid of services in which central government have a more direct involvement.
- Supplementary grants – grants in aid of both capital and revenue

CIPFA
is the Chartered Institute of Public Finance and Accountancy.

Code
is the Code of Practice of Local Authority Accounting that is generally based upon those accounting principles that are incorporated within approved accounting standards, modified to reflect the statutory framework in which local authorities operate. The Code states which accounts should be published as part of the Statement of Accounts, and the information to be included in each account.

Collection Funds
are separate funds recording the expenditure and income relating to council tax and non-domestic rates.

Collection Fund Adjustment Account
The Collection Fund Adjustment Account represents the Council's share of the Collection Fund Surplus or Deficit.

Community Assets
are those assets held in perpetuity and which have no determinable useful life and there are often restrictions regarding their sale. Examples of South Somerset's community assets are Ninesprings and land at Ham Hill.

Component Accounting
is when significant components of non-current assets are depreciated separately over their useful life.

Comprehensive Income and Expenditure Statement (CIES)
consolidates all the gains and losses experienced by an authority during the financial year.

Consistency
is one of the fundamental accounting concepts. It requires accountants to treat similar items of income and expenditure the same way - both within an accounting period and from one accounting period to the next.

Corporate and Democratic Core
comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

Creditors
are amounts of money the Council owes to others for goods and services that they have supplied in the accounting period but not paid for.

Debtors
are amounts of money others owe to the Council for goods and services that they have received but have not paid for by the end of the accounting period.

Depreciation
is a charge made to the revenue account each year that reflects the reduction in the value of land, property, plant, ICT equipment and machinery used to deliver services.

Derecognition
is the term used for the removal of a financial instrument from the balance sheet. This will normally occur when the contractual rights to the cash flows arising from the instrument expire or are transferred.

Earmarked Revenue Reserves
are amounts set aside from revenue to meet particular spending needs, including funding capital projects.

Easement
is a charge made for access rights over land owned by the Council.

Effective Interest Rate
is the rate of interest that will discount all the cash flows that will take place throughout the expected life of a financial instrument down to the fair value of the instrument calculated at initial measurement.

Emoluments
are the cash payments or payments in kind an employee is entitled to. Pension contributions are not an emolument.

Employment Costs
are the salaries and wages etc., of staff including expenditure on training and the costs of redundancy.

Eurobonds
are debt contracts which records the borrowers' obligation to pay interest at a given rate and the principal amount of the bond specific dates.

Fair Value (Financial Instruments)
is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. If available, this will be a published price quotation in an active market; otherwise, alternative valuation techniques will be employed.

Fair Value (Tangible Assets)
is the price at which an asset could be exchanged in an arm's-length transaction less, where applicable, any grants receivable towards the purchase of use of that asset.

Fair Value through Profit and Loss (FVPL)
is an accounting method for financial assets, all gains and losses including changes in fair value are taken to the Comprehensive Income and Expenditure Statement. Assets are "marked to market" and shown at fair value on the balance sheet, but the impairment model does not apply.

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

Finance Leases
are those leases which transfer substantially the benefits and risks of ownership of the asset that is being leased to the party who is leasing the asset.

Financial Instruments
are any contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another. In practice these include bank deposits, loans, investments, borrowings and other receivables or payables.

Financial Instruments Adjustment Account
is the account which holds the differences between the amounts credited to the Comprehensive Income and Expenditure Statement in accordance with the Code and the interest income required to be credited to the General Fund in accordance with statutory regulations relating to amortization on the discount of the early redemption of PWLB loans.

Financing Transactions
relate, in the main, to interest payments and receipts associated with the management during the year of the Council's cash flow and reserves.

General Fund Balance
compares the Council's spending against the Council Tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

Gilt
is a bond issued by the government which offers the investor a fixed interest rate for a predetermined set

time.

Housing Benefits

is the national system for giving financial assistance to individuals towards certain housing costs. The Council administers the scheme for South Somerset residents. The Government subsidizes the cost of the service.

Impairment
is the reduction in the value of a non-current asset as shown in the balance sheet to reflect its true value.

Income
is the amount which the Council receives, or expects to receive, from any source; service committee revenue income includes grants, sales, rents and fees and charges.

Infrastructure
are those assets which do not have a realizable value and include roads and footpaths.

Intangible Assets
are assets that do not have physical substance but are controlled by the Council as a result of a past event.

Internal Service Recharge
Is a recharge from a department that provides professional and administrative support to other internal services.

IFRS
is an International Financial Reporting Standard advising the accounting treatment and disclosure requirements of transactions so that an authority's accounts 'present fairly' the financial position of the authority.

Investment
is the lending of surplus money to another party in exchange for interest.

Liability
must be included in the financial statements when the Council owes money to others. There are different types of liability: -

- A current liability is a sum of money that will or might be payable during the next accounting period. e.g. creditors or cash overdrawn.
- A deferred liability is a sum of money that will not be payable until some point after the next accounting period or is paid off over a number of accounting periods.

Liquid Resources
are current assets which are readily convertible into cash at, or close to its carrying amount.

Loans and Receivables
are financial instruments that have fixed or determinable payments and are not quoted in an active market.

Long-term Investments
are those which are intended to be held on a continuous basis for the activities of the authority.

Materiality
is one of the main accounting concepts. It ensures that the statement of accounts includes all the transactions that, if omitted, would lead to a significant distortion of the financial position at the end of the accounting period.

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

Money Market Funds

are short term deposits that are deposited into a mutual fund that buys securities.

Movement in Reserves Statement (MIRS)
shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' and 'unusable reserves'.

National Non-Domestic Rate (NNDR) Income (also known as Business Rates)
Business Rates are collected locally, some of which is retained, and some is paid to Somerset County Council, Devon & Somerset Fire and Rescue, Central Government and Mendip District Council as lead authority of the Somerset Pool

Net Book Value
is the Balance Sheet amount of non-current assets and represents their historical cost or current replacement value less cumulative depreciation provisions.

Net Current Replacement Cost
is the cost of replacing an asset in its existing condition and use.

Net Realizable Value
is the open market value of an asset in its existing use net of the potential expenses of sale.

New Homes Bonus
is a grant paid by central government to local councils for increasing the number of homes and their use. The New Homes Bonus is paid each year for four years. It is based on the amount of extra Council Tax revenue raised for new build homes, conversions and long-term empty homes brought back into us. There is also an extra payment for providing affordable homes.

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

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

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

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

Operating Leases
are all leases which are not finance leases.

Other Operating Costs
includes expenditure on buildings, fuel, light, rent, rates, and purchase of furniture and equipment.

Pooled Fund Adjustment Account
is the adjustment account introduced to manage the fair value process for Pooled Fund Financial Assets. It is permitted to have a negative value provided that the losses posted to it are not impairment losses.

Precept
is the means by which Somerset County Council; Avon and Somerset Police Authority; Devon and Somerset Fire and Rescue Authority and the parishes obtain their revenue income from the District Council's Collection Funds.

Provisions

are amounts set aside to meet costs which are likely or certain to be incurred, but are uncertain in value or timing.

PWLB
is the Public Works Loan Board, a Government agency which lends money to the public sector.

Prudence
is one of the main accounting concepts. It ensures the Council only includes income in its accounts if it is sure it will receive the money.

Rateable Value
is the annual assumed rental value of a property that is used for business purposes.

Related Parties
are when at any time during the financial period: -

- One party has direct or indirect control of the other party
- The parties are subject to common control from the same source
- One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing its own interests
- The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own interests.

Related Party Transaction
is the transfer of assets or liabilities, or the performance of services by, to or for a related party irrespective of whether or not a charge is made.

Remuneration
includes taxable salary payments to employees, together with non-taxable payments on termination of employment (including redundancy, pension enhancement payments, and pay in lieu of notice), taxable expense allowances and any other taxable benefits.

Reserves
result from the accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the Council's discretion.

Residual Value
is the value of an asset at the end of its useful life.

Revaluation Reserve
is a reserve which records the unrealised revaluation gains arising since 1 April 2007 from holding non-current assets.

Revenue Expenditure
is the day to day spending on salaries, maintenance of assets, purchase of stationery etc. after deducting income such as fees and charges.

Revenue Expenditure Funded Capital under Statute
are capital grants made by the Council to another organization or person. This counts as capital expenditure but it does not create an asset that belongs to the Council. The expenditure is charged to the balance sheet, but it is then reversed out through the Capital Adjustment Account to the revenue account.

Revenue Support Grant
is a general grant paid by the Government to local authorities as a contribution towards the cost of their services.

Slippage
is the term used mainly to describe capital payments occurring in later financial years than originally planned.

Usable Reserves
are reserves that can be applied to fund expenditure or reduce local taxation.

Contact Details for Further Information

For more information, please contact us at:

The Council Offices
Brympton Way
Yeovil
Somerset
BA20 2HT

Telephone: 01935 462462

Website: www.southsomerset.gov.uk or
Email: accountancy@southsomerset.gov.uk

South Somerset District Council
www.southsomerset.gov.uk

Grant Thornton UK LLP
2 Glass Wharf
Temple Quay
BRISTOL
BS2 0EL

Date : 22 December 2020

22nd December 2020

Dear Sirs

South Somerset District Council Group
Financial Statements for the year ended 31 March 2020

This representation letter is provided in connection with the audit of the financial statements of South Somerset District Council and its subsidiary undertaking, SSDC Opium-Power for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the group and Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and applicable law.

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

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the group and Council financial statements:

   a. there are no unrecorded liabilities, actual or contingent
   b. none of the assets of the group and Council has been assigned, pledged or mortgaged
   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. The prior period adjustments disclosed in Note 1b and Group Note 1 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

xv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements

Information Provided

xvi. We have provided you with:

   a. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;
   b. additional information that you have requested from us for the purpose of your audit; and
   c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.

xvii. We have communicated to you all deficiencies in internal control of which management is aware.

xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xix. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:
   a. management;
   b. employees who have significant roles in internal control; or
   c. others where the fraud could have a material effect on the financial statements.

xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiii. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.

xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 22nd December 2020.

Yours faithfully

Signed on behalf of the Council:

Jo Nacey
S151 Officer,
22 December 2020

Signed on behalf of the Audit Committee:

Cllr Martin Carnell
Audit Committee Chairman
22 December 2020

Audit Committee Forward Plan

Lead Officer: *Michelle Mainwaring, Case Officer (Strategy & Commissioning)*
Contact Details: *michelle.mainwaring@southsomerset.gov.uk*

Purpose of the Report

This report informs Members of the agreed Audit Committee Forward Plan.

Recommendation

Members are asked to comment upon and note the proposed Audit Committee Forward Plan as attached.

Audit Committee Forward Plan

The forward plan sets out items and issues to be discussed over the coming few months and is reviewed annually.

Items marked in italics are not yet confirmed.

Background Papers: *None*

Audit Committee Forward Plan

Meeting Date	Item	Responsible Officer
28 Jan '21	External Audit – Annual Audit Letter	Finance Specialist (GT)
	External Audit – Certification of Housing benefit Subsidy Claim	Finance Specialist (GT)
	Internal Audit Plan Progress Report 2020/21 – Q3	Alastair Woodland (SWAP)
	Treasury Management Strategy Statement 2021/22 (to go on to Council)	Finance Specialist
	Risk Management Update	Brendan Downes – Lead Specialist People, Performance & Change
	Revenues & Benefits Update Report	Director (Service Delivery) Lead Specialist (Communities)
25 Mar '21	Internal Audit Plan and Charter 2021/22	Alastair Woodland (SWAP)
	External Audit Plan for 2020/21 Accounts	Finance Specialist (GT)
	External Audit Progress Report 2020/21 Accounts	Finance Specialist (GT)
	Health & Safety Update	Director – Strategy & Commissioning
	Civil Contingency Update	Director – Strategy & Commissioning
	Whistleblowing Update	Director – Strategy & Commissioning
27 May '21	Review of Internal Audit	S151 Officer
	Internal Audit Plan Progress Report 2020/21 – Q4	Alastair Woodland (SWAP)
	Internal Audit Annual Report and Opinion 2020/21	Alastair Woodland (SWAP)
	Annual Treasury Management Activity Report 2020/21 (to go on to Council)	Finance Specialist

29 July '21 (week later than normal)	Annual Governance Statement	S151 Officer
	External Audit – Audit Findings Report	S151 Officer (GT)
	Internal Audit Plan Progress Report 2021/22 – Q1	Alastair Woodland (SWAP)
	Approve Annual Statement of Accounts	Finance Specialist / S151 Officer
Oct '21	Internal Audit Plan Progress Report 2021/22 – Q2	Alastair Woodland (SWAP)
	Treasury Management Practices	Finance Specialist
	Treasury Management Mid-Year Performance and Strategy Update (to go on to Council)	Finance Specialist
	External Audit – Annual Audit Letter	Finance Specialist (GT)
TBC	*Annual Fraud Programme Update*	*TBC*
	Monitoring the recommendations of SWAP following audits.	*Alastair Woodland (SWAP)*