



---

## **Audit Committee**

**Thursday 22nd September 2022**

**10.00 am**

**Council Chamber, Council Offices,  
Brympton Way, Yeovil, BA20 2HT**

(disabled access and a hearing loop are available at this meeting venue)



---

The following members are requested to attend the meeting:

**Chairman:** Mike Hewitson  
**Vice-chairman:** Brian Hamilton

Robin Bastable  
Mike Best  
Dave Bulmer

Andy Kendall  
Tim Kerley  
Tony Lock

Paul Maxwell  
Colin Winder  
Derek Yeomans (IM)

Any members of the public wishing to attend, or address the meeting at Public Question Time are asked to email **democracy@southsomerset.gov.uk** by 9.00am on Wednesday 21<sup>st</sup> September 2022, so that we can advise on the options for accessing the meeting.

The meeting will be viewable online by selecting the committee meeting at:  
**[https://www.youtube.com/channel/UCSDst3IHGj9WoGnwJGF\\_soA](https://www.youtube.com/channel/UCSDst3IHGj9WoGnwJGF_soA)**

If you would like any further information on the items to be discussed, please contact Democratic Services **democracy@southsomerset.gov.uk**

This Agenda was issued on Wednesday 14 September 2022.

**Jane Portman**, *Chief Executive Officer*



This information is also available on our website  
**[www.southsomerset.gov.uk](http://www.southsomerset.gov.uk)** and via the mod.gov app

# Information about Audit Committee

## Statement of purpose

Our audit committee is a key component of South Somerset District Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of our audit committee is to provide independent assurance to the members of the adequacy of the risk management framework and the internal control environment. It provides independent review of South Somerset District Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

The Terms of Reference of the Audit Committee are (as revised and agreed at Full Council in March 2022):

## 1. Governance, risk and control

- 1.1 To review the council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance.
- 1.2 To review the AGS prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.
- 1.3 To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- 1.4 To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
- 1.5 To monitor the effective development and operation of risk management in the council.
- 1.6 To monitor progress in addressing risk-related issues reported to the committee.
- 1.7 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 1.8 To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
- 1.9 To monitor the counter-fraud strategy, actions and resources.
- 1.10 To review the governance and assurance arrangements for significant partnerships or collaborations.

## 2. Internal audit

- 2.1 To approve the internal audit charter.
- 2.2 To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- 2.3 To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- 2.4 To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- 2.5 To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.

- 2.6 To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments.
- 2.7 To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
  - a) updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work
  - b) regular reports on the results of the QAIP
  - c) reports on instances where the internal audit function does not conform to the PSIAS and LGAN, considering whether the non-conformance is significant enough that it must be included in the AGS.
- 2.8 To consider the head of internal audit's annual report:
  - a) The statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement – these will indicate the reliability of the conclusions of internal audit.
  - b) The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the AGS.
- 2.9 To consider summaries of specific internal audit reports as requested.
- 2.10 To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- 2.11 To contribute to the QAIP and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
- 2.12 To consider a report on the effectiveness of internal audit to support the AGS, where required to do so by the Accounts and Audit Regulations (see Appendix A).
- 2.13 To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

### **3. External audit**

- 3.1 To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.
- 3.2 To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- 3.3 To consider specific reports as agreed with the external auditor.
- 3.4 To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 3.5 To commission work from internal and external audit.
- 3.6 To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

### **4. Financial reporting**

- 4.1 To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns

arising from the financial statements or from the audit that need to be brought to the attention of the council.

- 4.2 To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
- 4.3 To review and recommend to Council changes to Financial Procedure Rules and Procurement Procedure Rules.

## **5. Treasury Management**

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

## **6. Accountability arrangements**

- 6.1 To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.
- 6.2 To report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- 6.3 To publish an annual report on the work of the committee.

## **Meetings of 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.

Agendas and minutes of this committee are published on the Council's website at [www.southsomerset.gov.uk](http://www.southsomerset.gov.uk)

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 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.

## **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.

## **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>

---

Ordnance Survey mapping/map data included within this publication is provided by South Somerset District Council under licence from the Ordnance Survey in order to fulfil its public function to undertake its statutory functions on behalf of the district. Persons viewing this mapping should contact Ordnance Survey copyright for advice where they wish to licence Ordnance Survey mapping/map data for their own use. South Somerset District Council - LA100019471 - 2022.

---

# Audit Committee

**Thursday 22 September 2022**

## Agenda

### *Preliminary Items*

- 1. Apologies for absence**
- 2. 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.

- 3. Public question time**
- 4. Date of next meeting**

Councillors are requested to note that the next Audit Committee meeting is scheduled to be held at 10.00am on Thursday 24<sup>th</sup> November 2022, Council Chambers, Brympton Way, Yeovil.

### *Items for Discussion*

- 5. 2021/22 unaudited Statement of Accounts** (Pages 7 - 116)
- 6. 2021/22 Draft Annual Governance Statement** (Pages 117 - 129)
- 7. Informing the Audit Risk Assessment for the 2021/22 external audit** (Pages 130 - 161)
- 8. 2022/23 Q2: Internal Audit Progress Report** (Pages 162 - 175)
- 9. Risk Management Update Q2 2022/23** (Pages 176 - 195)
- 10. 2020/21 Housing Benefits Certificate of Claims Report - WITHDRAWN**

This item has been withdrawn from the agenda and will be considered at the next scheduled meeting.

- 11. Audit Committee Forward Plan** (Pages 196 - 198)
- 12. Report on SSDC Opium Power Ltd** (Pages 199 - 246)



## **Draft (Unaudited) Statement of Accounts 2021/22**

*Executive Portfolio Holder:* Peter Seib, Finance and Legal Services  
*SLT Lead:* Karen Watling, Chief Finance Officer  
*Lead Officer:* Paul Matravers, Lead Specialist – Finance / Deputy S151 Officer  
*Contact Details:* paul.matravers@southsomerset.gov.uk or 01935 462275

### **Purpose of the Report**

1. The purpose of this report is to present the 2021/22 Draft (Unaudited) Statement of Accounts to Audit Committee for review and discussion.

### **Forward Plan**

2. This report appeared on the Audit Committee Forward Plan with an anticipated Committee date of 22 September 2022. The Audit Committee's approval of the audited 2021/22 Annual Statement of Accounts is anticipated to be sought at its meeting on 26<sup>th</sup> January 2023.

### **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) Reviews the draft statement of accounts.
  - b) Notes that it is anticipated that the audited statement of accounts, along with the external auditor's opinion on them, will be present to its meeting on 26<sup>th</sup> January 2023.
  - c) Note that the figures included in the 2021/22 unaudited statement of accounts are subject to change due to the audit of the 2020/21 statements not being concluded.

### **Background**

5. The Accounts and Audit Regulations (England) 2015 came into force on 1 April 2015, bringing a requirement for the Responsible Finance Officer (the S151 Officer) to certify the annual accounts no later than 31 May and to publish these, along with the audit opinion and after having been approved by Members, no later than 31 July.
6. The Accounts and Audit (Amendment) Regulations 2021 came into force on 31 March 2021. This amendment detailed the changes to the deadlines in respect of draft (unaudited) accounts and audited accounts. In respect of draft accounts, the deadline to publish changed from 31 May to 31 July and the deadline for publishing audited accounts changes to 30 September from 31 July. This change of date will be reviewed



## South Somerset District Council

by the Department for Levelling Up, Housing and Communities after a two year period meaning that the deadlines may revert to 31 May and 31 July in future

7. Under the Accounts and Audit Regulations (England) 2015 regulations, 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 2021 amendment revised this date to 'no later than the 1 August'.
8. 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. The 2021/22 accounts, confirmed by the Responsible Finance Officer, were published on the 30 July 2022 and the 30 day inspection period ended on 12 September 2021.
9. The Chief Finance Officer revised the approach and draft statements are now presented to Audit Committee for review in their draft pre-audited stage. This allows the Audit Committee to take more time in reviewing the statements in detail and asking officers questions on the figures and information included in the accounts. A subsequent meeting which presents the audited statement of accounts enables committee members to focus on the audit finding report, the audit opinion, and the changes to the statements as a result of the audit. Members are also asked to agree the audited Statement of Accounts at the subsequent meeting.
10. In the audit Committee meeting of 2 September, it was flagged to the committee that the draft 2021/22 statements are likely to change because of the 2020/21 audit continuing. The committee were asked if they would like to review the 2021/22 draft statements with the knowledge that there will be changes to the draft statements. The committee took the decision to continue to review the statements.

### 2020/21 Statement of Accounts

11. As mentioned above, the Audit Committee are aware that the audit of the 2020/21 statement of accounts has not concluded to date. The committee have been appraised of the outstanding issue and the actions taken by management to resolve the issue which will enable updated set of accounts to be presented to audit committee for sign off.
12. The audit of 2020/21 statements not being completed potentially has implications on the figures included in the 2021/22 unaudited statement of accounts which the committee are being asked to review. It is likely that adjustments will be required to the 2021/22 unaudited statements.
13. The planned course of action is to return to audit committee at a later date, which will be after the conclusion of the 2020/21 audit, with updated unaudited 2021/22 statement of accounts which will incorporate the changes required as a result of the conclusion of the 2020/21 audit.
14. The changes made to the accounts will be clearly documented in order that the committee can focus on the changes made to the unaudited statements.



## Key Features of the 2021/22 Statement of Accounts

15. 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.
16. The external auditor – Grant Thornton – has yet to review the annual Statement of Accounts and supporting working papers, the audit is anticipated to start in October and that 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 2022, and its income and expenditure for the year end, will be presented at Audit Committee in January 2023.
17. As mentioned in paragraphs 11 to 14, there are likely to be changes to the 2021/22 draft statements at the conclusion of the 2020/21 audit. The main change required is likely to be in respect of the asset values and the brought forward balances included in the Group Accounts element of the 2021/22 statements. All the changes made will be highlighted and the reason for the change included in the report to the committee.
18. A copy of the Draft 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 2022. These are:
  - Comprehensive Income and Expenditure Statement
  - Movement in Reserves Statement
  - Balance Sheet
  - Cash Flow Statement
  - Group Accounts
19. 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).
20. It is a statutory requirement for all local authority financial statements to be International Financial Reporting Standards (IFRS) compliant.
21. The accounts include a 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.
22. 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

23. The CIES records all the Council's income and expenditure for the year and has two parts:

- The first part reflects the accounting cost of providing the Council's services with the results summarised at the Surplus or Deficit on the Cost of Services line. In the private sector this would be equivalent to the profit or loss of a company.
- The second part, showing other comprehensive income and expenditure, shows the gains or losses in the measurement of the council's assets and liabilities. These gains and losses arise as a result of changes in market valuations, interest rates or changes in measurement assumptions in relation to pension liabilities.

### Movement in Reserve Statement

24. 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.

#### MIRS extract for 2021/22

	Useable Reserves	Unusable Reserves	Total £'000
31 March 2021	69,036	(76,903)	(7,867)
Movement	(14,674)	35,195	20,521
<b>31 March 2022</b>	<b>54,362</b>	<b>(41,708)</b>	<b>12,654</b>

(bracketed figures = transfers out / liabilities, unbracketed figures = transfers in / assets)

25. With regard to unusable reserves, the pension reserve liability reduced by £21.390m due to actuarial assumptions, asset valuations and employer contributions.

### Balance Sheet

26. The Balance Sheet provides a snapshot of our financial position as at the 31 March 2022. The Council's net assets amounted to £12.654m (-£7.868m as at 31 March 2021). This comprises both usable resources and unusable reserve account balances.
27. 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.
28. In practice, the amount of "net worth" that can be used is £54.362m. This can be broken down into:

Usable Capital Receipts	£5.183m
Capital Grants Unapplied	£10.436m
Earmarked Reserves	£31.606m
General Fund Balances	£6.556m
Share in Joint Venture	£0.581m

29. In addition, Members will note the contingent liabilities disclosed in note 48. 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 SSSC balances.

### Cash Flow Statement



30. This statement outlines the changes in cash and cash equivalents of the Council during 2021/22.
31. There has been a net decrease in cash and cash equivalents of £0.694m.
32. 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**

33. The total amount of Council Tax due for the year, which the council has collected on behalf of all the precepting authorities (e.g. Somerset County Council, Police and Crime Commissioner, Devon & Somerset Fire & Rescue Authority and town/parish councils), was £121.790m. There is a surplus balance of £1.224m on the Council Tax element of the Collection Fund account at the year-end. This surplus is split in proportion to the amount of each authority's precept.
34. 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 2020/21 the distribution was Central Government 50%, SSDC 40%, SCC 9%, and Fire 1%.
35. The final business rates funding end of the year position for 2021/22 has delivered positive news regarding the resources available to all parties within the Somerset Business Rates Pool. There is a pooling gain of £11.127m at the year-end, and this Council's share is £4.451m.

### **Auditor's Opinion**

36. Grant Thornton UK LLP will issue their audit opinion at the conclusion of the audit of the accounts, if the opinion is unqualified, it is good news and endorses that the accounts provide a true and fair view of the financial statements as at 31st March 2022.
37. Grant Thornton will also provide an Annual Auditors Report which details findings in respect of the arrangements in place at the Council to secure Value for Money. It reports on whether all aspects of the Council's arrangements for securing economy, efficiency, and effectiveness in its use of resources are operating effectively. The report will include a summary of findings and recommendations to the Council, which will be reviewed by the management team and a response provided on actions to be taken in respect of each recommendation.
38. The audit of the accounts will identify any material misstatements. In 2020/21 there were material misstatements, a number of misclassifications and disclosure requirements which were reported to Audit Committee in the Interim Audit Findings report. The final audit findings report will include all material misstatements which will be addressed. If this is the case in the 2021/22 audit the misstatements will be addressed with the audit finding report providing details of the misclassifications and misstatements.



## **Financial Implications**

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

## **Council Plan Implications**

41. 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**

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

## **Equality and Diversity Implications**

43. There are no equality or diversity implications

## **Privacy Impact Assessment**

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

## **Background Papers**

45. There are two background papers:

- Revenue outturn 2021/22
- Capital outturn 2021/22



# South Somerset District Council

## Draft (Unaudited) Statement of Accounts 2021/2022



# Contents

	Page Number
Foreword	1
Narrative Report	2
Independent Auditors report to the Members of South Somerset District Council	19
Statement of Responsibilities for the Statement of Accounts	22
Statement of Accounting Policies	23
The Core Financial Statements	37
<ul style="list-style-type: none"><li>• Comprehensive Income and Expenditure Statement</li><li>• Movement in Reserves Statement</li><li>• Balance Sheet</li><li>• Cash Flow Statement</li></ul>	
Notes to the Core Financial Statements	41
Collection Fund Account	81
Group Financial Statements	85
<ul style="list-style-type: none"><li>• Comprehensive Income and Expenditure Statement</li><li>• Movement in Reserves Statement</li><li>• Balance Sheet</li><li>• Cash Flow Statement</li></ul>	
Notes to Group Financial Statements	91
Glossary of Terms	95
Contact Details for further information	102

# Foreword

I am pleased to present South Somerset District Council's draft Statement of Accounts. These give an overview of the Council's finances for 2021/22.

The Statement of Accounts provides information so that everyone, including electors and residents of South Somerset, Council Members, our partners, stakeholders and other interested parties can have:

- A full and understandable explanation of the overarching financial position of the Council.
- Confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner.
- Assurance that the financial position of the Council is sound and secure.

The Accounts and Audit (Amendment) Regulations 2021 changed the statutory audit deadlines for all Local Authorities. The deadline for issuing draft accounts is now 31 July and the publication deadline for audited accounts moved from 31 July to 30 September for a two year period applicable from 31 March 2021.

Draft Accounts for 2021/22 were published on our website on 29 July 2022 and submitted to our External Auditors, Grant Thornton, on the same date, which is within the statutory deadline. The revised regulations state that the public inspection period must commence on or before the first working day of August 2022.

As the external audit of the 2020/21 financial statements for the Council remains ongoing, due to a number of issues that have yet to be resolved, Grant Thornton has advised that they will not be commencing the audit of the 2021/22 financial statements until after the prior year audit has been concluded.

This will mean that the audit is not planned to commence until October 2022. Hence, the Council will not be able to publish its audited 2021/22 financial statements by the 30 September 2022 but will seek to do so as soon as practical after the audit has been concluded.

The Council will follow best practice principles and submit the draft accounts to the Audit Committee on 22nd September 2022 to allow Members the opportunity to review them before they are asked to formally approve the audited Statements in January 2023.

I wish to thank the Finance Team and all other officers involved in the production of these Statements.



**Councillor Peter Seib**  
**Portfolio Holder: Finance, Legal**  
**and Democratic Services**

# Narrative Report

## 1. Introduction

Effective planning, management and scrutiny of the use of public funds are a key part of a local authority's responsibilities. The financial statements are a vital part of the accountability framework, as they demonstrate how much money was spent and for what purpose, and how cash needs were met. They also record the assets used, and liabilities incurred, in delivering services.

However, local authority financial statements are complex and can be difficult to understand: they must comply with the Chartered Institute of Public Finance & Accountancy's (CIPFA) "Code of Practice on Local Authority Accounting in the United Kingdom 2021/22", which is based on International Financial Reporting Standards (IFRS), and also the requirements of accounting and financing regulations of central government.

This narrative report will provide the reader with:

- An understanding of the Council and its strategic priorities.
- An outline of how the Council responded to Covid-19 and how it has impacted on our finances and priorities.
- A summary of the Council's financial performance for 2021/22 along with information on how well we delivered its key priorities during the year.
- An overview of the Council's medium term financial plans, future outlook, and key risks going forwards.
- A guide to the key features of the primary statements and notes that make up the financial statements.

The CIPFA/SoLACE Delivering Good Governance in Local Government Framework (2016) requires local authorities to publish an Annual Governance Statement, alongside the Statement of accounts.

## 2. South Somerset District Council

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 (SSDC) including (but not limited to):

- Housing policy, enabling, options & homelessness
- Planning
- Building regulation control and enforcement
- Waste collection and recycling
- Regulatory services
- Council tax and business rates administration
- Housing benefits
- Provision of off-street parking
- Electoral registration and elections
- Leisure and arts

South Somerset District Council is made up of 60 locally elected members - 39 Liberal Democrats, 13 Conservatives, 6 Independents, 1 Green and 1 vacant seat as at 31 March 2022.

The Council employed 385.33 full time equivalent (FTE) employees as at 31 March 2022. In terms of



actual numbers of employees this equates to 415, of whom 326 are full time and 89 are part-time employees.

The Council delivers some of its services in partnership with other organisations, the most significant of these being Somerset Waste Partnership and SWAP Internal Audit Services.

### 3. Strategic direction of the Council

South Somerset District Council is an ambitious and forward-thinking council that is committed to transforming, improving, and adapting to be ready for the future. We place our residents and businesses firmly at the centre of everything we do.

The Council Plan sets out the vision for the Council and how these are going to be delivered through key areas of focus and priority projects. The current Council Plan covers the period 2020 to 2024 and can be found at:

[Council Plan 2020-24](#)

#### Our Vision

A naturally beautiful and sustainable environment, which also allows business to flourish and good homes to be delivered. A place where our communities are safe, vibrant and healthy and have access to exceptional cultural and leisure activities.

#### Our Values



#### Our Values



**Customers first** - Designing plans and services around our customers



**Community at heart** - Enabling residents to support our communities and the environment we live in



**Open and transparent** - Actively communicating, engaging and listening to feedback



**Innovative** - Embracing innovation and technology to improve customer service and facilitate access to council services for all who need it



**Getting things done** - Empowering dedicated and flexible employees and elected members focussed on delivery



**Working collaboratively** - Working with partners to enhance outcomes for our communities

Our five Areas of Focus for 2021/22 were:

- **Protecting Core Services** - to ensure a modern, efficient and effective council that delivers for its communities
- **Economy** - to make South Somerset a great place to do business, with clean inclusive growth and thriving urban and rural businesses
- **Environment** - to keep South Somerset clean, green and attractive and respond to the climate emergency
- **Places where we live** - to enable housing and communities to meet the existing and future needs of residents and employers
- **Healthy, self-reliant Communities** - to enable healthy communities which are cohesive, sustainable and enjoy a high quality of life

Table 1: Our priority projects for 2021/22



Economy &  
Healthy, Self-reliant  
Communities

1. Lead the recovery and revitalisation of our economy and communities to be stronger, more resilient and more vibrant than before Covid-19



Economy

2. Continue to deliver Regeneration Programmes



Places where we live

3. To develop proposals to accelerate the delivery of key housing sites and associated infrastructure



Healthy, Self-reliant  
Communities

4. Address child poverty, social isolation and low levels of social mobility across the district



Environment

5. To accelerate action to adapt to and mitigate the effects of climate change and extreme weather

## 4. The impact of Covid-19

The COVID pandemic has continued to impact upon our staff, residents and businesses. Our staff and communities have stepped up to provide help and support where and when it was needed. We have continued to deliver our services despite resources being diverted to aid with the pandemic. We have met ongoing demands, even with the changes to services that were made in line with Government guidelines. We are incredibly proud of the work we have achieved alongside our communities in 2021/22.

The Council has acted in the capacity of “Agent” and “Principal” for the Government, passporting grants to businesses and support to individuals in accordance with Government guidelines. “Agent” payments and grant income have not been included in the CIES, whilst those relating to the Council as “Principal” are included in the CIES. The total amount paid out in 2021/22 was £13.2m. During 2021/22 the Council also administered Business Rate Relief (discounts) schemes totalling £9.2m.

## 5. 2021/22 achievements



Economy

- The new Leisure Centre in Chard was completed and opened in November 2021.
- Economic support was provided to businesses by signposting to economic development initiatives including M-Hub and Growth Hub.
- £13m + Business Support Grants paid out to local businesses.
- £150k Welcome Back Fund administered and paid out.
- Provided employment support for businesses and individuals including setting up the South Somerset Opportunities Hub.



### Environment

- **The Council worked with Somerset Waste Partnership to roll out Recycle More over the summer despite the challenges of Covid and the national driver shortage.**
- 750 subscribers to our community environment newsletter, Get Sussed. 12 Issues to date.
- Fully energised the 25MW Battery Energy Storage Site (BESS) facility.
- **Continued to measure and track the decrease in SSDC's annual carbon footprint progressing priority projects that best deliver for the carbon neutrality target of 2030.**
- £36,000 secured from Cultural Recovery Fund for Heritage for environmental protection and restoration of the monument at Ham Hill.



### Places where we live

- Community grants of £89,255 were awarded covering Arts, Community Transport, Sports and Recreation, Group Development, Community activities and Community buildings.
- Implemented an action plan based on the "Accelerated Housing Delivery in South Somerset" report.
- Completed a cycling and walking infrastructure plan for Yeovil.
- Made improvements to Cartgate Visitor Information Centre creating a Gold in Somerset and Silver in SW England award winning hub for visitors and residents (South West England Tourism Excellence Awards).



### Healthy, Self-reliant Communities

- Yeovil won Silver for South West in Bloom. We have also supported over 10 "It's Your Neighbourhood" community groups annually as part of the Bloom initiative.
- New Yeovil Recreation Centre Café and Community space opened in July 2021.
- Investigated 166 abandoned vehicles and removed 11 to help keep streets and neighbourhoods clean and attractive.
- 1,650 trees planted across the SSDC estate and within our communities, exceeding our 1,000 per annum target.

The end-of-year Performance Report can be found here:

[Performance Report 2021-22](#)

## 6. 2020/21 Financial Performance

### Background Context

This part of the Narrative Report reviews the Council's performance against the approved 2021/22 revenue and capital budget (known as "year-end outturn") and the consequential impact on reserves, borrowing, and investments.

The figures shown here will not always coincide with the figures given in the Statement of Accounts. More information on this is given in section 7. The key difference is that the accounting costs shown in the Statements are determined in accordance with generally accepted accounting principles whilst the budget has to comply with local government legislation. This means that certain accounting costs shown in the Statements are not actual cash outflows and do not have a direct financial impact on the budget

Local government expenditure and income is recognised as being either capital or revenue in nature.

Capital expenditure is expenditure on assets such as land, property, ICT equipment, and the refurbishment of existing assets that will prolong the useful life of the asset (such as replacing a roof). Lending to third parties is also capital expenditure if the loan is to be used to finance expenditure on assets. Any investment by the Council in acquiring shares in third party companies is also capital expenditure. Capital income largely comprises of grants and sales of assets (known as capital receipts).

All other expenditure and income has to be classified as revenue unless central government gives a determination that it can be treated as capital expenditure. Revenue expenditure is incurred in delivering the Council's ongoing services and back-office support. Revenue income largely comprises of fees & charges, Council Tax, Business Rates and grants.

The Council has a statutory obligation to balance its revenue expenditure budget each year. Capital expenditure however can be funded over the medium to longer term through prudential borrowing. The costs of borrowing are charged annually to the Council's revenue budget.

### Revenue Budget

**Budget setting and monitoring:** Full Council approves the revenue budget annually at its February meeting. The budget contains the financial plans that the District Executive manages under its delegated authority. All of the Council's income and expenditure has a responsible officer budget holder.

The 2021/22 revenue budget approved by Full Council in February 2021 can be found here. [2021/22 Revenue and Capital Budgets and Medium Term Financial Plan](#)

District Executive receives regular budget monitoring reports throughout the year which highlight any forecast differences from the agreed budget (known as variances). The report includes comments from budget holders on the reasons for the variance. The budget monitoring reports are also reviewed by Scrutiny Committee.

The 2021/22 quarterly revenue budget monitoring reports can be read by clicking on the following hyperlinks:

[Quarter 1 Revenue Budget Monitoring Report 2021-22](#)

[Quarter 2 Revenue Budget Monitoring Report 2021-22](#)

[Quarter 3 Revenue Budget Monitoring Report 2021-22](#)

[Quarter 4 Revenue Budget Monitoring Report 2021-22](#)

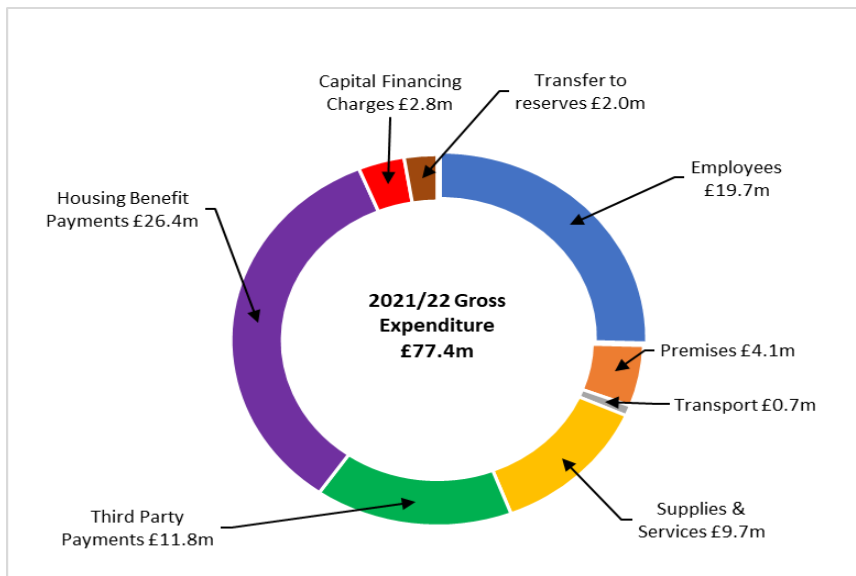
**Net Revenue Outturn:** total net expenditure for 2021/22 was **£17.301m** resulting in a small underspend against the approved net budget.

**Table 2: Revenue Budget Net Outturn for 2021/22**

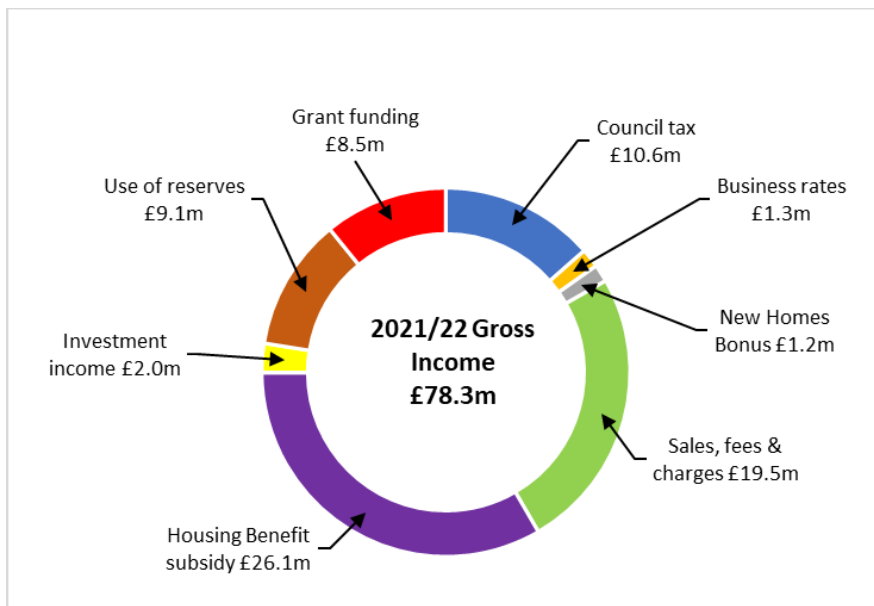
	Outturn Position - 2021/22		
	Budget	Actual	Variance
Chief Executive	£752,950	£886,677	£133,727
Commercial Services	£3,542,180	£3,484,731	(£57,449)
Place & Recovery	£536,960	£617,931	£80,971
Strategy & Support Services	£8,376,170	£8,623,040	£246,870
Service Delivery	£4,111,150	£3,688,417	(£422,733)
<b>Net Budget</b>	<b>£17,319,410</b>	<b>£17,300,796</b>	<b>(£18,614)</b>

**Gross expenditure and income:** Local Government conventionally shows the net expenditure budget position in committee reports. This is defined as the net expenditure that is financed by Council Tax, Business Rates, general government grants, and non-earmarked reserves. An analysis of the 2021/22 gross expenditure and how that is financed is illustrated below.

**Pie Chart 1: Breakdown of 2021/22 Gross Expenditure of £77.4m**



**Pie Chart 2: Breakdown of 2021/22 Gross Income of £78.3m**



## Capital Budget

**Budget setting and monitoring:** Full Council approves the capital budget in February each year. Council also agrees a reserve programme comprising of projects that have been agreed in principle but are not included in the capital budget as their start date is uncertain or they require a robust Business Case to be produced.

The 2021/22 capital budget approved by Council in February 2021 can be found [here](#).

### [2021-22 Capital Budget](#)

Monitoring of the agreed programme has been delegated to District Executive and is undertaken on a quarterly basis. The reports also go to Scrutiny Committee for review. District Executive agrees each quarter whether the capital budget is amended to reflect any known changes to the project or its funding or whether reserve projects can be added to the capital budget.

The 2021/22 quarterly capital budget monitoring reports can be read by clicking on the following hyperlinks:

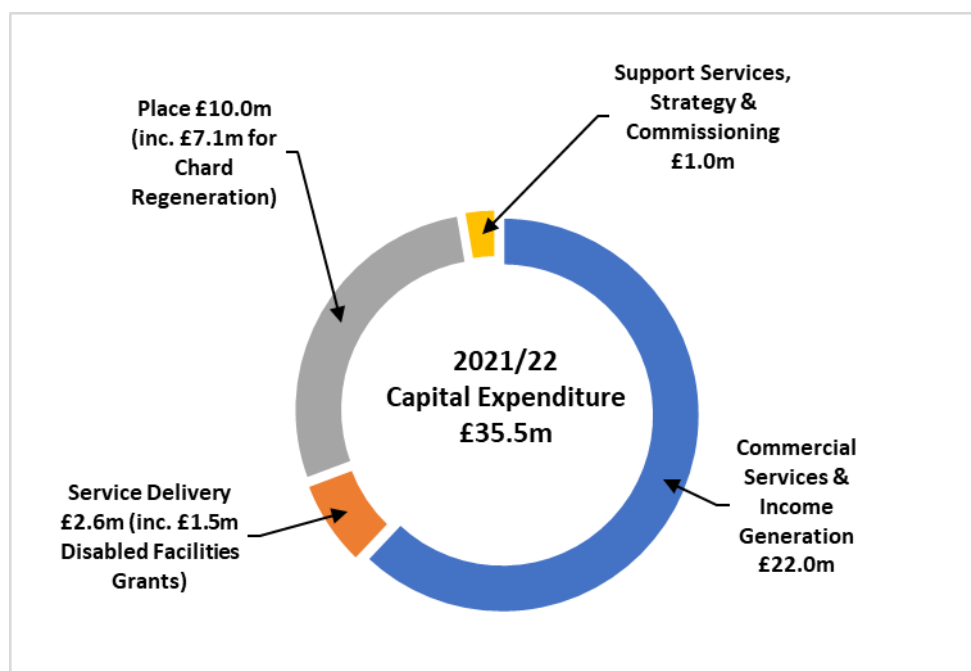
[Quarter 1 & 2 Capital Monitoring Report 2021-22](#)

[Quarter 3 Capital Monitoring Report 2021-22](#)

[Quarter 4 Capital Monitoring Report 2021-22](#)

**Capital Outturn:** Total capital spending for 2021/22 was **£35.499m**; this was £5.041m (12%) less than the revised budget £40.540m of planned expenditure agreed by Council in December 2021.

### ***Pie chart 3: Capital expenditure by Directorate***



**Table 3: showing details of capital expenditure (over £100k)**

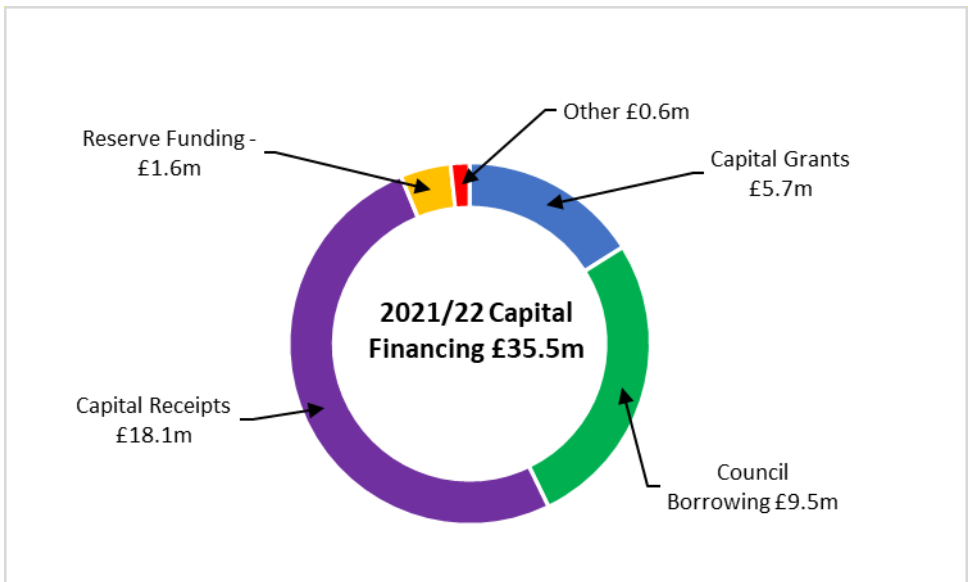
£10.3m Commercial Loan to SSDC Opium Power Ltd for the Battery Storage Scheme at Fareham – to be repaid in line with loan agreements to generate new income.

£9.6m in acquiring 3 commercial Investment Properties (Costa Coffee in Glastonbury, Lyndon House in Birmingham, and St John's Retail Park in Taunton) – generating new income to fund services to our communities.

£9.6m on Town Centre Regeneration – the majority on the Chard Regeneration Project (£7m) enabling the successful delivery of a new leisure centre in the town which opened in November 2021. £2.1m was also spent on the Yeovil Refresh project improving the public realm town centre to stimulate economic growth.
£1.5m Disabled Facilities & Home Repair Grants – enabling aids and adapting private properties to support living at home.
£1m on the grant-funded Public Sector Decarbonisation scheme at our leisure facilities.
£403k on Play facilities (Jarmon Street, Chard, Play Area Equipment (£104k) and West Cocker Pavilion and play projects (£299k) – improving facilities to aid healthy living and enjoyment in the community.
£348k commercial loan to Somerset Waste Partnership – for vehicles.
£338k for Green Homes Grant Local Authority Delivery (LAD) Scheme.
285k on Yeovil Crematorium – updating and improving the Crematorium to deliver an improved service to the community.
£213k on Leisure centres capital improvement works.
£145k on the Market Towns vision.
£101k on digital systems – enhancing facilities to enable home working during Covid and ensuring the ongoing security and efficiency of digital systems.

**Capital financing:** The financing of the 2021/22 capital programme is illustrated in pie chart 4.

**Pie chart 4: Funding of 2021/22 capital expenditure**



The borrowing amount of £9.5m is a combination of internal and short-term external borrowing.

Internal borrowing is when the Council uses its cash balances to temporarily fund its need to borrow. These cash balances need to be replenished either when overall Council cash reserves are low or when a strategic decision is made to obtain external long-term loan finance, so the borrowing is only temporary. The Council undertakes weekly monitoring and forecasting of its cash position in order to ascertain when any borrowing is required.

External borrowing is the action of obtaining loan finance from a third party. Currently SSDC meets its

external borrowing needs though short-term loans taken out on a rolling basis with other local authorities.

## Reserves Position

Revenue earmarked reserves total £31.606m as at 31 March 2022 (they were £38.464m as at the end of March 2021).

The most significant revenue earmarked reserves comprise:

- £8.9m Medium Term Financial Plan Support Fund
- £6.7m in the Commercial Investment Risk Reserve
- £6.5m NNDR S31 Grant Coll. Fund Reserve
- £3.2m Regeneration Fund

The General Fund Balance is £6.556m as at 31 March 2022 (previous year's position was £4.152m). The 2021/22 revenue budget underspend was transferred into the balance at year end.

Capital reserves are £5.183m as at the end of the year (corresponding position last year was £18.222m).

## 7. Medium Term Financial Plan and Outlook

**Introduction:** This section of the Narrative Report set outs the council's revenue and capital budgets for 2022/23 along with how these budgets will be funded. The 2022/23 budget will be the last budget of SSDC prior to the creation of the new Somerset Council from 1<sup>st</sup> April 2023: therefore, there is no Medium Term Financial Plan nor a Capital Strategy. Council approved the budget at its meeting on 28<sup>th</sup> February 2022. The Budget Report can be found here:

### [South Somerset District Council - 2022/23 Budget Report](#)

**Local Government Reorganisation (LGR):** The Government has issued a Structural Change Order (The Order), which came into force on the 18 March 2022. The Order confirmed that Somerset's five councils will be replaced by one single council – Somerset Council. The new single council will provide both county and district services across the existing county area from 1 April 2023 to deliver high quality sustainable local services across the county along with effective leadership at both strategic and local levels.

Following local elections to Somerset County Council, held on 6 May 2022, those elected as County Councillors will take responsibility for all current County Council services for their first year and oversee the local government reorganisation to establish the single unitary Somerset Council on 1 April 2023 and then continue as Councillors of the unitary authority for a four-year term. District councils will remain until 31 March 2023 and the Councillors serving on them will continue in their roles until that date. On that date all the Somerset district councils will be wound up and dissolved and the four existing Somerset districts will be abolished.

Planning and preparation work for the local government reorganisation of councils in Somerset has included a scheme to share the implementation costs for the creation of the new authority, which contains a contingency sum for unforeseen cost variations. Budget provision has been made by SSDC to meet the anticipated need for additional capacity and backfill in key areas of activity, including both forward-facing services and support services. The aim is to keep costs to a minimum with most transitional work delivered within existing management and staff resources through prioritisation of activity. The business case for implementation of the unitary council in Somerset, anticipates savings can be achieved across the county of £52.6m across a five-year period.

**2023/24 revenue estimates:** The Budget Report sets out an indicative position for the 2023/24 revenue budget (the first year of Somerset Council) based on a continuation of the services and delivery methods SSDC currently provides along with estimates of the potential impact of the local government funding reforms, anticipated to be introduced in that financial year. These estimates must be treated with caution



particularly as there is a lack of current information on the reforms and it is difficult therefore to forecast their impact with any degree of accuracy.

These 2023/24 estimates will be superseded and reviewed as part of the preparation needed to set Somerset Council's 2023/24 budget. Work is currently being undertaken as part of the LGR Programme to consolidate a base budget position across the five councils as a starting point for developing the 2023/24 budget and Medium Term Financial Plan for the new council.

## Key budget proposals agreed by Council:

### 2022/23 Revenue Budget:

- Balanced revenue budget position for 2022/23 (with a small estimated surplus of £140k).
- Net revenue budget requirement in 2022/23 of £19.714m representing an increase on the 2021/22 original approved estimate of £2.971m (17.75%).
- Revenue budget growth proposals totalling £2.108m.

### 2021/22 to 2023/24 Capital Programme:

- Capital Programme of £116.469m an increase of £21.521m from the 2021/22 original approved estimate of £96.352m (an increase of 23%).
- The creation of a corporate capital contingency fund within the capital programme of £4m.
- Consequential increase in the revenue budget (financing costs) of £1.272m.

### Reserves:

- Use of £6.658m of earmarked reserves during 2022/23 (2.101m to fund the revenue budget and 4.557m to fund the capital programme).
- Increase in the LGR (Local Government Reorganisation) Reserve by £1m to fund potential staffing capacity gaps during 2022/23.
- Creation of a reserve in 2023/24 of £4.8m for the Yeovil Refresh capital project should there be a requirement in that year to pay back the money-received to-date from the Future High Streets Fund (FHSF).
- Transfer of £2m from the Commercial Investments Risk Reserve to the MTFP Support Fund reserve to assist the 2023/24 position of the new Council to fund potentially adverse local government finance reforms.
- Increase in the Treasury Management Reserve by £0.350m to fund an increase in interest rates in 2022/23 (up to 1%) should they rise above the rates assumed in this Budget Report.

### Council Tax:

- An increase of 2.82% in Council Tax (SSDC's element excluding precepts) in 2022/23 to £182.11 (for Band D).

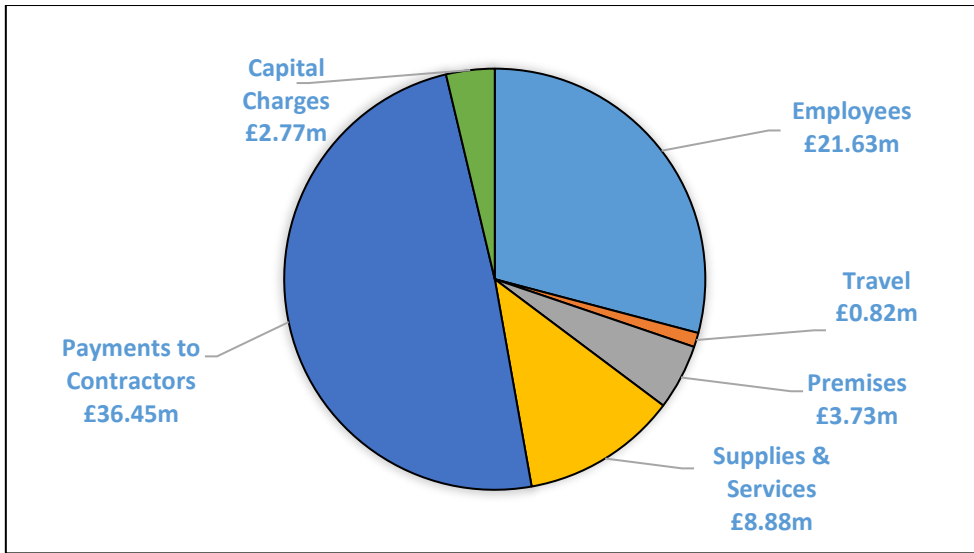
## Revenue Budget

The Net Budget Requirement for 2022/23 is £19.714m, which once funded by government grants, Council Tax, and retained Business Rates produces an overall balanced budget with a small surplus of £140k estimated (0.7% of the Net Budget Requirement).

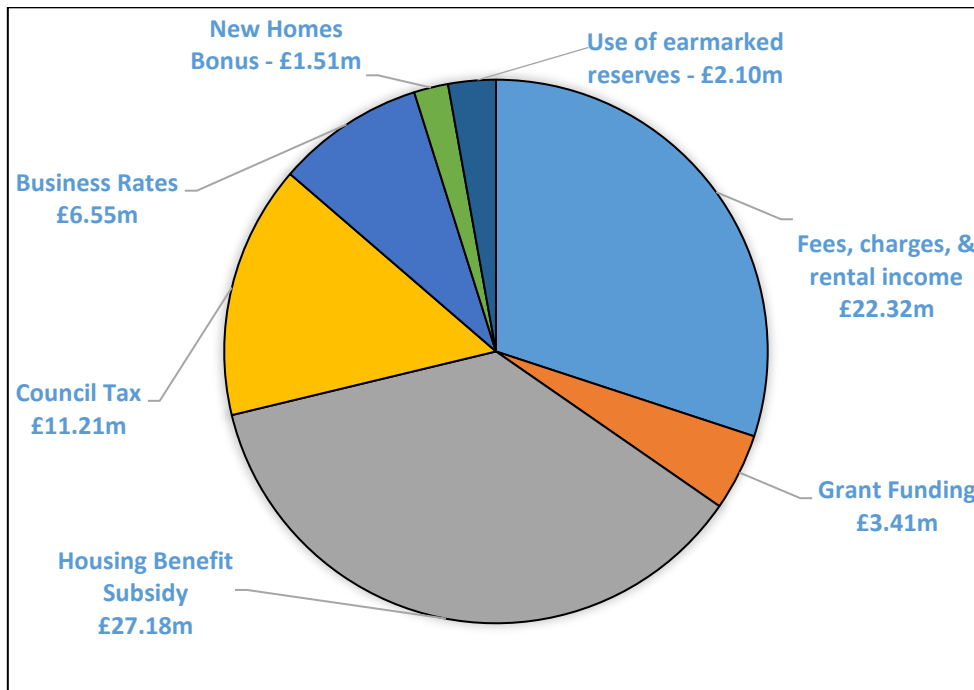
The preliminary forecast for 2023/24, based on SSDC continuing its services, shows a deficit of £4.535m, which is largely the result of assumptions made about the local government finance reforms, which may be introduced in that year and the likely adverse impact of the changes.

The overall 2022/23 gross revenue expenditure budget for SSDC is £74.28m. Charts 5 and 6 illustrate how this budget is planned to be spent and how it is financed.

***Pie Chart 5: 2022/23 Gross Revenue Budget Expenditure (£74.28m) by type of expense***



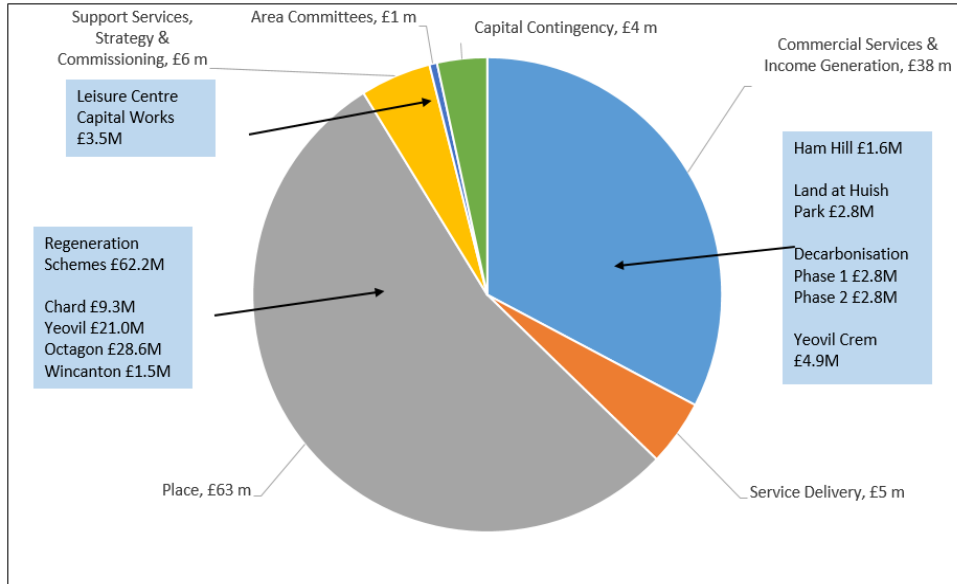
**Pie Chart 6 Funding of 2022/23 Gross Revenue Budget of £74.28m**



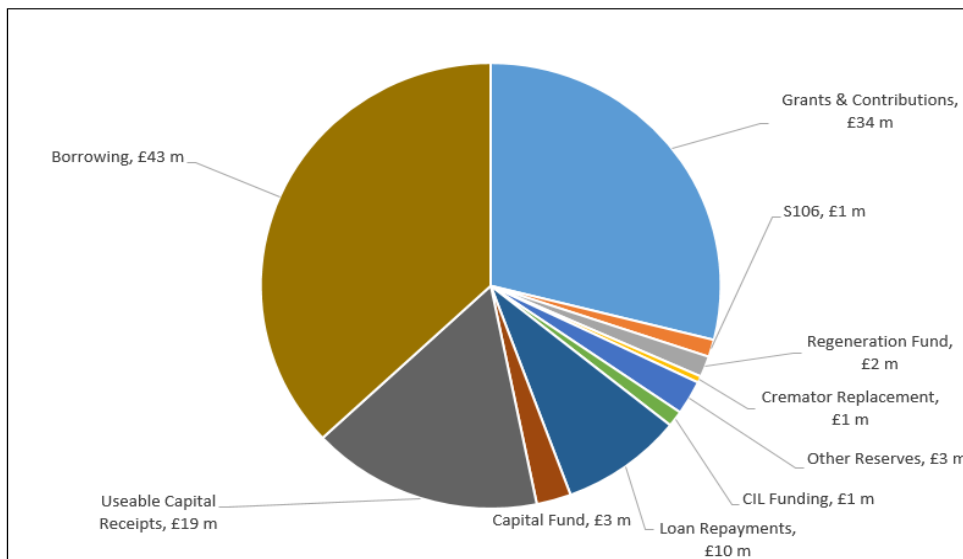
## Capital Programme

The total capital programme for the years 2021/22 to 2023/24 (and ongoing expenditure until 2025/26) is £116.469m. This is illustrated in pie chart 7 with pie chart 8 showing how this will be funded. Council agreed at its meeting an addition to the capital programme of £21.521m for the years 2022/23 and beyond.

**Pie Chart 7: Capital Programme by Service Area along with major projects**



**Pie Chart 8: Funding of the overall Capital Programme**



## Reserves

The Council holds earmarked revenue reserves for a variety of good financial management reasons. Some reserves are for specific expenditure that will occur in the future, some reserves are held to mitigate possible risk, and others are reserves specifically built up over the past to help support the Medium-Term Financial Plan. We also hold reserves for each Area Committee.

Earmarked reserves are either revenue reserves (which can be used to fund both revenue and capital expenditure) or capital reserves, which, unless the Secretary of State gives the council a specific dispensation, can only be used to fund capital expenditure. The capital reserves showing in the table below are primarily comprised of capital receipts.

## Assessment of Financial Risks

**Table 4: Assessment of key financial risks**

RISK	DESCRIPTION AND ANY MITIGATION
<b>Staffing capacity</b>	<p><b>Risk:</b> There is the possibility that SSDC may lose staff during 2022/23. There is also additional workload arising from LGR implementation. There is a risk therefore that there may not be sufficient capacity to maintain service delivery, deliver the corporate annual action plan, as well as LGR implementation.</p> <p><b>Mitigation:</b> Council increased the LGR Reserve by £1m to fund any additional capacity requirements over those proposed in the budget proposals.</p>
<b>Interest Rates</b>	<p><b>Risk:</b> Interest rates have increased from 0.25% at the start of 2021/22 to 0.75% at the end of the financial year. There have been subsequent increases in the bank rate which now stands at 1.25% as at 30 June 2022. The economic forecast is that rates will continue to rise with the Council's treasury advisors anticipating the rate to increase above 2% by December 2022. SSDC has a high Capital Financing Requirement (indebtedness) and currently borrows on a short-term basis through peer-to-peer lending, which is cheap and does not fetter the flexibility of the new Somerset Council to manage its future borrowing needs.</p> <p><b>Mitigation:</b> Regular meetings with our external Treasury Management advisers are held to inform us of the potential risks and any need for action. A 0.75% interest rate is assumed in the 2022/23 budget estimates. Council agreed an increase of £0.350m in the Treasury Management Reserve to fund any rise of interest rates to 1% in 2022/23. Discussions are being held with the S151 officers in the other Somerset councils on whether some long-term borrowing should be acquired in order to fix interest rates for some of the borrowing needed.</p>
<b>Pay Award</b>	<p><b>Risk:</b> The 2022/23 pay award for local government services employees remains unresolved. Negotiations on the pay award for 2023/24 do not form part of this year's dispute and will be considered separately once the pay award for 1 April 2022 has been finalised. There is a significant risk that the pay award maybe above the amounts estimated in the budget proposals.</p> <p><b>Mitigation:</b> SSDC holds sufficient reserves to fund any increase for this year and next.</p>

RISK	DESCRIPTION AND ANY MITIGATION
<b>Price Inflation</b>	<p><b>Risk:</b> General inflation is at its highest level for thirty years and some commentators expect it to peak at 10% later in 2022. Construction inflation is currently running at 20% to 40%.</p> <p><b>Mitigation:</b> The risk is most acute for the delivery of the capital programme. Whilst agreed budgets for the council's major projects already have a contingency amount within the approved budget, the CFO proposed the creation of a corporate capital contingency of £4m in 2022/23 to help mitigate this risk. Council agreed this proposal at its budget meeting in February 2022.</p>
<b>Business Rates, Income</b>	<p><b>Risk:</b> The funding from business rates is based on the accurate calculation of the NNDR1 form. There is volatility in the estimates due to various factors, such as anticipated discretionary and mandatory reliefs, growth in the rateable value, bad debts, and volume of appeals. All of these factors can affect the surplus or deficit position on the collection fund that will affect the next financial year's revenue budget.</p> <p><b>Mitigation:</b> The Collection Fund estimates for 2022/23 have been produced using recommended guidance from CIPFA (Chartered Institute of Public Finance &amp; Accountancy), and a review of the figures has been undertaken by LG Futures, an external consultancy firm.</p>
<b>Covid-19</b>	<p><b>Risk:</b> The pandemic could continue in 2022/23 and in future years in a way, that requires further responses which impacts on the Councils service provision and/or financial standing.</p> <p><b>Mitigation:</b> In this instance, as we have seen during the past two financial years, we would be expecting the Government to be stepping in to support the entire sector if the impacts were high.</p>

## 8. 2021/22 Statement of Accounts

The Statement of Accounts sets out the financial performance of the Council for the year ended 31 March 2022 and its financial position at that date. It comprises core and supplementary statements together with disclosure notes.

The format and content of the financial statements are prescribed by the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

The Code requires that the accounts give a true and fair view of the financial position of the Council and are prepared on the basis that the Council is a going concern. In line with the Code, suitable accounting policies have been applied, and where necessary, prudent judgements and estimates have been made.

The Group Accounts Statement also includes the financial performance and position of the Council's subsidiaries Elleston Services Ltd and SSDC Opium Power Limited.

The purpose of each of the key Statements are described below.

### Expenditure and Funding Analysis

The Expenditure and Funding Analysis essentially reconciles the figures given in the budget outturn position to those included in the Comprehensive Income and Expenditure Statement (CIES) which follows the Analysis.

The CIES shows the accounting cost for the year of providing the Council's services. This is not the same as the budget outturn information. The accounting cost is determined in accordance with generally accepted accounting principles (contained within the Code) whilst the budget, and the year-end outturn against the budget, has to comply with local government legislation.

The Code requires that councils make a number of adjustments to the budget outturn results to determine the accounting costs and income shown in the Statement of Accounts. For example, large adjustments are made for the accounting treatment of fixed assets (depreciation) and pension costs. These costs, whilst shown in the CIES because they are required under accounting standards, are not included in the Council's annual budget nor funded from Council Tax.

The inclusion of such costs in the CIES is to enable comparison of a council's Statement of Accounts with other organisations, both public and private sector.

The Expenditure Funding Analysis therefore allows a link to be made between year-end outturn against the budget to the financial position as set out in the financial statements.

### Comprehensive Income and Expenditure Statement (CIES)

The CIES records all of the Council's income and expenditure for the year and has two parts:

- The first part reflects the accounting cost of providing the Council's services with the results summarised at the Surplus or Deficit on the Cost of Services line. In the private sector this would be equivalent to the profit or loss of a company.
- The second part, showing other comprehensive income and expenditure, shows the gains or losses in the measurement of the council's assets and liabilities. These gains and losses arise as a result of changes in market valuations, interest rates or changes in measurement assumptions in relation to pension liabilities.

### Movement in Reserves Statement (MIRS)

The MIRS shows the movement from the start of the year to the end on the different reserves held by the council. It shows how the movements are broken down between gains and losses incurred in accordance with the Code and the statutory adjustments required to return to the amounts chargeable to the budget as

required under local government legislation.

Reserves are important to local authorities as, unlike central government, they cannot borrow money over the medium term, unless given permission from central government, other than for investment in assets, and they are required to balance their budgets on an annual basis. They are therefore a vital part of prudential financial management and help reduce the financial risks mentioned earlier in this Narrative Report.

Reserves are analysed into two categories: usable and unusable.

#### **Usable reserves**

- Result from the Council's activities
- Members are involved in deciding on the levels maintained and their use
- Can be spent in the future
- Include: general fund balance, earmarked reserves, capital receipts reserve, and capital grants unapplied

#### **Unusable reserves**

- Derive from accounting adjustments
- Cannot be spent
- Include: revaluation reserve and capital adjustment account

#### **Balance Sheet**

The Balance Sheet provides a "snapshot" of the Council's position at a specific point in time showing what it owns and owes as at 31 March 2022. It is very similar to other public sector or private sector balance sheets.

The Balance Sheet is always divided into two halves that should, as the name suggests, balance:

- Net Assets (the top half), and
- Reserves (the bottom half).

#### **Cash Flow Statement**

This 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 repayment of borrowing and other long term liabilities).

The statement also includes "cash equivalents" which are short term investments that are readily convertible into cash and which are subject to only insignificant risks of changes in value.

Cash flows are related to the income and expenditure seen in the CIES but are not the same as them. The difference arises from the accruals concept, whereby income and expenditure are recognised in the CIES when the transactions occurred, and not when the cash was paid or received.

#### **Collection Fund**

The Collection Fund shows the total income received by the Council from Business Rates and Council Tax and how the redistribution of some of that money to Somerset County Council, the Police Authority, and central government.

#### **Group Financial Statements**

Group accounts need to be prepared if the council has a significant subsidiary such as a trading company. The Group Accounts report the full extent of the assets and liabilities of the Council and the companies and similar entities which the Council either controls or significantly influences.

The Council is presenting Group Accounts by consolidating the financial performance and position of Elleston Services Ltd and SSDC Opium Power Limited into the overall group.

South Somerset District Council wholly owns (100%) Elleston Services Ltd which was established in April

2019 to deliver Landscape Services. The company did not trade in 2020/21 or 2021/22 and the long-term plan for this company is currently being considered.

The Council has 50% ownership in SSDC Opium Power Limited. The company is a subsidiary as, despite the ownership ratio, the Council has the right to exercise control with a deciding vote on the Board. The company was established in 2018 to deliver green energy schemes (battery energy storage). The accounts for both companies can be reviewed at Companies House. The external auditors for both entities are Old Mill Accountants and Financial Planners.

### **Additional disclosures**

The notes to the financial statements include important information and provide the context and detail for the figures in the primary financial statements.

### **Accounting Policies**

These set out the accountancy rules the Council has followed in preparing the financial statements. They are largely specified by International Financial Reporting Standards and CIPFA's Code of Practice.

A change has been made to one accounting policy for 2021/22. This relates to 'Accruals of Expenditure and Income' and the de minimis level used for accruals.

A decision was taken to set the limit at £500 for 2021/22, which is a revision from the previous limit of £2,000. The 2021/22 accounting policies were approved by Audit Committee on 24 March 2022.

### **Critical Judgements**

Show the key areas where officers and third party experts have made judgements about the application of accounting policies. The aim is to highlight key areas of the accounts where others may have made different judgements about the accounting treatment.

These are set out in note 2 under "Notes to the Core Financial Statements".

### **Property, plant & equipment**

The notes provide a lot of detail about assets acquired and disposed of during the year, whether they have been revalued, the impact of any changes in value, and the amount of depreciation charged.

These are set out in notes 15 and 16 under "Notes to the Core Financial Statements".



# **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.

# **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.

# **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.

# 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 reporting date and of its income and expenditure for the year ended 31 March 2022.

Signed

P Matravers CPFA  
Deputy S151 Officer

30 July 2022

# Statement of Accounting Policies

## 1. General Principles

The Statement of Accounts summarises the authority's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. 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 2020/21 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.
- A de minimis level of £500 is used for accruals.

## 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. Changes in Accounting Policies and Estimates and Errors

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 at 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 (LGPS)**

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
  - unlisted 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 2021.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2021, using the following methods and assumptions:

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

## 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. 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.

## **13. 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.

## **14. 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.

## **15. 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.

## **16. 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.

## **17. 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.

## **18. 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 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-Mar-21	Restated Gross Income year ended 31-Mar-21	Restated Net Cost of Services year ended 31-Mar-21	Service	Note Number	Gross Expenditure year ended 31-Mar-22	Gross Income year ended 31-Mar-22	Net Cost of Services year ended 31-Mar-22
£'000	£'000	£'000			£'000	£'000	£'000
2,091	(281)	1,810	Chief Executive		1,765	(3)	1,762
19,145	(7,722)	11,423	Director of Commercial Services and Income Generation		18,734	(8,974)	9,760
41,795	(34,573)	7,222	Director of Service Delivery		40,039	(27,142)	12,897
18,517	(10,569)	7,948	Director of Strategy & Support Services		27,360	(17,393)	9,967
9,887	(523)	9,364	Director of Place & Recovery		11,047	(5,945)	5,102
<b>91,435</b>	<b>(53,668)</b>	<b>37,767</b>	<b>Cost of Services</b>		<b>98,945</b>	<b>(59,457)</b>	<b>39,488</b>
5,881	(700)	5,181	Other Operating expenditure	10	6,118	(948)	5,170
14	0	14	Net Loss/(Gain) on Disposal of Property, Plant and Equipment	12	290	0	290
572	(2,149)	(1,577)	Financing and Investment Income and Expenditure	13	(2,378)	(1,950)	(4,328)
0	(31,617)	(31,617)	Taxation and Non-Specific Grant Income	14	0	(34,175)	(34,175)
<b>97,902</b>	<b>(88,134)</b>	<b>9,768</b>	<b>(Surplus)/Deficit on Provision of Services</b>		<b>102,975</b>	<b>(96,530)</b>	<b>6,445</b>
		(4,932)	(Surplus)/Deficit on revaluation of Property, Plant and Equipment	33			529
		(2,117)	(Surplus)/Deficit on revaluation of Pooled Funds	33			(1,113)
		17,034	Re-measurement of the Net Defined Benefit Liability	47			(25,907)
		(12)	Share of Other Income and Expenditure of Joint Operations	21			68
		<b>9,973</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(26,423)</b>
		<b>19,741</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(19,978)</b>

# 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
<b>Balance at 31 March 2020</b>	<b>(5,099)</b>	<b>(21,878)</b>	<b>(26,977)</b>	<b>(18,433)</b>	<b>(2,501)</b>	<b>(637)</b>	<b>(48,549)</b>	<b>36,674</b>	<b>(11,875)</b>
<b>Movement in reserves during 2020/21:</b>									
Total Comprehensive Income and Expenditure	9,768	0	9,768	0	0	(12)	9,756	9,985	19,741
Adjustments between accounting basis and funding basis under	(25,170)	0	(25,170)	211	(5,284)	0	(30,243)	30,244	1
<b>Net Increase/Decrease before transfers to Earmarked Reserves</b>	<b>(15,402)</b>	<b>0</b>	<b>(15,402)</b>	<b>211</b>	<b>(5,284)</b>	<b>(12)</b>	<b>(20,487)</b>	<b>40,229</b>	<b>19,742</b>
Transfers to/from Earmarked Reserves (note 32)	16,351	(16,351)	0	0	0	0	0	0	0
<b>(Increase)/Decrease in 2020/21</b>	<b>949</b>	<b>(16,351)</b>	<b>(15,402)</b>	<b>211</b>	<b>(5,284)</b>	<b>(12)</b>	<b>(20,487)</b>	<b>40,229</b>	<b>19,742</b>
<b>Balance at 31 March 2021</b>	<b>(4,150)</b>	<b>(38,229)</b>	<b>(42,379)</b>	<b>(18,222)</b>	<b>(7,785)</b>	<b>(649)</b>	<b>(69,036)</b>	<b>76,903</b>	<b>7,867</b>
<b>Movement in reserves during 2021/22:</b>									
Total Comprehensive Income and Expenditure	6,444	0	6,444	0	0	68	6,513	(27,034)	(20,521)
Adjustments between accounting basis and funding basis under	(2,227)	0	(2,227)	13,039	(2,651)	0	8,161	(8,161)	0
<b>Net Increase/Decrease before transfers to Earmarked Reserves</b>	<b>4,217</b>	<b>0</b>	<b>4,217</b>	<b>13,039</b>	<b>(2,651)</b>	<b>68</b>	<b>14,674</b>	<b>(35,195)</b>	<b>(20,521)</b>
Transfers to/from Earmarked Reserves (note 32)	(6,623)	6,623	0	0	0	0	0	0	0
<b>(Increase)/Decrease in 2021/22</b>	<b>(2,406)</b>	<b>6,623</b>	<b>4,217</b>	<b>13,039</b>	<b>(2,651)</b>	<b>68</b>	<b>14,674</b>	<b>(35,195)</b>	<b>(20,521)</b>
<b>Balance at 31 March 2022</b>	<b>(6,556)</b>	<b>(31,606)</b>	<b>(38,162)</b>	<b>(5,183)</b>	<b>(10,436)</b>	<b>(581)</b>	<b>(54,362)</b>	<b>41,708</b>	<b>(12,654)</b>

## 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 31 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'.

As at 31 March 2021		Note No.	As at 31 March 2022	
			£'000	£'000
47,416	Property, Plant & Equipment	15	47,564	
79,809	Investment Properties	17	89,967	
710	Intangible Assets	20	408	
650	Investment in Joint Ventures	21	581	
490	Assets Held for Sale	18	490	
1,792	Heritage Assets	22	1,792	
0	Long Term Investments	35	0	
33,827	Long Term Debtors	23	41,190	
<b>164,694</b>	<b>TOTAL LONG-TERM ASSETS</b>			<b>181,992</b>
24,899	Short Term Investments	34	40,501	
4,923	Inventories	24	3,434	
33,288	Short Term Debtors	25	30,660	
490	Cash & Cash Equivalents	26	9	
613	Bank Accounts	26	309	
<b>64,213</b>	<b>CURRENT ASSETS</b>			<b>74,914</b>
(98,000)	Short term Borrowing	27	(128,500)	
0	Bank Overdraft	26	0	
(1,091)	Third Party Cash	26	(1,002)	
(31,043)	Short term Creditors	28	(28,566)	
<b>(130,134)</b>	<b>CURRENT LIABILITIES</b>			<b>(158,068)</b>
(742)	Provisions	30	(771)	
(4,829)	Developers Contributions Deferred	31	(5,733)	
(33)	Long Term Liabilities – Creditors	29/34	(39)	
(5)	Long Term Liabilities – Finance Lease	45/34	0	
(101,031)	Liability related to defined benefit pension scheme	47	(79,641)	
<b>(106,641)</b>	<b>LONG TERM LIABILITIES</b>			<b>(86,184)</b>
<b>(7,868)</b>	<b>NET ASSETS</b>			<b>12,654</b>
68,388	Usable Reserves	32	53,781	
650	Usable Reserve – Share in Joint Operations	32/21	581	
(76,906)	Unusable Reserves	33	(41,708)	
<b>(7,868)</b>	<b>TOTAL RESERVES</b>			<b>12,654</b>

## 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 these 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 2021 £'000		Year Ended 31 March 2022 £'000
(9,768)	Net surplus/(deficit) on the provision of services	(6,445)
10,046	Adjustments to net surplus or deficit on the provision of services for non-cash movements (note 35)	9,199
(1,817)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (note 35)	(4,815)
(1,539)	<b>Net cash flows from operating activities</b>	(2,061)
(18,188)	Investing Activities (note 36)	(29,129)
18,485	Financing Activities (note 37)	30,495
(1,242)	<b>Net increase or decrease in cash and cash equivalents</b>	(694)
1,254	Cash and Cash Equivalents (including bank overdraft) at 1 April (note 26)	12
12	<b>Cash and Cash Equivalents (including bank overdraft) at 31 March (note 26)</b>	(683)

The difference between the net figure for Cash and Cash Equivalents shown in the Cash Flow Statement to that in the Balance Sheet is due to £1,002k held on behalf of Third Parties. Specifically, this relates to funds held in respect the Dorcas House Trust (See note 48), Boden Mill and Chard Regeneration Scheme and the Yeovil Cemetery and Crematorium Burial Committee.

# Notes to the Core Financial Statements

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

## 1. 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 2021 for 2021/22).

In compiling the 2021/22 accounts there are no material effects in relation to these standards.

In response to the Covid 19 pandemic, CIPFA/LASAAC following its emergency consultation agree to defer the implementation of IFRS 16 Leases in the public sector until the 2024/25 financial year with an effective date of 1 April 2024 with early adoption allowed. 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).

## 2. 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:

- Provision for appeals on business rates

The Council collects approximately net £37.3m in business rates. It is in a Pool for the local retention of business rates for 2021/22 and the council's share of the business rates income is 40%. 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 £0.683m which has increased from £0.650m in 2020/21. 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 business rates income reduces below the levels set by central government the council will be compensated accordingly.

- 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.

## 3. 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.

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.	<p>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.</p> <p>If estimated useful lives were reduced by 5 years, the depreciation charge would increase by £1.392m, if however useful lives were to increase by 5 years, the depreciation charge would reduce by £0.533m.</p>
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 7% of its pension assets invested in Real Estate which accounts for £10.521m 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 47).
Investment Properties	<p>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.</p> <p>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.</p>	<p>A variation in the annual estimated valuations could result in a movement being recorded inappropriately in the Comprehensive Income and Expenditure Statement.</p> <p>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 £8.996m</p> <p>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 £8.996m.</p>
Arrears	At 31 March 2022, the Authority had a balance for sundry debtors of £0.017m. A review of significant balances suggested that an impairment allowance of £3.043m 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.

#### 4. 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.



## 5. Events after the reporting period

The Statement of Accounts was authorised for issue by the Deputy S151 Officer on 29<sup>th</sup> July 2022. Events taking place after this date are not reflected in the financial statements or notes.

## 6. 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.

2020/21			Service	2021/22		
Restated Net Expenditure Chargeable to the General Fund	Restated Adjustments between the Funding and Accounting Basis	Restated Net Expenditure in the Comprehensive Income & Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement
£'000	£'000	£'000	£'000	£'000	£'000	
697	1,113	1,810	Chief Executive	923	839	1,761
2,497	8,926	11,423	Director of Commercial Services and Income Generation	3,630	6,130	9,759
4,039	3,183	7,222	Director of Service Delivery	8,418	4,480	12,898
4,665	3,283	7,948	Director of Strategy & Support Services	(4,524)	14,491	9,967
1,391	7,973	9,364	Director of Place & Recovery	(4,903)	10,006	5,103
<b>13,289</b>	<b>24,478</b>	<b>37,767</b>	<b>Net Cost of Services</b>	<b>3,543</b>	<b>35,945</b>	<b>39,488</b>
<b>(28,691)</b>	<b>692</b>	<b>(27,999)</b>	Other Income and Expenditure	<b>674</b>	<b>(33,718)</b>	<b>(33,044)</b>
<b>(15,402)</b>	<b>25,171</b>	<b>9,768</b>	<b>Surplus or Deficit</b>	<b>4,218</b>	<b>2,227</b>	<b>6,444</b>
<b>26,977</b>			Opening General Fund Balance	<b>42,379</b>		
-			Less deficit on General Fund	<b>(4,218)</b>		
<b>15,402</b>			Add Surplus on General Fund	-		
<b>42,379</b>			<b>Closing General Fund Balance at 31 March</b>	<b>38,161</b>		

<b>Adjustments between Funding and Accounting Basis 2021/22</b>					
<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts</b>		<b>Adjustments for Capital Purposes</b>	<b>Net change for the Pensions Adjustments</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
		<b>(Note 1)</b>	<b>(Note 2)</b>	<b>(Note 3)</b>	
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Chief Executive		391	114	334	<b>839</b>
Director of Commercial Services and Income Generation		1,684	749	3,696	<b>6,130</b>
Director of Service Delivery		3,401	835	244	<b>4,480</b>
Director of Strategy & Support Services		(3,058)	747	16,802	<b>14,491</b>
Director of Place & Recovery		9,484	52	470	<b>10,006</b>
<b>Net Cost of Services</b>		<b>11,902</b>	<b>2,497</b>	<b>21,546</b>	<b>35,945</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>		<b>(8,533)</b>	<b>2,020</b>	<b>(27,205)</b>	<b>(33,718)</b>
<b>Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>		<b>3,369</b>	<b>4,517</b>	<b>(5,659)</b>	<b>2,227</b>

<b>Restated - Adjustments between Funding and Accounting Basis 2020/21</b>					
<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts</b>		<b>Adjustments for Capital Purposes</b>	<b>Net change for the Pensions Adjustments</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
		<b>(Note 1)</b>	<b>(Note 2)</b>	<b>(Note 3)</b>	
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Chief Executive		600	110	403	<b>1,113</b>
Director of Commercial Services and Income Generation		4,977	596	3,353	<b>8,926</b>
Director of Service Delivery		2,572	780	(169)	<b>3,183</b>
Director of Strategy & Support Services		552	620	2,112	<b>3,283</b>
Director of Place & Recovery		7,712	45	216	<b>7,973</b>
<b>Net Cost of Services</b>		<b>16,411</b>	<b>2,152</b>	<b>5,915</b>	<b>24,478</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>		<b>(6,795)</b>	<b>1,911</b>	<b>5,576</b>	<b>692</b>
<b>Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>		<b>9,616</b>	<b>4,063</b>	<b>11,491</b>	<b>25,171</b>

# Notes to the expenditure and funding analysis

## 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 2020/21			2021/22	
Revenues from external customers	Grants & Contributions		Revenues from external customers	Grants & Contributions
£'000	£'000		£'000	£'000
(281)	0	Chief Executive	0	(3)
(11,487)	(2,064)	Director of Commercial Services and Income Generation	(15,646)	(629)
(3,035)	(34,439)	Director of Service Delivery	(3,312)	(31,180)
(314)	(14,530)	Director of Strategy and Support Services	(554)	(3,835)
0	(522)	Director of Place & Recovery	0	(5,945)
<b>(15,116)</b>	<b>(51,555)</b>	<b>Total income analysed on a segmental basis</b>	<b>(19,512)</b>	<b>(41,591)</b>

## 7. Expenditure and Income analysed by nature

2020/21		2021/22
£'000	Expenditure/Income	£'000
	<b>Expenditure</b>	
20,474	Employee benefits expenses	22,183
71,532	Other services expenses	79,577
5,257	Depreciation, amortisation, impairment	2,074
966	Interest Payments	151
5,879	Precepts and levies	6,118
2	Payments to housing capital receipts pool	0
14	Loss on the disposal of assets	290
<b>104,124</b>	<b>Total Expenditure</b>	<b>110,393</b>
	<b>Income</b>	
(18,547)	Fees, charges and other service income	(35,820)
0	Gain on the disposal of assets	0
(2,149)	Interest and investment income	(1,950)
4,370	Income from council tax and NDR	(17,432)
(78,030)	Government grants and contributions	(48,746)
<b>(94,356)</b>	<b>Total Income</b>	<b>(103,948)</b>
<b>9,768</b>	<b>Surplus or Deficit on the Provision of Services</b>	<b>6,445</b>

## 8. Contracts with Service Recipients

Included with income from fees and charges of £27.0m (£18.5m 2020/21) are the following amounts derived from contracts with service recipients as defined by IFRS 15.

Previous year 2020/21 £'000	Service	Current year 2021/22 £'000
(337)	Building Control	(395)
(1,436)	Planning	(1,507)
(940)	Car Park Income	(1,436)
(5,278)	Commercial Rent & Licences	(6,678)
(468)	Other Rents & Wayleaves	(501)
(406)	Careline	(395)
(260)	Licences	(299)
(934)	Waste	(1,032)
(439)	Land Charges	(439)
(112)	Theatre Venues	(1,515)
<b>(10,610)</b>	<b>Total Income from Contracts with Service Recipients</b>	<b>(14,198)</b>

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

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

## 9. Adjustments between accounting basis and funding basis under regulations

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

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

**General Fund Balance**

The General Fund is the statutory fund into which all the receipts of 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.

Table on following page

2021/22	Movement in Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000
<b>Adjustments involving the Capital Adjustment Account:</b>				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</i>				
Charges for depreciation, amortisation and impairment of non-current assets	(2,221)	0	0	(2,221)
Revaluation losses on Property, Plant and Equipment	301	0	0	301
Capital grants and contributions applied	2,798	0	2,578	5,376
Capital grants and contributions unapplied	5,228	0	(5,228)	0
Revenue expenditure funded from capital under statute	(13,290)	0	0	(13,290)
Movement in market value of Investment Property	510	0	0	510
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	(605)	0	0	(605)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>				
Statutory provision for the financing of capital investment	1,007	0	0	1,007
Capital expenditure charged against the capital fund	1,641	0	0	1,641
<b>Adjustments involving the Capital Receipts Reserve:</b>				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure	1,263	(1,263)	0	0
Use of Capital Receipts Reserve to finance capital expenditure		17,853	0	17,853
Transfer from the Deferred Capital Receipts reserve to the Capital Receipts Reserve upon receipt of cash	0	(3,552)	0	(3,552)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(0)	0	0	0
<b>Adjustments involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 47)	(8,181)	0	0	(8,181)
Employer's pensions contributions and direct payments to pensioners payable in the year	3,664	0	0	3,664
<b>Adjustments involving the Collection Fund Adjustments Account:</b>				
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	5,614	0	0	5,614
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Accounts:</b>				
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	45	0	0	45
<b>TOTAL ADJUSTMENTS</b>	<b>(2,227)</b>	<b>13,038</b>	<b>(2,650)</b>	<b>8,161</b>

2020/21	Movement in Usable Reserves			
	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
<b>Adjustments involving the Capital Adjustment Account:</b>				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</i>				
Charges for depreciation, amortisation and impairment of non-current assets	(2,792)	0	0	(2,792)
Revaluation losses on Property, Plant and Equipment	(2,465)	0	0	(2,465)
Capital grants and contributions applied	1,836	0	192	2,028
Capital grants and contributions unapplied	5,477	0	(5,477)	0
Revenue expenditure funded from capital under statute	(10,795)	0	0	(10,795)
Movement in market value of Investment Property	(2,510)	0	0	(2,510)
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	(155)	0	0	(155)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>				
Statutory provision for the financing of capital investment	828	0	0	828
Capital expenditure charged against the capital fund	120	0	0	120
<b>Adjustments involving the Capital Receipts Reserve:</b>				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure	841	(841)	0	0
Use of Capital Receipts Reserve to finance capital expenditure		2,026	0	2,026
Transfer from the Deferred Capital Receipts reserve to the Capital Receipts Reserve upon receipt of cash	0	(976)	0	(976)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(2)	2	0	0
<b>Adjustments involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 47)	(7,799)	0	0	(7,799)
Employer's pensions contributions and direct payments to pensioners payable in the year	3,736	0	0	3,736
<b>Adjustments involving the Collection Fund Adjustments Account:</b>				
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	(11,456)	0	0	(11,456)
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Accounts:</b>				
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	(36)	0	0	(36)
<b>TOTAL ADJUSTMENTS</b>	<b>(25,171)</b>	<b>211</b>	<b>(5,284)</b>	<b>(30,244)</b>

## 10. Other operating income and expenditure

Previous year 2020/21 £'000		Current year 2021/22 £'000
5,879	Parish council precepts and levies	6,118
2	Payments to the Government housing Capital Receipts Pool	0
<b>5,881</b>	<b>Total Other Operating Expenditure</b>	<b>6,118</b>
(700)	Easements and other Capital Receipts (note 11)	(948)
<b>5,181</b>	<b>Total Other Operating Income and Expenditure</b>	<b>5,170</b>

## 11. Easements and other capital receipts

The council received £886k in Right to Buy receipts (compared to £682k in 2020/21) and a further £63k in other capital receipts (£18k in 2020/21).

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

The net loss on disposal of plant, property and equipment amounts to £290k (compared to a net loss of £14k in 2020/21)

## 13. Financing and investment income and expenditure

Previous year 2020/21 £'000		Current year 2021/22 £'000
966	Interest Payable and similar charges	151
1,911	Net interest on the net defined benefit liability	2,020
(211)	(Surplus)/Deficit on Trading Undertaking (note 38)	(122)
(2,107)	(Surplus)/Deficit on Investment Properties (note 17)	(6,678)
<b>559</b>	<b>Total Financing and Investment Expenditure</b>	<b>(4,629)</b>
(2,149)	Interest receivable and similar income	(1,950)
<b>(1,590)</b>	<b>Total Financing and Investment Income and Expenditure</b>	<b>(6,579)</b>

## 14. Taxation and non-specific grant income

Previous year 2020/21 £'000		Current year 2021/22 £'000
(16,217)	Council tax income	(17,194)
(6,554)	Non domestic rates	(6,581)
(8,846)	Non ring-fenced government grants	(10,400)
<b>(31,617)</b>	<b>Total Taxation and Non Specific Grant Income</b>	<b>(34,175)</b>



## 15. Property, plant and equipment

Movement in 2021/22:

	<b>Total Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Infra- structure Assets</b>	<b>Com- munity Assets</b>	<b>Surplus Assets</b>	<b>Total Property Plant &amp; Equipment</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>	45,507	4,562	1,097	812	0	51,978
As at 1 April 2021						
Additions	1,457	759	23	20	0	2,259
Disposals	(464)	(301)	0	(0)	0	(765)
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	16	(1)	0	0	0	15
Revaluation Increases/(decreases) recognised in the surplus/deficit on the provision of Services	(170)	282	0	0	0	112
Impairment (losses)/reversals recognised in the surplus/deficit on the provision of services	(1,194)	(258)	0	0	0	(1,452)
Reclassification - Other	0	0	0	0	0	0
<b>As at 31 March 2022</b>	<b>45,152</b>	<b>5,043</b>	<b>1,120</b>	<b>832</b>	<b>0</b>	<b>52,147</b>
<b>Accumulated Depreciation</b>						
As at 1 April 2021	(2,017)	(2,378)	(168)	0	0	(4,563)
Depreciation charge	(1,364)	(440)	(16)	0	0	(1,820)
Depreciation written out to the surplus/deficit on the Provision of Services	1,310	331	0	0	0	1,641
Derecognition – Disposals	45	115	0	0	0	160
Derecognition – Reclassification	0	0	0	0	0	0
<b>As at 31 March 2022</b>	<b>(2,026)</b>	<b>(2,372)</b>	<b>(185)</b>	<b>0</b>	<b>0</b>	<b>(4,583)</b>
<b>Net Book Value</b>						
<b>At 31 March 2022</b>	<b>43,125</b>	<b>2,671</b>	<b>936</b>	<b>832</b>	<b>0</b>	<b>47,564</b>
<b>At 31 March 2021</b>	<b>43,490</b>	<b>2,184</b>	<b>929</b>	<b>812</b>	<b>0</b>	<b>47,416</b>

Comparative movements in 2020/21:

	Total Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infra-structure Assets £'000	Com-munity Assets £'000	Surplus Assets £'000	Total Property Plant & Equipment £'000
<b>Cost or Valuation</b>	44,945	5,189	1,097	726	0	51,957
As at 1 April 2020						
Additions	601	159	0	86	0	846
Disposals	(170)	(0)	0	0	0	(170)
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	4,933	(0)	0	0	0	4,932
Revaluation Increases/(decreases) recognised in the surplus/deficit on the provision of Services	(4,095)	(802)	0	0	0	(4,897)
Impairment (losses)/reversals recognised in the surplus/deficit on the provision of services	(130)	17	0	0	0	(113)
Reclassification - Other	(576)	0	0	0	0	(576)
<b>As at 31 March 2021</b>	<b>45,508</b>	<b>4,562</b>	<b>1,097</b>	<b>812</b>	<b>0</b>	<b>51,979</b>
<b>Accumulated Depreciation</b>						
As at 1 April 2020	(2,793)	(2,000)	(152)	0	0	(4,945)
Depreciation charge	(1,338)	(877)	(16)	0	0	(2,232)
Depreciation written out to the surplus/deficit on the Provision of Services	2,094	500	0	0	0	2,593
Derecognition – Disposals	15	0	0	0	0	15
Derecognition – Reclassification	5	0	0	0	0	5
<b>As at 31 March 2021</b>	<b>(2,017)</b>	<b>(2,378)</b>	<b>(168)</b>	<b>0</b>	<b>0</b>	<b>(4,563)</b>
<b>Net Book Value</b>						
<b>At 31 March 2021</b>	<b>43,490</b>	<b>2,184</b>	<b>929</b>	<b>812</b>	<b>0</b>	<b>47,416</b>
<b>At 31 March 2020</b>	<b>42,152</b>	<b>3,189</b>	<b>945</b>	<b>726</b>	<b>0</b>	<b>47,012</b>

## 16. 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 31<sup>st</sup> December 2021.

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:

	<b>Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Valued at historical cost	0	0	800	714	<b>1,514</b>
Valued at current value at:					
31 <sup>st</sup> December 2016	98	0	136	32	<b>266</b>
31 <sup>st</sup> December 2017	4,871	95	0	0	<b>4,966</b>
31 <sup>st</sup> December 2018	2,697	45	0	0	<b>2,742</b>
31 <sup>st</sup> December 2019	4,532	579	0	0	<b>5,111</b>
31 <sup>st</sup> December 2020	9,332	575	0	86	<b>9,992</b>
31 <sup>st</sup> December 2021	21,596	1,376			<b>22,972</b>
<b>Total</b>	<b>43,125</b>	<b>2,671</b>	<b>936</b>	<b>832</b>	<b>47,564</b>

## 17. 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.

<b>Previous year</b>		<b>Current year</b>
<b>2020/21</b>		<b>2021/22</b>
<b>£'000</b>		<b>£'000</b>
(5,744)	Rental Income from Investment Property	(6,972)
1,127	Operating Expenses and Financing costs arising from Investment Property	803
2,510	Net gains / Losses from fair value adjustments	(510)
<b>(2,107)</b>	<b>Total</b>	<b>(6,678)</b>

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

<b>Previous year</b>		<b>Current year</b>
<b>2020/21</b>		<b>2021/22</b>
<b>£'000</b>		<b>£'000</b>
71,973	Balance at the start of the year	79,809
10,313	Additions	9,648
(2,510)	Net gains / (losses) from fair value adjustments	510
0	Disposals	0
	<b>Transfers:</b>	
33	(To)/from Property, Plant & Equipment	0
<b>79,809</b>	<b>Balance at the end of the year</b>	<b>89,967</b>

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

Previous year 2020/21 £'000	Significant Unobservable Inputs (Level 2)	Current year 2021/22 £'000
7,250	Commercial Building	7,745
4,465	Small Business Unit	5,035
10,158	Retail	16,993
24,742	Offices	26,560
23,250	Industrial	23,840
2,550	Leisure	2,700
364	Other	414
330	Historic	330
6,700	Alternative	6,350
<b>79,809</b>	<b>Investment Property</b>	<b>89,967</b>

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.

### 18. Assets Held for Sale

Previous year 2020/21 £'000		Current year 2021/22 £'000
0	Balance at the start of the year	490
490	Transfers to/from Property Plant and Equipment	0
<b>490</b>	<b>Balance at the end of the year</b>	<b>490</b>

### 19. Capital commitments

At the 31 March 2022, the council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2022/23 and future years budgeted to cost £10.619m. Similar commitments as at 31 March 2021 were £4.161m. The major commitments are:

- Westminster Street (Yeovil Refresh) - £1.059m
- Decarbonisation of buildings - £2.760m
- Octagon Theatre - £5.979m
- Yeovil Crematorium - £0.821m

### 20. Intangible Assets

The value of Intangible Assets held in the Council's balance sheet amounts to £408k (compared to £710k in 2020/21).

## 21. 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 2022 disclose net assets of £1.163m and a net loss of £135k. SSDC and Abbey Manor Developments Ltd hold the shares joint each with a 50% interest.

31 March 2021 £'000		31 March 2022 £'000
650	Lufton 2000	581
<b>650</b>	<b>Investment in Joint Operations/Ventures</b>	<b>581</b>

31 March 2021 £'000		31 March 2022 £'000
650	Lufton 2000	581
<b>650</b>	<b>Useable Reserves – Share in Joint Operations/Ventures</b>	<b>581</b>

31 March 2021 £'000		31 March 2022 £'000
(12)	Lufton 2000	68
<b>(12)</b>	<b>Share of Other Income and Expenditure in Joint Operations/Ventures</b>	<b>68</b>

## 22. Heritage Assets

31 March 2021 £'000		31 March 2022 £'000
1,792	Balance at start of year	1,792
0	Additions	0
0	Revaluations/(Impairments)	0
<b>1,792</b>	<b>Total Heritage Assets</b>	<b>1,792</b>

## 23. Long term debtors

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

31 March 2021 £'000		31 March 2022 £'000
33,551	Loans	40,913
1	Mortgages	0
270	Rights to receipts – long term lease	268
5	Car/bike/learning loans	9
<b>33,827</b>	<b>Total Long-Term Debtors</b>	<b>41,190</b>

The loans figures relate mainly to the commercial loans made to SSDC Opium Power Limited. The loans are asset backed and a valuation report in respect of the sites has been provided. Further information relating to long-term debtors is contained within Note 33 on the financial statements.

## 24. Inventories

2020/21				2021/22		
SSDC Consumables	Property Acquired or constructed for sale	Total		SSDC Consumables	Property Acquired or constructed for sale	Total
£'000	£'000	£'000		£'000	£'000	£'000
120	4,472	<b>4,592</b>	Balance 1 April	196	4,727	<b>4,923</b>
96	255	<b>351</b>	Purchases	15	3	<b>18</b>
(20)	0	<b>(20)</b>	Expenses in year	(15)	(1,491)	<b>(1,507)</b>
<b>196</b>	<b>4,727</b>	<b>4,923</b>	<b>Balance 31 March</b>	<b>196</b>	<b>3,238</b>	<b>3,434</b>

## 25. Short term debtors

31 March 2021		31 March 2022
£'000		£'000
14,732	Central Government Bodies	9,771
8,232	Other Local Authorities	8,405
35	NHS Bodies	2
10,289	Other Entities and Individuals	12,483
<b>33,288</b>	<b>Total Short-Term Debtors</b>	<b>30,660</b>

## 26. 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 2021		31 March 2022
£'000		£'000
10	Cash held by the Authority	10
480	Short-term deposits with Business Reserve accounts and Money Market Funds	0
<b>490</b>	<b>Total Cash and Cash Equivalents</b>	<b>10</b>
0	Bank overdrafts	0
613	Bank Accounts	309
(1,091)	Cash held on behalf of others	(1,002)
<b>12</b>	<b>Net Cash and Cash Equivalents as per cashflow statement</b>	<b>(683)</b>

The cash held on behalf of others relates to funds held in respect the Dorcas House Trust (See note 48), Boden Mill and Chard Regeneration Scheme and the Yeovil Cemetery and Crematorium Burial Committee.

## 27. Short-term Borrowings

31 March 2021		31 March 2022
£'000		£'000
(98,000)	Other Local Authorities	(128,500)
0	Other Entities and Individuals	0
<b>(98,000)</b>	<b>Total Short-Term Borrowing</b>	<b>(128,500)</b>

## 28. Short-term Creditors

31 March 2021		31 March 2022
£'000		£'000
(15,766)	Central Government Bodies	(18,342)
(2,232)	Other Local Authorities	(3,061)
0	NHS Bodies	(0)
(13,046)	Other Entities and Individuals	(7,163)
<b>(31,043)</b>	<b>Total Short-Term Creditors</b>	<b>(28,566)</b>

## 29. Long term liabilities – Creditors

31 March 2021		31 March 2022
£'000		£'000
(33)	Other Entities and Individuals	(39)
<b>(33)</b>	<b>Total Long-Term Liabilities - Creditors</b>	<b>(39)</b>

The long-term liabilities – creditors relate to licence fee income that is paid in advance.

## 30. Provisions

31 March 2021		31 March 2022
£'000		£'000
(650)	Business Rates Provisions for Appeals	(683)
(88)	MMI Provision	(88)
<b>(738)</b>	<b>Total Provisions</b>	<b>(771)</b>

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 reduced the provision by £33k.

## 31. Developers' contribution deferred

31 March 2021		31 March 2022
£'000		£'000
(4,092)	Balance at start of year	(4,829)
(969)	Additional Deposits	(1,747)
232	Applied Deposits	843
<b>(4,829)</b>	<b>Total Developers Contribution Deferred</b>	<b>(5,733)</b>

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

### 32. Usable Reserves

31 March 2021		31 March 2022
£'000		£'000
(4,150)	General Fund Balance	(6,556)
(38,228)	Earmarked Reserves	(31,606)
(18,222)	Capital Receipts Reserve	(5,183)
(7,785)	Capital Grants Unapplied	(10,436)
(650)	Authority's share of Joint Operation	(581)
<b>(69,035)</b>	<b>Total Usable Reserves</b>	<b>(54,362)</b>

#### Capital Receipts Reserve

31 March 2021		31 March 2022
£'000		£'000
(18,433)	Balance of Usable Receipts at 1 April	(18,222)
(1,817)	Receipts from Sale of Assets	(4,815)
2,026	Receipts applied to finance Capital Expenditure	17,853
2	Amount payable to the housing capital receipt pool	0
<b>(18,222)</b>	<b>Total Capital Receipts Reserve</b>	<b>(5,183)</b>

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 2021		31 March 2022
£'000		£'000
(2,501)	Balance at start of year	(7,785)
(5,477)	Additional Capital Grants recognised through the Comprehensive Income and Expenditure Statement	(5,228)
192	Applied Deposits	2,578
<b>(7,785)</b>	<b>Total Capital Grants Unapplied</b>	<b>(10,436)</b>

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 2021/22. All earmarked reserves are revenue balances.

	<b>Balance as at 31 March 2020 £'000</b>	Transfers in 2020/21 £'000	Transfers out 2020/21 £'000	<b>Balance as at 31 March 2021 £'000</b>	Transfers in 2021/22 £'000	Transfers out 2021/22 £'000	<b>Balance as at 31 March 2022 £'000</b>
Capital Fund	(926)	(359)	356	(929)	(140)	918	(152)
Cremator Replacement Reserve	(549)	0	0	(549)	0	0	(549)
Internal Borrowing Repayments	(209)	(112)	0	(321)	(100)	420	(1)
Elections Reserve	(174)	(40)	0	(214)	(40)	0	(254)
Sports Facilities Reserve	(41)	(10)	0	(51)	0	41	(10)
Yeovil Athletics Track Repairs	(179)	(19)	0	(198)	(25)	7	(216)
Planning Delivery Reserve	(16)	0	0	(16)	0	16	(0)
Bristol to Weymouth Rail Reserve	(76)	0	4	(72)	0	72	0
Yeovil Refresh Reserve	(112)	0	0	(112)	0	112	0
IT Replacement Reserve	(10)	0	0	(10)	0	0	(10)
Insurance Fund	(50)	0	0	(50)	0	50	0
Transformation Fund	(139)	0	48	(91)	0	91	0
Treasury Management Reserve	(600)	(150)	0	(750)	0	0	(750)
Revenue Grant Reserve	(456)	(76)	6	(525)	(16)	142	(399)
MTFP Support Fund	(3,276)	(1,603)	0	(4,879)	(4,580)	596	(8,863)
CTAX/Housing Benefits Reserve	(704)	(895)	308	(1,291)	(118)	168	(1,241)
Closed Churchyards Reserve	(15)	(4)	0	(19)	0	19	0
Health Inequalities	(32)	0	0	(32)	0	32	0
Deposit Guarantee Claims Reserve	(3)	(9)	0	(12)	0	13	0
Park Homes Replacement Reserve	(256)	(30)	0	(286)	(30)	317	0
Planning Obligations Admin Reserve	(30)	0	0	(30)	0	30	(0)
Artificial Grass Pitch Reserve	(146)	(16)	0	(162)	(16)	0	(177)
Business Support Scheme (flooding)	(111)	0	10	(101)	0	20	(82)
Regeneration Fund	(3,265)	(64)	332	(2,997)	(1,406)	1,160	(3,243)
NNDR Volatility Reserve	(2,696)	(1,900)	4	(4,592)	0	4,593	0
Ticket Levy Income	(86)	(135)	101	(120)	(132)	0	(252)
Waste Reserve	(100)	0	0	(100)	0	0	(100)
Community Housing Fund	(211)	0	41	(170)	0	153	(18)
Community Safety Reserve	(68)	0	25	(43)	0	19	(25)
Housing and Homelessness Reserve	(402)	(434)	395	(441)	(258)	163	(537)
Commercial Investment Reserve	(6,300)	(306)	0	(6,606)	(113)	0	(6,719)
Spatial Policy Reserve	(305)	(48)	95	(258)	(48)	166	(141)
YIC Maintenance Reserve	(40)	0	0	(40)	(20)	0	(60)
Climate Change Fund	(294)	(2)	129	(167)	(262)	163	(266)
Community Initiatives Reserve	0	(524)	361	(163)	(522)	303	(382)
Local Government Change	0	(420)	420	0	0	0	0
Community Resilience Reserve	0	(126)	0	(126)	(247)	282	(91)
NNDR S31 Grant Coll. Fund	0	(11,704)	0	(11,704)	(3,695)	8,886	(6,513)
Area East Reserve	0	0	0	0	(49)	0	(49)
Area North Reserve	0	0	0	0	(24)	0	(24)
Area West Reserve	0	0	0	0	(40)	0	(40)
MRP Reserve	0	0	0	0	(444)	0	(444)
<b>Total Reserves</b>	<b>(21,877)</b>	<b>(18,986)</b>	<b>2,634</b>	<b>(38,228)</b>	<b>(12,326)</b>	<b>18,950</b>	<b>(31,606)</b>

### 33. Unusable reserves

31 March 2021 £'000		31 March 2022 £'000
(22,119)	Revaluation Reserve	(21,089)
662	Pooled Fund Adjustment Account	(451)
(12,696)	Capital Adjustment Account	(20,763)
(276)	Deferred Capital Receipts	(272)
101,031	Pensions Reserve	79,641
9,898	Collection Fund Adjustment Account	4,284
403	Accumulating Compensated Absences Adjustment Account	358
<b>76,903</b>	<b>Total Unusable Reserves</b>	<b>41,708</b>

#### 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 2021 £'000		31 March 2022 £'000
(17,832)	Balance at start of year	(22,119)
(6,122)	Revaluation gains on non-current assets	(1,667)
1,190	Downward revaluation on non-current assets	2,842
(0)	Additions to revaluation reserve	(646)
0	Disposals of non-current assets	(840)
646	Current value depreciation transferred to Capital Adjustment Account	1,340
<b>(22,119)</b>	<b>Total Revaluation Reserve</b>	<b>(21,089)</b>

#### Pooled Fund Adjustment Account

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

31 March 2021 £'000		31 March 2022 £'000
2,779	Balance at start of year	662
0	Reclassification of financial instruments	0
0	Loss on derecognition/maturity	0
(2,117)	Revaluation losses on pooled fund adjustment account	(1,113)
<b>662</b>	<b>Total Pooled Fund Adjustment Account</b>	<b>(451)</b>

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 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

31 March 2021			31 March 2022	
£'000	£'000		£'000	£'000
	<b>(26,735)</b>	<b>Balance at start of year</b>		<b>(12,696)</b>
(2,026)		Capital Expenditure financed from Capital Receipts	(17,853)	
(646)		Current value depreciation transferred from Revaluation Reserve	(694)	
(828)		Minimum Revenue Provision	(1,007)	
(120)		Revenue Contribution to capital	(1,641)	
(2,028)		Capital Grants and Contributions Applied	(5,376)	
	<b>(5,649)</b>			<b>(26,570)</b>
		Less:		
10,795		Write down of Revenue Expenditure funded from Capital under Statute	13,290	
155		Carrying amount of assets disposed	255	
2,792		Depreciation	2,221	
2,465		Impairment	(301)	
2,510		Movement in market value of Investment Property	(510)	
971		Repayment of Capital Loans	3,548	
	<b>19,688</b>			<b>18,503</b>
	<b>(12,696)</b>	<b>Total Capital Adjustment Accounts</b>		<b>(20,763)</b>

### Deferred Credits Account

31 March 2021		31 March 2022
£'000		£'000
(281)	Balance at start of year	(276)
2	Repayment of mortgages on sale of Council Houses	(1)
3	Right to Receipts – St Johns Ambulance	4
<b>(276)</b>	<b>Total Deferred Credits</b>	<b>(272)</b>

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post-employment benefits in the 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 2021			31 March 2022	
£'000			£'000	
79,934		Balance at start of year		101,031
17,034		Re-measurement of the net defined benefit liability		(25,907)
7,799		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		8,181
(3,736)		Employer's pensions contributions and direct payments to pensioners payable in year		(3,664)
<b>101,031</b>		<b>Total Pensions Reserve</b>		<b>79,641</b>

### 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 2021			31 March 2022	
£'000			£'000	
(1,558)		Balance at start of year		9,898
93		Collection Fund Adjustment in year for Council Tax		(350)
11,363		Collection Fund Adjustment in year for non-domestic rates		(5,264)
<b>9,898</b>		<b>Total Collection Fund Adjustment Account</b>		<b>4,284</b>

### 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 2022. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfer to or from the Account.

31 March 2021			31 March 2022	
£'000	£'000		£'000	£'000
	<b>367</b>	<b>Balance at start of year</b>		<b>403</b>
(367)		Settlement or cancellation of accrual made at the end of preceding year		
403		Amounts accrued at the end of the current year		
	36	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		(45)
	<b>403</b>	<b>Total Accumulating Compensated Absences Adjustment Account</b>		<b>358</b>

### 34. Financial Instruments

The Authority's accounting policies relating to financial instruments are in accordance with the 2021/22 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 2021		Financial Liabilities	31 March 2022	
Long Term £'000	Current £'000		Long Term £'000	Current £'000
	98,000	<b>Loans at amortised cost:</b>		
	283	Principal sum borrowed		128,500
		Accrued interest		35
<b>0</b>	<b>98,283</b>	<b>Total Borrowing</b>	<b>0</b>	<b>128,535</b>
		<b>Liabilities at amortised cost:</b>		
33	4,198	Trade payables	38	4,326
5	15	Finance Lease	0	5
<b>38</b>	<b>4,213</b>	<b>Included in Creditors</b>	<b>38</b>	<b>4,331</b>
<b>38</b>	<b>102,496</b>	<b>Total Financial Liabilities at amortised cost</b>	<b>38</b>	<b>132,866</b>

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

31 March 2021		Financial Assets	31 March 2022	
Long Term £'000	Current £'000		Long Term £'000	Current £'000
	0	<b>At amortised cost</b>		
	0	Principal		
		Accrued Interest		
		Loss Allowance		
		<b>At fair value through profit &amp; loss</b>		
0	24,899	Fair value	0	23,951
<b>0</b>	<b>24,899</b>	<b>Total Investments</b>	<b>0</b>	<b>23,951</b>
	480	<b>At amortised cost</b>		
		Principal		16,550
		Accrued Interest		
	0	Loss Allowance		0
		<b>At fair value through profit &amp; loss</b>		
		Fair value		
<b>0</b>	<b>480</b>	<b>Total Cash and Cash Equivalents</b>	<b>0</b>	<b>16,550</b>
	3,018	<b>At amortised cost</b>		
33,827	2,545	Trade receivables		2,852
		Loans and Receivables	41,005	3,812
<b>33,827</b>	<b>5,562</b>	<b>Included in Debtors</b>	<b>41,005</b>	<b>6,663</b>
<b>33,827</b>	<b>30,941</b>	<b>Total Financial Assets</b>	<b>41,005</b>	<b>47,164</b>

## 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 2021					31 March 2022			
Financial Liabilities Amortised Cost £'000	Financial Assets			Financial Assets	Financial Liabilities Amortised Cost £'000	Financial Assets		
	Amortised Cost £'000	Fair Value through Profit & Loss £'000	Total £'000			Amortised Cost £'000	Fair Value through Profit & Loss £'000	Total £'000
2,776		0	2,776	Interest expense Losses on derecognition Losses from change in fair value	151			151 0
<b>2,776</b>		<b>0</b>	<b>2,776</b>	<b>Interest payable and similar charges</b>	<b>151</b>			<b>151</b>
	(2,966)	(996)	(3,962)	Interest income Gains on derecognition Gains from change in fair value		(991)	(955)	(1,946) 0 0
	<b>(2,966)</b>	<b>(1,001)</b>	<b>(3,966)</b>	<b>Interest &amp; Investment Income</b>		<b>(991)</b>	<b>(955)</b>	<b>(1,946)</b>
<b>2,776</b>	<b>(2,966)</b>	<b>(1,000)</b>	<b>(1,190)</b>	<b>Net impact on (surplus)/deficit on provision of services</b>	<b>151</b>	<b>(991)</b>	<b>(955)</b>	<b>(1,795)</b>
		2,117	2,117	(Gain)/Losses on revaluation			1,113	1,113
<b>2,776</b>	<b>(2,966)</b>	<b>1,116</b>	<b>926</b>	<b>Net (Gain)/Loss for the year</b>	<b>151</b>	<b>(991)</b>	<b>157</b>	<b>(683)</b>

## Financial Instruments – Fair Values

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

The fair values of other instruments have been estimated calculating the net present value of the remaining contractual cash flows at 31<sup>st</sup> March 2022 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 2021		Financial Liabilities	Fair Value Level	31 March 2022	
Carrying Amount £'000	Fair Value £'000			Carrying Amount £'000	Fair Value £'000
		<b>Financial Liabilities held at Amortised Cost</b>			
98,000	98,317	Long Terms Loans from PWLB		128,500	128,312
20	20	Other Long Term Loans		5	5
		Finance Lease			
	<b>98,337</b>	<b>Total</b>			<b>128,317</b>
4,231		Liabilities for which fair value is not disclosed		4,365	
<b>102,251</b>		<b>Total Financial Liabilities</b>		<b>132,870</b>	
		<b>Recorded on Balance Sheet as:</b>			
4,198		Short Term Creditors		4,326	
98,015		Short Term Borrowing		128,505	
33		Long Term Creditors		39	
5		Long Term Borrowing		0	
<b>102,251</b>				<b>132,870</b>	

\* 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 2021		Financial Assets	Fair Value Level	31 March 2022	
Carrying Amount £'000	Fair Value £'000			Carrying Amount £'000	Fair Value £'000
		<b>Financial Assets held at Fair Value</b>			
		Money Market Funds	1		
24,899	24,899	Bond, Equity and Property Funds	1	23,951	23,951
		Covered Bonds & Floating Rate Notes	1		
		<b>Financial Assets held at Amortised Cost</b>			
12	12	Bank Accounts		(683)	(683)
0	0	Term Deposits		16,550	16,550
36,082	36,082	Loans made for Service Purposes	2	44,530	44,530
<b>60,993</b>	<b>60,993</b>	<b>Total</b>		<b>84,348</b>	<b>84,348</b>
3,307		Assets for which fair value is not disclosed		3,138	
<b>64,299</b>		<b>Total Financial Assets</b>		<b>87,486</b>	
		<b>Recorded on Balance Sheet as:</b>			
0		Long Term Investments		0	
33,827		Long Term Debtors		41,005	
0		Short Term Investments		16,550	
5,562		Short Term Debtors		6,663	
24,910		Cash & Cash Equivalents		23,268	
<b>64,299</b>				<b>87,486</b>	

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 31<sup>st</sup> March 2022. 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 2022 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	
	31/03/2022	31/03/2021	31/03/2022	31/03/2021
	£'000	£'000	£,000	£,000
AAA		2,000		2,000
AA+			12,550	
AA				
AA-				480
A+				
A				
A-				
Unrated Local Authorities			4,000	
Unrated Pooled Funds			23,500	23,500
<b>Total Investments (nominal amount)</b>	<b>0</b>	<b>2,000</b>	<b>40,050</b>	<b>25,980</b>

## Liquidity Risk

South Somerset District Council ensures it has adequate, though not excessive, cash resources and borrowing arrangements to ensure it has the level of funds available to enable the achievement of its business/service objectives.

The council has ready access to the money markets for short-term debt to cover revenue expenditure and to the money markets and PWLB for longer-term borrowing. 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 throughout 2022/23 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 2022, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

31 March 2021 £'000		31 March 2022 £'000
769	Increase in interest payable on variable rate borrowings	162
(33)	Increase in interest receivable on variable rate investments	(1,009)
<b>736</b>	<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>(847)</b>
0	Decrease in fair value of fixed rate borrowings	0
0	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 £640k 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.

## 35. Cash Flow Statement – Operating activities

The cash flows for operating activities include the following items:

Previous Year 2020/21 £'000		Current Year 2021/22 £'000
1,289	Interest received	1,599
(811)	Interest paid	(393)
<b>477</b>	<b>Net Cash Flows from Operating Activities relating to interest</b>	<b>1,205</b>

Previous Year 2020/21 £'000		Current Year 2021/22 £'000
2,792	Depreciation and amortisation	580
2,465	Impairment and revaluations	1,340
2,510	Movement in market value of investment property	(510)
20,130	Increase/(decrease) in creditors	(2,471)
(22,334)	(Increase)/decrease in debtors	2,652
(331)	(Increase)/decrease in inventories	1,489
7	Increase/(decrease) in developer contributions	904
589	Increase/(decrease) in provisions	33
0	Accrued interest	60
4,063	Movement in pension liability	4,517
155	Carrying amounts of non-current assets and non-current assets held for sale, sold or derecognized	605
<b>10,046</b>	<b>Total Adjustments for Non-Cash Movements</b>	<b>9,199</b>

Previous Year 2020/21 £'000		Current Year 2021/22 £'000
(1,817)	Proceeds from the sale of property, plant and equipment and intangible assets	(4,815)
<b>(1,817)</b>	<b>Total Adjustments for Investing and Financing Activities</b>	<b>(4,815)</b>

### 36. Cash Flow Statement – Investing activities

Previous Year 2020/21 £'000		Current Year 2021/22 £'000
(11,346)	Purchase of property, plant and equipment, investment property and intangible assets	(12,006)
(1,750)	Purchase of short-term and long-term investments	(93,810)
(16,495)	Other payments for investing activities	(7,388)
1,817	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	4,815
9,500	Proceeds from sale of short-term and long-term investments	79,260
85	Other receipts from investing activities	0
<b>(18,188)</b>	<b>Net Cash Flows from Investing Activities</b>	<b>(29,129)</b>

### 37. Cash Flow Statement – Financing activities

Previous Year 2020/21 £'000		Current Year 2021/22 £'000
18,500	Cash receipts of short-term borrowing	30,500
(15)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(5)
<b>18,485</b>	<b>Net Cash Flows from Financing Activities</b>	<b>30,495</b>

### 38. 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		
2020/21		2021/22	2021/22	2021/22
(Surplus)/Deficit		Expenditure	Income	(Surplus) /Deficit
£'000		£'000	£'000	£'000
(227)	Careline	220	(400)	(181)
16	MOT Station	104	(46)	58
<b>(211)</b>	<b>Total Trading Accounts</b>	<b>324</b>	<b>(446)</b>	<b>(122)</b>

### 39. Members' Allowances

Previous Year		Current Year
2020/21		2021/22
£'000		£'000
416	Basic Allowance	422
124	Special Responsibility Allowance	126
1	Expenses	2
<b>541</b>	<b>Total Members Allowance</b>	<b>550</b>

Further information on Members' allowances is available on our website and may also be obtained from the People Management Team.

### 40. Officers' Remuneration

During the 2021/22 financial year the number of officers who received remuneration, which includes salary, leased car and termination payments, in excess of £50k were as follows:

2020/21			Remuneration Band	2021/22		
Total	Left during year	Compensation for loss of office		Total	Left during year	Compensation for loss of office
11	1	1	£50,000 - £54,999	26	1	
14	2	2	£55,000 - £59,999	11	1	
9	1	1	£60,000 - £64,999	9	1	
3			£65,000 - £69,999	12		
4	2	1	£70,000 - £74,999			
2			£75,000 - £79,999	4		
2	1	1	£80,000 - £84,999			
2			£85,000 - £89,999	1		
			£90,000 - £94,999	1	1	1
1			£100,000 - £104,999	1		
1			£105,000 - £109,999	2		
2	1		£110,000 - £114,999	3		
1			£150,000 - £154,999			

The total column includes those Officer's that have left during the financial year, left during year column shows the number within that total who ceased their employment with the Council during 2021/22 with those receiving compensation upon leaving indicated in the column to the right.

## 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 2021/22	Name of officer	Post Term	Salary (including Fees & Allowances) £'000	Benefits in kind £'000	Compensation for loss of office £'000	Total Remuneration (excl. pension contribution) £'000	Pension Contribution £'000	Total Remuneration (incl. pension contribution) £'000
Chief Executive	A Parmley	April '21 - July '21	34	0	0	34	6	40
Chief Executive	J Portman	August '21 - March '21	83	0	0	83	14	97

Previous year 2020/21	Name of officer	Post Term	Salary (including Fees & Allowances) £'000	Benefits in kind £'000	Compensation for loss of office £'000	Total Remuneration (excl. pension contribution) £'000	Pension Contribution £'000	Total Remuneration (incl. pension contribution) £'000
Chief Finance Officer	K Watling	15 March '21 - 31 March '21	9	0	0	9	0	9

Current year 2021/22	Post Term	Salary (including Fees & Allowances) £'000	Benefits in kind £'000	Compensation for loss of office £'000	Total Remuneration (excl. pension contribution) £'000	Pension Contribution £'000	Total Remuneration (incl. pension contribution) £'000
Chief Executive	April '21 - July '21	34	0	0	34	6	40
Chief Executive	Aug '21 - March '22	83	0	0	83	14	97
Director - Place	April '21 - April '21	7	0	80	87	1	88
Director - Service Delivery	April '21 - March '22	86	0	0	86	15	101
Director - Commercial Services & Income Generation	April '21 - Oct '21	47	0	0	47	8	55
Director - Strategy & Support Services	April '21 - March '22	88	0	0	88	16	104
Director - Place and Recovery	April '21 - March '22	85	0	0	85	15	100
Lead Specialist Legal/Monitoring Officer	Jan '22 - March '22	77	0	0	77	14	91
S151 Officer	April '21 - March '22	46	0	0	46	0	46
Assistant Director - Service Delivery	Dec '21 - March '22	60	0	0	60	11	71
Assistant Director - Strategy & Support Services	Dec '21 - March '22	60	0	0	60	11	70
Acting Director - Place and Recovery	Dec '21 - March '22	58	0	0	58	10	69

Previous year 2020/21	Post Term	Salary (including Fees & Allowances)	Benefits in kind	Compensation for loss of office	Total Remuneration (excl. pension contribution)	Pension Contribution	Total Remuneration (incl. pension contribution)
Post Title		£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive Officer	April '20 - March '21	119	0	0	119	21	140
Director - Place	April '20 - March '21	84	0	0	84	15	99
Director - Service Delivery	April '20 - March '21	86	0	0	86	15	101
Director - Service Delivery	Feb '21 - March '21	9	0	0	9	2	10
Director - Strategy & Commissioning	April '20 - Feb '21	37	0	0	37	6	43
Director - Commercial Services & Income Generation	April '20 - March '21	88	0	0	88	16	104
Director - Strategy & Support Services	Feb '21 - March '21	8	0	0	8	1	10
Director - Support Services	April '20 - Feb '21	35	0	0	35	6	41
Lead Specialist Legal/Monitoring Officer	April '20 - Nov '20	31	0	0	31	5	36
Lead Specialist Legal/Monitoring Officer	Feb '21 - March '21	11	0	0	11	2	14
S151 Officer	April '20 - March '21	55	0	0	55	10	65

## Exit Packages

The total cost of £141k for 2021/22 (£359k for 2020/21) 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		Total Number of Exit Packages		Total Cost of Exit Packages	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21 £'000	2021/22 £'000
£0 - £20,000	1	1	0	2	1	3	3	32
£20,001 - £40,000	6	0	0	0	6	0	189	0
£40,001 - £60,000	1	0	0	0	1	0	44	0
£60,001 - £80,000	2	0	0	0	2	0	123	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	1	0	1	0	109
<b>TOTAL</b>	<b>10</b>	<b>1</b>	<b>0</b>	<b>3</b>	<b>10</b>	<b>4</b>	<b>359</b>	<b>141</b>

## 41. Audit Costs

In 2021/22 the council incurred the following fees relating to external audit and inspection:

Previous Year 2020/21 £'000		Current Year 2021/22 £'000
67	Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor	75
23	Fees payable to Grant Thornton UK LLP for the certification of grant claims and returns	23
<b>90</b>	<b>Total Audit Costs</b>	<b>98</b>

## 42. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive income and Expenditure Statement in 2021/2022:

Previous Year 2020/21		Current Year 2021/22
--------------------------	--	-------------------------

£'000		£'000
7,077	Capital Grants	8,026
1,603	New Homes Bonus	1,171
166	Other non-specific Government Grant	1,203
<b>8,846</b>	<b>Total Grants credited to taxation and Non-Specific Grant income and Expenditure</b>	<b>10,400</b>
27,383	Business Rates Tax loss reimbursement	6,343
224	Cost of Collection – Business Rates	227
28,072	Housing Benefits	26,983
8,153	COVID related grants	2,457
627	Homelessness Grants	1,011
4,724	Miscellaneous Grants	1,325
<b>69,184</b>	<b>Total Grants credited to services</b>	<b>38,346</b>
<b>78,029</b>	<b>Total Grants</b>	<b>48,746</b>

Several additional grants were received from Government as part of their response to the Covid-19 Pandemic. Where the Council was deemed to be acting in the capacity of an agent and so passing these funds on to the eventual beneficiaries, these transactions do not have an impact on the Statement of Accounts. The value of these grants was £13.8m.

### 43. 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 42 to the Core Financial Statements.

Transactions to and from the Pension Fund are detailed in Note 47 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 2021/22		SSDC Councillor
LGA General Assembly	10,872	LGA Membership	Cllr V Keitch
Parrett Drainage Board	71,137	Special Levy	Cllr G Tucker
South West Councils	13,154	Annual Subscription/Training	Cllr V Keitch
Crewkerne Leisure Management Ltd	65,432	NLRF (National Leisure Recovery Fund)	Cllr M Best
The Swan Theatre	12,500	Community Grant	Cllr K Gill
UNISON	14,620	Employee Subscriptions	Cllr D Bulmer
Preston Grove Medical Centre	29,228	Medical References	Cllr O Patrick
Royal Mail	34,909	Postage	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 purposes of Part V of the Local Government and Housing Act 1989. The liability of each member is limited to £1, being the amount that each member undertakes to contribute to the assets of the Company in the event of it being wound up while the Authority is a member or within one year after the Authority ceases to be a member. South West Audit Partnership provides internal audit services.

The council has made loans to SSDC Opium Power Limited, which is a partly owned subsidiary. The value of the loans to SSDC Opium Power Limited as at 31 March 2022 is £40.799m

#### 44. Capital expenditure and financing

Previous Year 2020/21			Current Year 2021/22	
£'000	£'000		£'000	£'000
	96,973	<b>Opening Capital financing Requirement</b>		134,148
		<b>Capital Expenditure</b>		
187		Intangible Non-Current Assets	77	
10,701		Non-Current Assets	11,939	
458		Assets under Construction	3	
20,036		Long Term Debtors	10,319	
10,795		Revenue Expenditure funded from Capital under Statute	13,290	
	42,177	<b>Sources of Finance</b>		35,628
(2,026)		Use of Capital Receipts	(17,853)	
(2,028)		Government Grants & Other Contributions	(5,376)	
(120)		Capital expenditure charged against the capital fund	(1,641)	
(828)		Minimum Revenue Provisions	(1,007)	
	(5,003)			(25,876)
	134,148	<b>Closing Capital Financing Requirement</b>		143,901

#### 45. 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 2021 £'000		31 March 2022 £'000
19	Vehicles, Plant, Furniture and Equipment	5
19	<b>Total Carrying Amount of Leases</b>	5

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 2021 £'000		31 March 2022 £'000
20	Finance lease liabilities (net present value of minimum lease payments)	5
1	Finance Cost Payable in future years	0
21		5



The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2021	31 March 2022	31 March 2021	31 March 2022
	£'000	£'000	£'000	£'000
Not later than one year	16	5	15	5
Later than one year and not later than five years	5	0	5	0
<b>Total Finance Lease Payments</b>	<b>21</b>	<b>5</b>	<b>20</b>	<b>5</b>

## Operating Leases

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

31 March 2021				31 March 2022		
£'000				£'000		
Vehicles, Plant & Equipment	Property	Total		Vehicles, Plant & Equipment	Property	Total
54	23	77	Not later than one year	22	23	44
21	91	112	Later than one year and not later than five years	5	91	96
-	825	825	Later than five years	-	802	802
<b>75</b>	<b>939</b>	<b>1,014</b>	<b>Total Operating Lease Payments</b>	<b>27</b>	<b>915</b>	<b>942</b>

The expenditure charged to services in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

Previous Year 2020/21 £'000		Current Year 2021/22 £'000
54	Minimum lease payments	35
23	<ul style="list-style-type: none"> <li>• Vehicles, Plant and Equipment</li> <li>• Property</li> </ul>	23
<b>77</b>	<b>Total Operating Lease Payments Charge to the Comprehensive Income and Expenditure Statement</b>	<b>58</b>

## 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 March 2021			31 March 2022	
£'000			£'000	
6,355	No later than one year		5,799	
17,205	Later than one year and not later than five years		13,414	
22,284	Later than five years		20,735	
<b>45,844</b>	<b>Total future lease payments receivable</b>		<b>39,948</b>	

#### 46. Impairment Losses

During 2020/21, the Authority recognised a net impairment loss of £3.050 (£7.770m in 2020/21). This was made up of £3.679m reduction in value and £0.629m of reversing previous impairment losses.

The impairment losses of £0.363m have been charged to various service lines on the Comprehensive Income and Expenditure Statement and downward revaluations of £2.687m have been charged to the Revaluation Reserve.

#### 47. 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 2022 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			Current Year	
2020/21			2021/22	
£'000	£'000		£'000	£'000
		<b>Comprehensive Income and Expenditure Statement</b>		
		Cost of Services:		
		• Current service costs	6,099	
5,337		• Service costs	0	
500		• Past service and curtailment costs	14	
47		• Administration Expenses	62	
51				

	5,935	Financing and Investment Income and Expenditure		6,175
3,489 (1,625)		<ul style="list-style-type: none"> <li>• Interest Cost</li> <li>• Return on Assets</li> </ul>	4,308 (2,302)	
	1,864			2,006
	<b>7,799</b>	<b>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>		<b>8,181</b>
<b>£'000</b>	<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
		<b>Other Post Employment benefit charged to the Comprehensive Income and Expenditure Statement</b>		
		<b>Remeasurement of the net defined benefit liability comprising:</b>		
(24,806)		Return on plan fund assets in excess of interest	(8,465)	
46,152		Change in financial assumptions	(17,988)	
(1,936)		Change in demographic assumptions	0	
(2,376)		Experience (gain)/losses on defined benefit obligation	546	
		Other actuarial (gains)/losses on assets		
	<b>17,034</b>	<b>Total remeasurement of net defined benefit liability</b>		<b>(25,907)</b>
	<b>24,833</b>	<b>Total post employment benefit charged to the Comprehensive Income and Expenditure Statement</b>		<b>(17,726)</b>
		<b>Movement in Reserves Statement</b>		
		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:		
(3,536)		<ul style="list-style-type: none"> <li>• Employer's contributions payable to scheme</li> </ul>	(3,470)	
(200)		<ul style="list-style-type: none"> <li>• Retirement benefits payable to pensioners</li> </ul>	(194)	
	<b>(3,736)</b>			<b>(3,664)</b>

The change in financial assumptions reflects a decrease in the discount rate from 2.60% to 2.00%. 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 2022 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		Current Year
2020/21		2021/22
£'000		£'000
219,863	Present Value of Funded Obligation	207,767
(121,411)	Fair Value of Assets in Scheme	(130,515)
<b>98,452</b>	<b>Net Liability</b>	<b>77,252</b>
2,579	Present Value of Unfunded Obligation	2,389
<b>101,031</b>	<b>Closing Balance at 31 March</b>	<b>79,641</b>

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £79.641m has a substantial impact on the net worth of the authority as recorded in the balance sheet. 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 2020/21 £'000		Current Year 2021/22 £'000
174,622	Opening Balance at 1 April	222,442
5,337	Current service cost	6,099
3,489	Interest cost	4,308
0	Remeasurement (gains) and losses:	0
46,152	Actuarial gains/losses from change in financial assumptions	(17,988)
(1,936)	Actuarial gains/losses from change in demographic assumptions	0
(2,376)	Experience loss/(gain) on defined benefit obligation	546
1,933	Liabilities assumed/(extinguished) on settlements	0
(5,359)	Estimated benefits paid net of transfers in	(5,820)
47	Past service costs, including curtailments	14
733	Contributions by scheme participants	749
(200)	Unfunded Pension Payments	(194)
<b>222,442</b>	<b>Closing balance at 31 March</b>	<b>210,156</b>

### Reconciliation of Fair Value of Scheme Assets

Previous Year 2020/21 £'000		Current Year 2021/22 £'000
94,688	Opening Balance at 1 April	121,411
1,625	Interest on Assets	2,302
24,806	Return on Assets less interests	8,465
0	Other actuarial gains/(losses)	0
(51)	Administration expenses	(62)
3,736	Contribution by the employers	3,664
733	Contributions by scheme participants	749
(5,559)	Benefits paid	(6,014)
1,433	Settlement prices received/(paid)	0
<b>121,411</b>	<b>Closing balance at 31 March</b>	<b>130,515</b>

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	206,132	210,156	214,262
Projected service cost	5,221	5,405	5,595
<b>Adjustment to long term salary increase</b>	+0.1%	0.0%	-0.1%
Present value of total obligation	210,479	210,156	209,835
Projected service costs	5,408	5,405	5,402
<b>Adjustment to pension increases and deferred revaluation</b>	+0.1%	0.0%	-0.1%
Present value of total obligation	213,911	210,156	206,472
Projected service costs	5,593	5,405	5,222
<b>Adjustment to mortality age rating assumption</b>	+1 Year	None	-1 Year
Present value of total obligation	219,969	210,156	200,804
Projected service costs	5,628	5,405	5,190

### Projected Pension Expense for the year to 31 March 2023

	Year to 31 March 2023
	£'000
Service Cost	5,405
Net Interest on the defined liability	2,024
Administration expenses	61
<b>Total Loss/(Profit)</b>	<b>7,490</b>
<b>Employer Contributions</b>	<b>3,426</b>

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years' dependent 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 2022.

The principal assumptions used by the actuary have been:

31 March 2021		31 March 2022
3.20%	Rate of inflation (CPI)	3.20%
3.80%	Rate of general long-term increase in salaries	2.00%
2.80%	Rate of increase to pensions in payment	3.20%
2.80%	Rate of increase to deferred pensions	3.20%
2.00%	Discount Rate	2.60%

Assumed life expectations from aged 65 (years) are:

	Males	Females
Current Pensioners	23.1	24.7
Future Pensioners (20 years from now)	24.4	26.1

The fair value of the total scheme assets comprises the following categories, by proportion of the total assets held:

% of total	Value of total		% of total	Value of total

Scheme as at 31 March 2021	Scheme as at 31 March 2021 £'000		Scheme as at 31 March 2022	Scheme as at 31 March 2022 £'000
71	87,309	Equity Investments	72	94,095
6	6,975	Government Bonds	5	6,947
10	11,762	Corporate Bonds	10	12,997
7	8,389	Property	8	10,521
6	6,976	Cash	5	5,955
<b>100</b>	<b>121,411</b>		<b>100</b>	<b>130,515</b>

#### 48. 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. There remains liability of £311k that may fall on the council.

However, it continues to remain unlikely that it will be payable. Therefore, it is being treated as a contingent liability. Should the possibility of payment become more likely, we will consider making a specific provision to cover the cost. A specific working group manages any risk within existing revenue and capital budgets.

#### 49. 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 2020/21 £'000		Current Year 2021/22 £'000
(3)	Total Income for the Year	1
0	Total Expenditure of the Year	0
<b>(3)</b>	<b>Deficit/(Surplus) for the Year</b>	<b>1</b>

(Brackets represent income)

Previous Year 2020/21 £'000		Current Year 2021/22 £'000
454	Capital & Unrestricted Funds	452
<b>454</b>	<b>Total Reserves</b>	<b>452</b>

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 2022

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 2020/21		Year Ended 31 March 2022		
Collection Fund £'000		Business Rates £'000	Council Tax £'000	Collection Fund £'000
	<b>Income</b>			
(114,695)	Council Tax Receivable		(121,790)	(121,790)
(23,756)	Business Rates Receivable	(37,276)		(37,276)
	<b>Apportionment of Previous Year Deficit</b>			
0	Central Government	(11,124)	0	(11,124)
(168)	Somerset County Council	(1,988)	(536)	(2,524)
(30)	Police and Crime Commissioner for Avon & Somerset	0	(95)	(95)
(12)	Devon & Somerset Fire & Rescue	(222)	(37)	(259)
(35)	South Somerset District Council (including Parishes)	(8,886)	(112)	(8,998)
<b>(138,696)</b>	<b>Total Income</b>	<b>(59,497)</b>	<b>(122,570)</b>	<b>(182,066)</b>
	<b>Expenditure</b>			
	<b>Precepts and Demands</b>			
22,855	Central Government	22,563	0	22,563
82,382	Somerset County Council	4,061	82,772	86,834
13,831	Police and Crime Commissioner for Avon & Somerset	0	14,750	14,750
5,814	Devon & Somerset Fire & Rescue	451	5,504	5,955
34,923	South Somerset District Council (including Parishes)	18,513	16,956	35,468
	<b>Apportionment of Previous Year Surplus</b>			
1177	Central Government	0	0	0
1030	Somerset County Council	0	0	0
0	Police and Crime Commissioner for Avon & Somerset	0	0	0
40	Devon & Somerset Fire & Rescue	0	0	0
1712	South Somerset District Council (including Parishes)	0	0	0
	<b>Charges to Collection Fund</b>			
551	Write offs of uncollectable amounts	87	424	511
2,515	Increase/(Decrease) in bad debt	788	(304)	484
(173)	Increase/(Decrease) in Provision for Appeals	82	0	82
224	Cost of Collection	227	0	227
209	Transitional Protection Payments	111	0	111
<b>167,090</b>	<b>Total Expenditure</b>	<b>46,884</b>	<b>120,102</b>	<b>166,985</b>
28,394	<b>(Surplus)/Deficit for Year</b>	(12,613)	(2,468)	(15,081)

(3,410)	<b>(Surplus)/Deficit Balances at Start of Year</b>	23,740	1,244	24,984
<b>24,984</b>	<b>(Surplus)/Deficit Balances at End of Year</b>	<b>11,127</b>	<b>(1,224)</b>	<b>9,903</b>

<b>Previous Year 2020/21</b>	<b>Attributable to:</b>	<b>Year Ended 31 March 2022</b>		
<b>Collection Fund £'000</b>		<b>Business Rates £'000</b>	<b>Council Tax £'000</b>	<b>Collection Fund £'000</b>
11,884	Central Government	5,563	0	5,563
2,980	Somerset County Council	1,001	(847)	154
150	Police and Crime Commissioner for Avon & Somerset	0	(151)	(151)
296	Devon & Somerset Fire & Rescue	111	(55)	56
9,674	South Somerset District Council (including Parishes for Council Tax)	4,451	(170)	4,280
0				0
<b>24,984</b>		<b>11,127</b>	<b>(1,224)</b>	<b>9,903</b>

(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 2021/22.



Tax Base							
Previous Year 2020/21						Current Year 2021/22	
Effective No of dwellings	Band D Equivalent	Weighting	Tax Band	Property Value (at April 1991)	Effective No of dwellings	Band D Equivalent	
13	7	5/9ths	A-	Disabled band	11	6	
8,644	5,763	6/9ths	A	Up to £40,000	8,783	5,856	
20,054	15,598	7/9ths	B	Between £40,001 & £52,000	20,190	15,703	
14,945	13,284	8/9ths	C	Between £52,001 & £68,000	15,121	13,441	
11,072	11,072	1	D	Between £68,001 & £88,000	11,204	11,204	
8,944	10,932	11/9ths	E	Between £88,001 & £120,000	9,060	11,073	
4,570	6,601	13/9ths	F	Between £120,001 & £160,000	4,647	6,712	
1,767	2,945	15/9ths	G	Between £160,001 & £320,000	1,785	2,974	
141	282	18/9ths	H	Over £320,000	147	293	
<b>70,150</b>	<b>66,484</b>				<b>70,946</b>	<b>67,262</b>	
	(613)			Less adjustment for non-collection and banding reductions		(618)	
	(5,160)			Less adjustment for Council Tax Reduction Scheme		(5,491)	
	<b>60,711</b>			<b>Council Tax Base</b>		<b>61,153</b>	

Details of the precepts are shown below:

Previous Year 2020/21 £	Precepting Authorities	Current Year 2021/22 £
78,268,338	Somerset County Council	82,772,352
13,830,523	Police and Crime Commissioner for Avon & Somerset	14,750,092
5,357,119	Devon & Somerset Fire & Rescue Authority	5,503,765
10,448,932	District Council's own requirement	10,830,786
5,894,503	Total of Parish Precepts & Levies	6,118,031

The council tax for Band D, calculated by dividing the precepts by the tax base, is shown below:

Previous Year 2020/21 £	Council Tax Levy at Band D	Current Year 2021/22 £
1,289.20	Somerset County Council	1,353.53
227.81	Police and Crime Commissioner for Avon & Somerset	241.20
88.24	Devon & Somerset Fire & Rescue Authority	90.00
172.11	South Somerset District Council	177.11
1,777.36		1,861.84
97.09	Add Town & Parish Councils (average)	100.16
<b>1,874.45</b>	<b>Average Council Tax Levy at Band D</b>	<b>1,962.00</b>

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 2020/21		Current Year 2021/22
£120,283,409	<b>National Non-Domestic Rates (NNDR)</b> Rateable value at 31 March	£120,548,122
	<b>NNDR rate poundage</b>	
51.2p	- National Multiplier	51.2p
49.9p	- Small Business Multiplier	49.9p

### 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 2020/21 £'000	Period	Business Rates £'000	Council Tax £'000	Total 2021/22 £'000
416	Less than 2 months	847	732	1,579
263	2 to 4 months	311	259	569
422	4 to 6 months	186	351	537
1,037	6 to 12 months	487	351	838
2,466	More than 12 months	1,065	1,131	2,196
<b>4,604</b>	<b>Total</b>	<b>2,896</b>	<b>2,824</b>	<b>5,720</b>

# 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 directors appointed by South Somerset District Council. Elleston Services Ltd has not been consolidated into the Group accounts for 2021/22 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 five directors, J H Dobson; D Owen; P W Ashton; J Divall (appointed 22 April 2021) and R Orrett (appointed 15 February 2022).

## 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 policies 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 2020/21 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 2021 £'000	Restated Gross Income year ended 31 March 2021 £'000	Restated Net Cost of Services year ended 31 March 2021 £'000	Service	Note Number	Gross Expenditure year ended 31 March 2022 £'000	Gross Income year ended 31 March 2022 £'000	Net Cost of Services year ended 31 March 2022 £'000
2,091	(281)	1,810	Chief Executive		1,765	(3)	1,762
19,145	(7,722)	11,423	Director of Commercial Services and Income Generation		18,734	(8,974)	9,760
41,795	(34,573)	7,222	Director of Service Delivery		40,039	(27,142)	12,897
18,517	(10,569)	7,948	Director of Strategy and Support		27,360	(17,393)	9,967
9,886	(522)	9,364	Director of Place & Recovery		11,047	(5,945)	5,102
76	(2)	74	Subsidiary Companies		1,741	(2,542)	(801)
<b>91,510</b>	<b>(53,669)</b>	<b>37,841</b>	<b>Cost of Services</b>		<b>100,686</b>	<b>(61,999)</b>	<b>38,687</b>
5,881	(700)	5,181	Other Operating expenditure		6,118	(948)	5,170
0	14	14	Net Loss/(Gain) on Disposal of Property, Plant and Equipment	2	290	0	290
2,382	(3,959)	(1,577)	Financing and Investment Income and Expenditure		(2,378)	(1,251)	(3,629)
0	(31,617)	(31,617)	Taxation and Non-Specific Grant Income		0	(34,175)	(34,175)
<b>99,773</b>	<b>(89,931)</b>	<b>9,842</b>	<b>(Surplus)/Deficit on Provision of Services</b>		<b>104,716</b>	<b>(98,373)</b>	<b>6,343</b>
		(4,962)	(Surplus)/Deficit on revaluation of Property, Plant and Equipment				529
		(2,117)	(Surplus)/Deficit on revaluation of Pooled Funds				(1,113)
		17,034	Remeasurement of the Net Defined Benefit Liability				(25,907)
		(12)	Share of Other Income and Expenditure of Joint Operations				68
		<b>9,943</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(26,423)</b>
		<b>19,785</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(20,080)</b>

## 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
<b>Balance at 31 March 2020</b>	(26,977)	(18,433)	(2,501)	(638)	(48,549)	36,674	(11,875)	463	760	1,223	1,223	(9,429)
<b>Movement in reserves during 2020/21</b>												
Total Comprehensive Income and Expenditure	9,768	-	-	(12)	9,756	9,985	19,741	540	(15)	525	525	20,791
Adjustments between accounting basis and funding basis under regulations (note 10)	(25,171)	211	(5,284)	-	(30,244)	30,244	-	-	-	-	-	-
<b>Net Increase/Decrease before transfers to Earmarked Reserves</b>	<b>(15,403)</b>	<b>211</b>	<b>(5,284)</b>	<b>(12)</b>	<b>(20,488)</b>	<b>40,229</b>	<b>19,741</b>	<b>540</b>	<b>(15)</b>	<b>525</b>	<b>525</b>	<b>20,791</b>
Transfers to/from Earmarked Reserves (note 33)	-	-	-	-	-	-	-	-	-	-	-	-
<b>(Increase)/Decrease in 2020/21</b>	<b>(15,403)</b>	<b>211</b>	<b>(5,284)</b>	<b>(12)</b>	<b>(20,488)</b>	<b>40,229</b>	<b>19,741</b>	<b>540</b>	<b>(15)</b>	<b>525</b>	<b>525</b>	<b>20,791</b>
<b>Balance at 31 March 2021</b>	<b>(42,380)</b>	<b>(18,222)</b>	<b>(7,785)</b>	<b>(650)</b>	<b>(69,037)</b>	<b>76,903</b>	<b>7,866</b>	<b>1,003</b>	<b>745</b>	<b>1,748</b>	<b>1,748</b>	<b>11,361</b>
<b>Movement in reserves during 2021/22</b>												
Total Comprehensive Income and Expenditure	6,445	-	-	68	6,513	(27,035)	(20,522)	(51)	-	(51)	(51)	(20,624)
Adjustments between accounting basis and funding basis under regulations (note 10)	(2,227)	13,038	(2,650)	-	8,161	(8,161)	-	-	-	-	-	-
<b>Net Increase/Decrease before transfers to Earmarked Reserves</b>	<b>4,218</b>	<b>13,038</b>	<b>(2,650)</b>	<b>68</b>	<b>14,674</b>	<b>(35,196)</b>	<b>(20,522)</b>	<b>(51)</b>	<b>-</b>	<b>(51)</b>	<b>(51)</b>	<b>(20,624)</b>
Transfers to/from Earmarked Reserves (note 33)	-	-	-	-	-	-	-	-	-	-	-	-
<b>(Increase)/Decrease in 2021/22</b>	<b>4,218</b>	<b>13,038</b>	<b>(2,650)</b>	<b>68</b>	<b>14,674</b>	<b>(35,196)</b>	<b>(20,522)</b>	<b>(51)</b>	<b>-</b>	<b>(51)</b>	<b>(51)</b>	<b>(20,624)</b>
<b>Balance at 31 March 2022</b>	<b>(38,161)</b>	<b>(5,183)</b>	<b>(10,436)</b>	<b>(582)</b>	<b>(54,363)</b>	<b>41,707</b>	<b>(12,655)</b>	<b>952</b>	<b>745</b>	<b>1,697</b>	<b>1,697</b>	<b>(9,263)</b>

# 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 31<sup>st</sup> 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'.

As at 31 March 2021		Note No.	As at 31 March 2022	
£'000			£'000	£'000
72,812	Property, Plant & Equipment	2	83,590	
79,809	Investment Properties		89,967	
710	Intangible Assets		408	
650	Investment in Joint Operations		581	
490	Assets Held for Sale		490	
1,792	Heritage Assets		1,792	
980	Fixed Asset Investments		980	
0	Long Term Investments		0	
2,943	Long Term Debtors	3	1,887	
<b>160,188</b>	<b>TOTAL LONG TERM ASSETS</b>			<b>179,694</b>
24,899	Short Term Investments		40,501	
4,923	Inventories		3,434	
220	Trade Debtors		7	
32,546	Short Term Debtors		28,312	
2,011	Cash & Cash Equivalents	4	1,528	
613	Bank Accounts		309	
<b>65,212</b>	<b>CURRENT ASSETS</b>			<b>74,092</b>
(98,000)	Short term Borrowing		(128,500)	
0	Bank Overdraft		0	
(1,091)	Third Party Cash		(1,002)	
(31,058)	Trade Creditors		(282)	
0	Short term Creditors	5	(28,566)	
<b>(130,149)</b>	<b>CURRENT LIABILITIES</b>			<b>(158,350)</b>
(714)	Provisions	6	(761)	
(4,829)	Developers Contributions Deferred		(5,733)	
(33)	Long Term Liabilities – Creditors		(39)	
(5)	Long Term Liabilities – Finance Lease		0	
(101,031)	Liability related to defined benefit pension scheme		(79,641)	
<b>(106,612)</b>	<b>LONG TERM LIABILITIES</b>			<b>(86,174)</b>
<b>(11,361)</b>	<b>NET ASSETS</b>			<b>9,262</b>
65,536	Usable Reserves		51,341	
650	Usable Reserve – Share in Joint Operations		581	
(76,129)	Unusable Reserves		(40,963)	
(1,418)	Unusable Reserves – Minority Interest		(1,697)	
<b>(11,361)</b>	<b>TOTAL RESERVES</b>			<b>9,262</b>

## 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.

Year Ended 31 March 2021 £'000		Year Ended 31 March 2022 £'000
(10,848)	Net surplus/(deficit) on the provision of services	(6,118)
27,856	Adjustments to net surplus or deficit on the provision of services for non-cash movements (note 7)	11,662
(1,817)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (note 7)	(4,815)
15,191	<b>Net cash flows from operating activities</b>	729
(33,535)	Investing Activities (note 8)	(31,519)
18,485	Financing Activities	30,495
141	<b>Net increase or decrease in cash and cash equivalents</b>	(295)
1,390	Cash and Cash Equivalents (including bank overdraft) at 1 April	1,531
1,531	<b>Cash and Cash Equivalents (including bank overdraft) at 31 March</b>	1,236

# Notes to the Group Financial Statements

## 1. Financing and investment income and expenditure

Previous year 2020/21 £'000		Current year 2021/22 £'000
2,083	Interest Payable and similar charges	850
1,911	Net interest on the net defined benefit liability	2,020
(211)	(Surplus)/Deficit on Trading Undertaking (note 39)	(122)
(2,107)	(Surplus)/Deficit on Investment Properties (note 18)	(6,678)
<b>1,676</b>	<b>Total Financing and Investment Expenditure</b>	<b>(3,930)</b>
(3,959)	Interest receivable and similar income	(3,527)
<b>(2,283)</b>	<b>Total Financing and Investment Income and Expenditure</b>	<b>(7,457)</b>

## 2. Property, Plant and Equipment

Movement in 2021/22:

	Total Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Assets Under Construction £0'00	Infrastructure Assets £'000	Community Assets £'000	Total Property Plant & Equipment £'000
<b>Cost or Valuation</b>						
As at 1 April 2021	60,058	16,024	0	1,097	812	77,991
Additions	3,469	9,878	0	23	20	13,390
Disposals	(464)	(301)	0	0	(0)	(765)
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	16	(1)	0	0	0	15
Revaluation Increases/(decreases) recognised in the surplus/deficit on the provision of Services	(170)	282	0	0	0	112
Impairment (losses)/reversals recognised in the surplus/deficit on the provision of services	(1,194)	(258)	0	0	0	(1,452)
Reclassification - Other	0	0	0	0	0	0
<b>As at 31 March 2022</b>	<b>61,715</b>	<b>25,623</b>	<b>0</b>	<b>1,120</b>	<b>832</b>	<b>89,290</b>
<b>Accumulated Depreciation</b>						
As at 1 April 2021	(2,017)	(2,948)	0	(168)	0	(5,134)
Depreciation charge	(1,364)	(1,019)	0	(16)	0	(2,399)
Depreciation written out to the surplus/deficit on the Provision of Services	1,310	331	0	0	0	1,641
Derecognition – Disposals	45	115	0	0	0	160
Derecognition – Reclassification	0	0	0	0	0	0
<b>As at 31 March 2022</b>	<b>(2,026)</b>	<b>(3,521)</b>	<b>0</b>	<b>(185)</b>	<b>0</b>	<b>(5,732)</b>
<b>Net Book Value</b>						
<b>At 31 March 2022</b>	<b>59,688</b>	<b>22,102</b>	<b>0</b>	<b>936</b>	<b>832</b>	<b>83,558</b>
<b>At 31 March 2021</b>	<b>58,041</b>	<b>13,030</b>	<b>0</b>	<b>929</b>	<b>812</b>	<b>72,812</b>



Comparative movement in 2020/21:

	Total Land & Buildings	Vehicles, Plant & Equipment	Assets Under Construction	Infrastructure Assets	Community Assets	Total Property Plant & Equipment
	£'000	£'000	£0'00	£'000	£'000	£'000
<b>Cost or Valuation</b>						
As at 1 April 2020	45,188	5,189	11,329	1,097	726	63,529
Additions	601	246	14,278	0	86	15,211
Disposals	(170)	(0)	0	0	0	(170)
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	4,933	(0)	0	0	0	4,932
Revaluation Increases/(decreases) recognised in the surplus/deficit on the provision of Services	(4,065)	(802)	0	0	0	(4,867)
Impairment (losses)/reversals recognised in the surplus/deficit on the provision of services	(130)	17	0	0	0	(113)
Reclassification - Other	(576)	11,329	(11,329)	0	0	(576)
<b>As at 31 March 2021</b>	<b>45,781</b>	<b>15,978</b>	<b>14,278</b>	<b>1,097</b>	<b>812</b>	<b>77,946</b>
<b>Accumulated Depreciation</b>						
As at 1 April 2020	(2,793)	(2,000)	0	(152)	0	(4,945)
Depreciation charge	(1,338)	(1,448)	0	(16)	0	(2,803)
Depreciation written out to the surplus/deficit on the Provision of Services	2,094	500	0	0	0	2,594
Derecognition – Disposals	15	0	0	0	0	15
Derecognition – Reclassification	5	0	0	0	0	5
<b>As at 31 March 2021</b>	<b>(2,017)</b>	<b>(2,948)</b>	<b>0</b>	<b>(168)</b>	<b>0</b>	<b>(5,134)</b>
<b>Net Book Value</b>						
<b>At 31 March 2021</b>	<b>43,764</b>	<b>13,030</b>	<b>14,278</b>	<b>929</b>	<b>812</b>	<b>72,812</b>
<b>At 31 March 2020</b>	<b>42,395</b>	<b>3,189</b>	<b>11,329</b>	<b>945</b>	<b>726</b>	<b>58,584</b>

### 3. Long term debtors

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

31 March 2021		31 March 2022
£'000		£'000
2,667	Loans	1,610
1	Mortgages	0
270	Rights to receipts – long term lease	268
5	Car/bike/learning loans	9
<b>2,944</b>	<b>Total Long Term Debtors</b>	<b>1,887</b>

#### 4. Short term debtors

31 March 2021 £'000		31 March 2022 £'000
14,732	Central Government Bodies	9,771
8,232	Other Local Authorities	8,405
35	NHS Bodies	2
9,767	Other Entities and Individuals	10,134
<b>32,766</b>	<b>Total Short Term Debtors</b>	<b>28,312</b>

#### 5. Trade Creditors

Trade Creditors are found on the Balance Sheet of SSDC Opium Ltd.

#### 6. Provisions

31 March 2021 £'000		31 March 2022 £'000
(654)	Business Rates Provisions for Appeals	(683)
(88)	MMI Provision	(88)
28	Provision for Group Liabilities	9
<b>(714)</b>	<b>Total Provisions</b>	<b>(761)</b>

## 7. Cash Flow Statement – Operating activities

The cash flows for operating activities include the following items:

Previous year 2020/21 £'000		Current Year 2021/22 £'000
3,098	Interest received	1,599
(1,928)	Interest paid	(1,092)
<b>1,170</b>	<b>Net Cash Flows from Operating Activities relating to interest</b>	<b>506</b>

Previous year 2020/21 £'000		Current Year 2021/22 £'000
3,362	Depreciation and amortisation	1,159
2,465	Impairment and downward valuations	1,340
2,510	Movement in market value of investment property	(510)
39,708	Increase/(decrease) in creditors	(2,472)
(24,803)	(Increase)/decrease in debtors	4,597
(331)	(Increase)/decrease in inventories	1,489
737	Increase/(decrease) in developer contributions	904
4,063	Increase/(decrease) in provisions	33
555	Movement in pension liability	4,517
155	Carrying amounts of non-current assets and non-current assets held for sale, sold or derecognized	605
<b>28,422</b>	<b>Total Adjustments for Non-Cash Movements</b>	<b>11,662</b>

Previous year 2020/21 £'000		Current Year 2021/22 £'000
(1,817)	Proceeds from the sale of property, plant and equipment and intangible assets	(4,815)
<b>(1,817)</b>	<b>Total Adjustments for Investing and Financing Activities</b>	<b>(4,815)</b>

## 8. Cash Flow Statement – Investing activities

Previous year 2020/21 £'000		Current Year 2021/22 £'000
(25,594)	Purchase of property, plant and equipment, investment property and intangible assets	(14,396)
(2,730)	Purchase of short-term and long-term investments	(93,810)
(16,497)	Other payments for investing activities	(7,388)
1,817	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	4,815
9,500	Proceeds from sale of short-term and long-term investments	79,260
85	Other receipts from investing activities	0
<b>(33,419)</b>	<b>Net Cash Flows from Investing Activities</b>	<b>(31,519)</b>

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-spending.

### **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**

These 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 use. 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 through 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](http://www.southsomerset.gov.uk) or

**Email:** [accountancy@southsomerset.gov.uk](mailto:accountancy@southsomerset.gov.uk)

## Draft Annual Governance Statement 2021-22

Lead Officers: Karen Watling – section 151 Officer  
Jill Byron – Monitoring Officer

Contact Details: [Karen.Watling@southsomerset.gov.uk](mailto:Karen.Watling@southsomerset.gov.uk)  
[Jill.Byron@southsomerset.gov.uk](mailto:Jill.Byron@southsomerset.gov.uk)

---

## Purpose of the Report

1. This report has been prepared for the Audit Committee to approve the Annual Governance Statement (AGS) for 2021-22.

## Recommendations

That Audit Committee approves the draft 2021-22 Annual Governance Statement.

## Background

2. 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).
3. 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

4. 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 provide that they may include an Annual Governance Statement in the annual accounts or alongside them. The intention 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 compliance with CIPFA Guidance.
5. The Annual Governance Statement must be signed by the Leader of the Council and the Chief Executive.
6. In producing the Annual Governance Statement, reports from SSDC's external auditors, South West Audit Partnership, a review of the effectiveness of internal audit, and the annual review of the Assistant Director of SWAP have been taken into account.

7. 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, by the section 151 Officer or the Monitoring 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**

8. There are no financial implications associated with these recommendations

### **Legal implications (if any) and details of Statutory Powers**

9. There are no legal implications associated with these recommendations

### **Risk Matrix**

10. Risk considerations are included in the contents of the report.

### **Carbon Emissions and Climate Change Implications**

11. There are no carbon emissions and climate change implications associated with these recommendations

### **Equality and Diversity Implications**

12. There are no equality and diversity implications associated with these recommendations

### **Privacy Impact Assessment**

13. There are no privacy impact implications associated with these recommendations

### **Background Papers**

None



# **South Somerset District Council**

## **ANNUAL GOVERNANCE STATEMENT 2021/22**

DRAFT

# Annual Governance Statement 2021/22

## Introduction

South Somerset District Council is responsible for ensuring it conducts its business and delivers services in accordance with the law and to proper standards. It must ensure that public money is properly accounted for and is used economically, efficiently and effectively and must also look to continuously improve how it operates, having regard to effectiveness, quality, service availability, fairness, sustainability, efficiency and innovation.

The Council's Annual Governance Statement is a transparent and open review of its governance framework, including the effectiveness of its systems of internal control. This review is not only informed by the senior managers within the Council who have responsibility for the development and maintenance of the governance environment, but also takes into account the work and recommendations of the Council's internal and external auditors over the year. The Senior Leadership Team, comprising the Chief Executive, Directors, Section 151 Officer and Monitoring Officer, reviewed the draft 2021/22 Statement in August 2022. The review was also supported by the work of the Council's Chief Internal Auditor.

2021/22 was a difficult and challenging year for the Council. An anonymous whistle-blower raised some serious allegations about an area of the Council's operations, and they needed to be properly investigated and appropriately addressed. We received the Secretary of State's decision on local government reorganisation in Somerset and our staff had to start focussing on that in addition to their normal activities, the pandemic continued to impact on everyday life, and we had a new senior leadership team. We have faced these challenges together as one South Somerset and, as this Annual Governance Statement shows, can be proud of how we have tackled these issues properly and fairly and demonstrating good governance.

We are pleased to present South Somerset District Council's Annual Governance Statement (AGS) for 2021-22. This Annual Governance Statement will be published on our website alongside the annual Statement of Accounts for 2021-22.

Cllr Val Keitch  
Leader of Council

Jane Portman  
Chief Executive

This Annual Governance Statement has been produced in accordance with Regulation 6(1)(b) of the Accounts and Audit (England) Regulations 2015.



## **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. It must ensure that public money is properly accounted for and is used economically, efficiently, and effectively. It also has a duty to continuously improve the way in which it functions, having regard to effectiveness, quality, service availability, fairness, sustainability, efficiency, and innovation.

To meet these responsibilities, the Council has put 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 considering 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 regularly reviews and updates its Local Code of Corporate Governance, most recently through the Audit Committee in October 2019.

## **The Governance Framework**

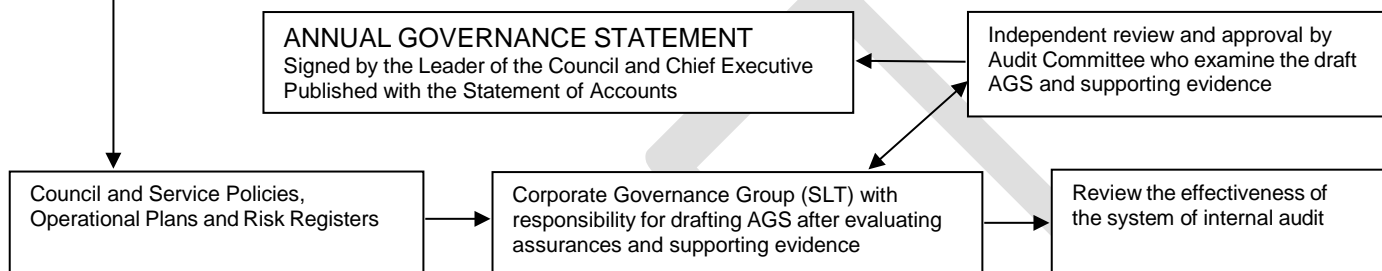
The governance framework consists of the systems, processes, culture, and values by which the Council is directed and controlled, and through which it is accountable to, engages with and leads the community. It enables us to monitor the achievement of our objectives and to consider whether these have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

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

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

# South Somerset District Council – Governance Assurance Framework

Governance Framework – Key Documents/Functions		
<ul style="list-style-type: none"> <li>• Constitution</li> <li>• Council Plan Service Planning Framework</li> <li>• Business Transformation Projects</li> <li>• Access Strategy</li> <li>• Communication Strategy</li> <li>• Performance Management Framework</li> <li>• Schedule of Council Meetings</li> <li>• Local Code of Corporate Governance</li> <li>• Record of Decisions</li> <li>• Fraud and Data Strategy</li> <li>• Risk Management Strategy</li> </ul>	<ul style="list-style-type: none"> <li>• Partnership Register</li> <li>• Code of Conduct for Members</li> <li>• Members Induction &amp; Training Programme</li> <li>• Code of Conduct for Employees</li> <li>• Officer and Member Protocols</li> <li>• Confidential Reporting Policy</li> <li>• Anti-Fraud &amp; Corruption Policy</li> <li>• Whistleblowing Policy</li> <li>• Anti-Money Laundering Policy</li> <li>• Anti-Bribery Policy</li> <li>• Project Management Methodology</li> </ul>	<ul style="list-style-type: none"> <li>• Capital Strategy</li> <li>• Procurement Strategy</li> <li>• Medium Term Financial Plan/Strategy</li> <li>• Capital Strategy, Investment Strategy and Treasury Management Strategy</li> <li>• Commercial Strategy</li> <li>• Annual Budget and Statement of Accounts</li> <li>• Financial Procedure Rules</li> <li>• Procurement Procedure Rules</li> <li>• Scheme of Delegation</li> <li>• Complaints Procedure</li> <li>• Equalities and Diversity Policy</li> </ul>



Performance Management	Risk Management	Information Governance	Legal and Regulatory Assurance	Members' Assurance
<ul style="list-style-type: none"> <li>• Embedded system</li> <li>• Operates throughout the organisation</li> <li>• Internal and external reviews</li> <li>• Action orientated</li> <li>• Performance Indicators</li> <li>• Periodic progress reports</li> </ul>	<ul style="list-style-type: none"> <li>• Risk management strategy</li> <li>• Embedded in planning processes and project/partnership methodologies</li> <li>• Effectiveness evaluated</li> <li>• Outcomes reported to committee</li> <li>• Training programme</li> </ul>	<ul style="list-style-type: none"> <li>• Training programme</li> <li>• Outcomes reported to committee</li> <li>• Data Protection Officer role</li> <li>• GDPR Compliance</li> <li>• Transparency Code compliance</li> <li>• Data quality assurance for statutory returns and performance data</li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring Officer's reports</li> <li>• Sections of committee reports</li> <li>• Legal advice obtained to support key decisions</li> </ul>	<ul style="list-style-type: none"> <li>• Standards committee</li> <li>• Audit committee</li> <li>• Scrutiny function</li> <li>• Access to policies, information, advice, reports</li> </ul>
Assurances by Directors/Service Leads	Other Sources of Assurance (including third party)	Financial Management	Internal Audit	External Audit
<ul style="list-style-type: none"> <li>• Periodic reports</li> <li>• Internal control reviews</li> <li>• Annual Governance Statement</li> <li>• Internal Audit reports</li> </ul>	<ul style="list-style-type: none"> <li>• Reports by inspectors</li> <li>• Service review reports</li> <li>• Fraud reports and investigations</li> <li>• Ombudsman reports</li> <li>• Post implementation reviews of projects</li> </ul>	<ul style="list-style-type: none"> <li>• Medium Term Financial Plan</li> <li>• Revenue Budget and Capital Programme</li> <li>• Revenue and Capital Management reports</li> <li>• Treasury management</li> <li>• Balance sheet management</li> <li>• Statement of accounts</li> <li>• Compliance with codes of accounting practice</li> <li>• Statutory returns</li> <li>• Grant claims</li> </ul>	<ul style="list-style-type: none"> <li>• Operates under approved terms of reference</li> <li>• Approved risk-based plans</li> <li>• Periodic and annual reports to Audit Committee, Auditor Opinion</li> <li>• PSIAS code compliance assessment</li> <li>• Active Quality Assurance and Improvement Programme in place</li> <li>• Operates under an Internal Audit Charter</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Plan</li> <li>• Audit Findings Report</li> <li>• Audit Opinion and VFM conclusion</li> <li>• Audit Letter</li> <li>• Notice of Completion of Audit</li> <li>• Public Inspection Period</li> </ul>

Ongoing assurance on adequacy and effectiveness of control over key risks

## The Corporate Strategy and Plan

Following the District Council election in May 2019, the newly formed Leadership Team spent some time reconsidering their priorities for the term. They translated their vision and aspirations into a new Council Plan and Annual action plan. In February 2021, the Council approved its Council Plan 2020 to 2024, and an Annual Action Plan to set out what the Council will do to deliver and progress the agreed priorities for the year ahead.

The Council Plan draws together the administration's vision for South Somerset and sets out its values and aims for the District. It draws together our strategies and priority projects for the year, supported by a revised set of key performance indicators.

### Annual Action Plan 2021/22

### Council Plan themes and Areas of focus for 2021/22

 <p><b>Protecting Core Services</b></p> <p>To ensure a modern, efficient and effective council that delivers for its communities, we will:</p>	 <p><b>Economy</b></p> <p>To assist businesses to recover from the Covid-19 pandemic whilst supporting growth within the South Somerset economy, we will:</p>	 <p><b>Environment</b></p> <p>To keep South Somerset clean, green and attractive and respond to the climate and ecological emergency we will work in partnership to:</p>	 <p><b>Places where we live</b></p> <p>To enable housing and communities to meet the existing and future needs of residents and employers, we will work to:</p>	 <p><b>Healthy, Self-reliant Communities</b></p> <p>To enable healthy communities which are cohesive, sustainable and enjoy a high quality of life, we will:</p>
---	--	---	--	---

The focus for the year 2021/22 was set out in the Action Plan. The five Priority Projects agreed by the Council for 2021/22 are highlighted below and full details can be found on our website:

- 1) Lead the recovery and revitalisation of our economy and communities to be stronger, more resilient and more vibrant than before Covid-19
- 2) Continue to deliver Regeneration Programmes
- 3) Develop proposals to accelerate the delivery of key housing sites and associated infrastructure
- 4) Address child poverty, social isolation and low levels of social mobility across the district
- 5) Accelerate action to adapt to and mitigate the effects of climate change and extreme weather.

The Action Plan has also been developed to include Area Chapters, highlighting key priorities for each area that deliver localised initiatives and improvements that complement the Council Plan themes. The Council 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 flow from the Council Plan.

The Annual Action approved by Full Council can be found at [Annual Action Plan 2021-22](#)

## Decision Making and Responsibilities

The 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, together with 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 has 60 elected Members. The Council has adopted an executive governance model, which means most member decisions are taken at District Executive level, either collectively as part of a District Executive meeting or by the Leader or Portfolio Holders in accordance with the

Scheme of Delegation set out in the Constitution. The District Executive is supported and held to account by both the Scrutiny Committee and the Audit Committee.

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 also sets out the role of key officers, including the statutory roles of Chief Executive (Head of Paid Service), Monitoring Officer and Section 151 Officer, in 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. The three key officers and the Director of Place and Recovery, the Director of Service Delivery and the Director of Support, Strategy and Environmental Services form the Council's Senior Leadership Team (SLT). All six members of SLT were new in post for the year 2021/22, with the Chief Executive being the last to join in August 2021.

## **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 its current Equality and Diversity Policy in March 2019. SLT took the opportunity to scrutinise the operation of this Policy in 2021/22, which resulted in a refresh of mandatory training for all staff and a re-emphasis of the importance of properly considering the impact of the Council's public sector equality duty on Council proposals.

## **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 Council's 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. A standardised risk register template is embedded as part of the report template 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 Strategic Risk Register, from which corporate and project risk registers flow. Both the SLT and the Audit Committee have regularly reviewed and challenged the Risk Register during 2021/22.

## **Financial Management**

The Council has a long-established record of effective financial management and managing within our means.

Total net revenue expenditure for 2021/22 was **£17.301m** resulting in a small underspend against the approved budget. Total capital spending for 2021/22 was **£35.499m**; this was £5.041m (12%) less than

the revised budget of £40.540m of planned expenditure agreed by Council in December 2021.

The council holds significant reserves. Revenue earmarked reserves totalled £31.606m as at 31 March 2022 (they were £38.464m as at the end of March 2021). The General Fund Balance was £6.556m as at 31 March 2022 (previous year's position was £4.152m). Capital reserves were £5.183m as at the end of the year (corresponding position last year was £18.222m) after a Full Council decision in December 2021 to use capital reserve to fund the existing capital programme in order to reduce the need to borrow.

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 into the Public Sector Auditor Appointments framework, as an efficient approach to procuring external audit services. Grant Thornton LLP is our appointed auditor for 2021/22 and the following year.

## **The Covid-19 Pandemic**

The longevity of the Covid-19 pandemic and its extension from 2020/21 into 2021/22 meant that the effect on the Council's businesses, residents and workforce continued to be a challenge in 2021/22. It remains an area of concern looking forward into the coming year.

The Council's response to the pandemic and the mobilisation of its staff continued to show the benefits of an agile and proactive workforce but also created new governance challenges. After the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 (which enabled the Council to carry out its business in the normal way via remote, virtual meetings using available technology) expired in May 2021, Full Council gave delegated authority to the Chief Executive, in consultation with on-line meetings of the Committees which would otherwise have met in person, to take the decisions those Committees would normally take. Full Council itself began to meet in person from that date. Hosting these meetings virtually continued to be a success and the constitutional ability to do so was particularly helpful during the subsequent lockdowns in 2021/22. This continued throughout 2021/22.

The new risks created by the pandemic described in the Council's Annual Governance Statement for 2020/21, such as the administration of centrally funded business grants, an important support system for local businesses that put considerable strain on the Council's staffing resource, continued into 2021/22.

## **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 from contracts are delivered.

Following the detailed review referred to in the Annual Governance Statement for 2020/21, on 21 October 2021 the Council adopted a new procurement framework, covering revised Contract Standing Orders, a Procurement Strategy, a Social Value Policy and a Contract Management strategy.

## **Managing Information**

The Council recognises that it has a responsibility to safeguard the information it holds and to manage it in accordance with the requirements of the General Data Protection Regulation (GDPR). GDPR came into force on 25 May 2018 and the Council carried out a compliance review in early 2021. Work on implementing the resulting GDPR Action Plan started in 2021/22 and was kept under scrutiny by the SLT. Since this work started there has been a step change in the Council's compliance rates in respect of both data protection and freedom of information requirements. In addition, a comprehensive training programme for all staff was developed in early 2022 and has now been rolled out across the organisation with an 82% compliance rate.

## **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. In early 2022, the Council worked closely with the other councils in Somerset in preparation for the new Somerset Council to develop a new Member Code of Conduct that was adopted by the County Council in March 2022 and will be adopted by the districts in September 2022. A review of the Council's employee code started in 2021/22 for adoption in 2022/23.

## **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. The Council's policy was reviewed in April 2021.

In April 2021 the Council received an anonymous whistleblowing allegation containing serious allegations against some Council officers. The Council took this allegation very seriously and commissioned an investigation by its internal auditors into the matters raised. Following the internal auditor's findings, an independent investigator was commissioned to undertake further investigations into the matters raised. As a result of the independent investigator's findings, action was taken, resulting in more than one senior officer leaving the Council's employ. Due to the leak of a confidential document, the Council was subjected to extensive press coverage and some criticism. A comprehensive action plan to address the issues uncovered as a result of the various investigations flowing from the whistleblowing complaint has drawn up and it will continue to be implemented in 2022/23 under the oversight of the Audit Committee.

## **Counter Fraud**

The Anti-Fraud Policy makes it clear that the Council will not tolerate any form of fraud, corruption, or bribery. It provides for deterrents, 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.

The Council introduced compulsory training in this area for all staff during 2021/22.

## **Commercial Services and Investment**

The Council revised its Commercial Strategy in 2021/22 to take account of the revised Prudential Code and guidance on commercial investment for yield. The revised strategy continues to encourage the Council to operate in a more commercial way and focus on funding through direct income (e.g. sale, fees, and charges).

As part of the original 2017 Commercial Strategy, appropriate governance was put in place to oversee and manage a new Investment Fund to build a portfolio of commercial investment properties. Although the Council no longer invests in new assets, it continues to prudently manage its investment portfolio in accordance with the governance arrangements set out in the Constitution. The Council approved an updated Capital Strategy and Investment Strategy in February 2021, following the requirements of the Prudential Code and statutory investment guidance.

## **Group Operations**

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

Group operations are subject to the same scrutiny and governance requirements as the single entity operations in that the Council ensures 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. Any lending to the group is done at arm's length and at market rates thus avoiding unfair competition.

## **Regeneration Programmes**

The Terms of Reference for the Strategic Development Board and the Project Boards were re-drafted and adopted in September 2021 to clarify the delineation between programme and project oversight. Governance arrangements were improved to ensure that decisions involving a change to cope, quality, timings, or budget were reviewed and agreed at District Executive and Full Council. These arrangements improve transparency around decision-making and deliver a record of decisions for audit purposes.

The four Regeneration Project Boards – for Yeovil, the Octagon Theatre, Chard and Wincanton – have continued to make significant progress with the individual projects, notably delivering a completed new-build leisure centre for Chard in November 2021, together with public realm improvements and an adopted shop front design guide, which is now a Supplementary Planning Document. The Yeovil Refresh has started to deliver visible change in the town centre and RIBA stage 2 plans are in place for the Octagon Theatre re-development.

- The SDB comprises:
- Leader of the Council
- Portfolio Holders covering Finance, Economy, Place
- Chairs of the Chard, Yeovil, and Wincanton Regeneration Project Boards
- Chief Executive Officer
- S151 Officer
- Director, Place and Recovery

Its key purpose is to:

- To help shape and have oversight of strategic development in the district to ensure the relevant ambitions of the Council are being delivered
- Provide continued commitment and endorsement in support of the programme objectives at executive and communications events: championing the programme
- Assure there is appropriate governance and strategic oversight and monitoring of our regeneration programme by senior Elected Members and relevant Council Officers
- Regularly review, both at individual project and at whole programme level, the total costs being incurred, future estimated costs, and project funding plans
- Ensure that any deviations which negatively impact on the Council's financial position are referred to DX/Council for a decision
- Review strategic risks to ensure activity remains within our risk appetite and mitigations are in place
- Authorise individual projects in the Programme to continue at each decision-point if they are within the financial and scope parameters agreed by Council for the project
- Resolve strategic and directional issues between projects, that need the input and agreement of senior stakeholders to ensure progress
- Critically review any Regeneration Project Business Case prior to it being submitted to Council for approval
- Agree criteria for Allocation of CIL funding, review alternative bids for funds, determine allocation of funds on an annual basis

The Strategic Development Board has taken reports on progress on the Area Boards and the local Plan during 2021/22 and progress with the Regeneration programme is reported through the Council's performance management systems.

## **The Somerset (Structural Changes) Order 2022**

For several years the future of local government in Somerset has been under review, with the district councils proposing two unitary councils (Stronger Somerset) and the county council proposing one (One Somerset). In July 2021, the Secretary of State notified the councils that One Somerset would be taken forward. Although this was somewhat disappointing news for Members of this Council, we fully and immediately cooperated with the other Somerset councils to set up an LGR Joint Committee, an LGR Joint Scrutiny Committee and an LGR Advisory Board to enable us to collaborate on plans for the new Council in advance of the Order, which passed into law in March 2022.

## **Conclusion**

South Somerset District Council has continued to operate fit for purpose governance arrangements during the year, reflecting its priorities and risks. A main priority for 2021/22, in addition to the reviews referred to in this statement, was dealing with the issues raised by our investigation into the anonymous whistleblowing complaint and ensuring that the actions we took were prudent, fair and proper and in the best interests of the Council and the people of South Somerset. We also continued to focus on providing effective and resilient services in the face of the Covid pandemic alongside initial preparations for the challenge of implementing the Secretary of State's decision to establish a new unitary authority for Somerset on 1 April 2023.

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**

Although the whistleblowing complaint has resulted in a review of several key governance related policies, such as the employee Code of Conduct, it was centred on a particular area of Council



activity and no evidence was found to suggest the issues uncovered were endemic within the Council. There are no other significant governance issues to report for 2021-22. It is the assessment of the Senior Leadership Team that overall the Council's operations and projects have been managed effectively. Assurance is taken not only from the outcome of the internal audit plan and auditor's opinion but also from the Council's swift reaction to and measured and proportionate response on the outcome of the whistleblowing investigation.

Improvements and key actions in governance during 2021/22 that have not been covered in the narrative above include:

- Risk Management: Ongoing work involved 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, which continue.
- Digital Strategy: Work to implement the Digital Strategy continued from 2020/21. The restructured Digital Team set up the Technical Design Authority (TDA), which is an in-house board that scrutinises proposals for new technology. The TDA provides an audit trail for all significant decisions made regarding the Council's technology estate. In addition, the newly established Change Advisory Board (CAB) creates a gateway for changes to the live environment to ensure due diligence is followed in the areas of operational effectiveness, customer/user impact, and cyber security. As expected, the focus of effort began to shift at the end of 21/22 towards aligning digital strategies across the five Somerset Councils as part of the Local Government Reorganisation Programme

## Informing the Audit Risk Assessment for 2021/22

Executive Portfolio Holder: Peter Seib, Finance and Legal Services  
SLT Leads: Karen Watling, Chief Finance Officer, and Jill Bryon,  
Monitoring Officer  
Lead Officer: Karen Watling, Chief Finance Officer  
Contact: Karen.watling@southsomerset.gov.uk

## Purpose of the Report

1. To review the information provided by management to Grant Thornton LLP, the council's appointed external auditors, required as part of the preparation needed for the audit of the 2021/22 Statement of Accounts.

## Forward Plan

2. This report appeared on the Audit Committee Forward Plan with an anticipated Committee date of 22<sup>nd</sup> September 2022.

## Public Interest

3. Financial statements are the main way in which councils account for how they use their resources. Councils must prepare and publish their Statement of Accounts setting out their financial performance for the year. To do this, they need to maintain proper accounting records and ensure they have effective systems of internal control.
4. Taxpayers, national bodies and other stakeholders reasonably expect that the auditor will normally be able to assure that the financial statements have been properly prepared, are free from material error, and that the body has proper arrangements in place to secure value for money.
5. Where the auditors are satisfied, that the financial statements present a true and fair view of the council's financial position, and that they have been prepared properly in accordance with relevant legislation and codes of practice, they issue an unqualified opinion.
6. Where they are not satisfied, or where they have other matters to which they wish to draw attention, they give a qualified report. Where the auditors consider that a particular matter is sufficiently serious to draw it to public attention more widely, including informing the relevant Secretary of State, they may choose to make a statutory recommendation requiring a public response or issue a Public Interest Report (PIR).
7. Grant Thornton LLP is the Council's appointed auditor responsible for the audit of the accounts for the periods 2019/20 through to 2022/23. As part of the preparation for the 2021/22 audit, Grant Thornton follows its risk assessment



## South Somerset District Council

procedures to obtain an understanding of management processes in several areas. Appendix One to this report shares the information provided by the Council's management to help inform this risk assessment.

### Recommendation

9. That Audit Committee notes the information provided to Grant Thornton LLP to inform their risk assessment in advance of the 2021/22 audit, and considers whether the responses are consistent with its understanding and whether there are any further comments it wishes to make.

### Introduction and Background

10. Grant Thornton LLP is the Council's appointed auditor responsible for the audit of the Statement of Accounts for the periods 2019/20 through to 2022/23.
11. As part of their preparation for the 2021/22 audit, Grant Thornton LLP has followed its risk assessment procedures to obtain an understanding of management processes and the Council's oversight of the following areas:
  - General Enquiries of Management
  - Fraud
  - Laws and Regulations
  - Related Parties
  - Going Concern
  - Accounting Estimates
12. Appendix One to this report shares the information provided by the Council's management to help inform this risk assessment.
13. As at the time of this Audit Committee, the prior year's (2020/21) Statement of Accounts have not yet received a final audit opinion. This has been reflected in a number of managements' responses as given in the Appendix.

### Financial Implications

14. There are no direct financial implications arising from this particular report.

### Legal Implications

15. The audit is conducted in line with the requirements of the Local Audit and Accountability Act 2014.

### Council Plan Implications

16. This relates to the Council's financial reporting and audit statutory duties and is not directly related to the Corporate Strategy



### **Carbon Emissions and Climate Change Implications**

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

### **Equality and Diversity Implications**

18. There are no equality or diversity implications.

### **Privacy Impact Assessment**

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

### **Background Papers**

None

# Informing the audit risk assessment for South Somerset District Council

2021/22

Page 133

**Barrie Morris**  
Director  
T 0117 305 7708  
E [barrie.morris@uk.gt.com](mailto:barrie.morris@uk.gt.com)

**Beth Garner**  
Senior Manager  
T 0117 305 7726  
E [beth.ac.garner@uk.gt.com](mailto:beth.ac.garner@uk.gt.com)



The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. 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.

# Table of Contents

Section	Page
Purpose	4
General Enquiries of Management	6
Fraud	9
Fraud Risk Assessment	10
Laws and Regulations	15
Impact of Laws and Regulations	16
Related Parties	18
Going Concern	20
Accounting Estimates	22
Accounting Estimates - General Enquiries of Management	23
Appendix A – Accounting Estimates	26

## Purpose

The purpose of this report is to contribute towards the effective two-way communication between the Council's external auditors and the Council's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.

## Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

## Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Council's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.



## Purpose

This report includes a series of questions on each of these areas and the response we have received from South Somerset District Council's management. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

# General Enquiries of Management

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?</p>	<p>The Council's ceased any expenditure on new investments for yield in December 2021. Total investment since April 2020 was £19.9 million. New borrowing to support this, as well as borrowing to finance the mainstream capital programme, will result in an increase in both long-term and short-term borrowing at the Balance Sheet date.</p> <p>Acting as agent and principal for central government in respect of covid related grants and support will show as a significant activity within the accounts. .</p> <p>The Local Government Review of Somerset councils will result in combining all the councils' activities into one unitary Somerset Council. Although this has no direct impact on the Statement of Accounts and transactions contained therein, it is a factor that may indirectly impact and will be referenced in the Narrative Statement.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by the Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p>	<p>The accounting policies have been reviewed by the Chief Finance Officer (S151 Officer) and Lead Specialist – Finance (Deputy S151 Officer) for appropriateness.</p> <p>A change has been made to one accounting policy for 2021/22. This relates to 'Accruals of Expenditure and Income' and the de minimis level used for accruals. A decision was taken to set the limit at £500 for 2021/22, which is a revision from the previous limit of £2,000. The 2021/22 accounting policies were approved by Audit Committee on 24 March 2022.</p> <p>There has not been any events or transactions that caused the Council to change other policies or adopt new accounting policies.</p>
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>The Council has used a range of financial instruments including treasury investments and borrowing. No derivatives have been used.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?</p>	<p>Yes. The Council has acted in the capacity of "Agent" and "Principal" for the Government, passporting Covid grants to businesses and support to individuals in accordance with Government guidelines. "The total amount paid out in 2021/22 was £13.2m. During 2021/22 the Council also administered Business Rate Relief (discounts) schemes totalling £9.2m.</p>

## General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	As a the time of completing this report, a new valuation is being undertaken for SSDC Opium Power Ltd.'s assets, shown in SSDC group accounts for 2020/21. This could result in in an impairment of non-current assets.
6. Are you aware of any guarantee contracts? If so, please provide further details	The Council provides a guarantee to SWAP (South West Audit Partnership) in respect of local government pension fund deficit related to former SSDC (its predecessors') employees. This guarantee does not reach materiality
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	No
8. Other than in house solicitors, can you provide details of those solicitors utilised by the Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	The Council uses a mix of in-house and external solicitors for its legal advice. During 2021/22 external legal advice (largely in relation to commercial investment purchases) has been obtained from: Ashfords, Eversheds, Freeths, Tozers. Only Eversheds are working on open litigation.

## General Enquiries of Management

Question	Management response
<p>9. Have any of the Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details</p>	<p>No</p>
<p>10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?</p>	<p>The Council has used a range of advisors during 2021/22 these include PSTAX for tax advice, Arlingclose for treasury management advise. A full schedule of advisors will be provided to Grant Thornton as part of the audit working papers.</p> <p>From time to time the Council uses counsel to represent it at public inquiries or for specific advice (for example the LGR poll).</p>
<p>11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details</p>	<p>Yes, we have identified that the commercial lending to SSDC Opium Power Ltd. may require credit loss provisions and we review this on an annual basis.</p> <p>Whilst we hold pooled fund investments, we are electing to hold as fair value through profit and loss.</p>

# Fraud

## Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As the Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from the Council's management.

# Fraud risk assessment

Question	Management response
<p>1. Has the Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Council's risk management processes link to financial reporting?</p>	<p>Yes. Budget holders monitor spend and income. These budgets are also reviewed by the council's finance specialists as part of budget monitoring which includes looking for any possible fraudulent activity.</p> <p>Fraud is also assessed as part of the Internal Audit Plan. The Audit Committee approves the risk-based annual audit plan (constructed by SWAP, SLT and S151) and prepares audits to consider possible areas where fraud may be a risk.</p> <p>The Authority has a Fraud Strategy that is approved, monitored and reported through the Audit Committee. The Council also employs an Enforcement Officer within the various service areas who undertakes work to tackle abuse of public funds.</p> <p>All reports to District Executive include a double risk matrix to ensure that Members are aware of the financial risks of making a decision. All capital bids outline risks and how those risks can be mitigated.</p> <p>The annual budget is risk assessed and reported, and then monitored as part of the revenue and capital budget monitoring process. Key projects will include financial risks as appropriate.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>It is considered that cash, contract and benefits/tax reliefs are most likely areas of risks in most years. During the pandemic, we have been administering additional benefits and grants and these have added to the risk profile.</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within the Council as a whole, or within specific departments since 1 April 2021? If so, please provide details</p>	<p>A whistleblowing letter was received in April 2021 regarding the conduct of a few senior officers. SWAP Internal Audit Services Counter Fraud Team, together with an independent investigator, Richard Penn, were appointed, and extensive investigations were carried out. The outcome of this was reported to SSDC's Audit Committee in May 2022 – titled Improving Environmental Services and Corporate Governance - <a href="https://modgov.southsomerset.gov.uk/ieListDocuments.aspx?CId=135&amp;MId=3206&amp;Ver=4">https://modgov.southsomerset.gov.uk/ieListDocuments.aspx?CId=135&amp;MId=3206&amp;Ver=4</a></p> <p>This was the only activity to report that falls into this category.</p>

## Fraud risk assessment

Question	Management response
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	SLT is responsible for Corporate Governance. SLT comprises the CEO; Directors; S151 Officer and Monitoring Officer. The SWAP Assistant Director is invited to SLT on a quarterly basis to discuss and report on governance and risk issues including the audit plan progress. All audit reports are taken to SLT for discussion. The CEO; S151 and MO also meet regularly with Grant Thornton. The Annual Governance Statement is reported to SLT and Audit Committee outlining any serious breaches. The S151 Officer oversees the support to Audit Committee. A regular Risk Management update is provided to Audit Committee.
5. Have you identified any specific fraud risks? If so, please provide details  Do you have any concerns there are areas that are at risk of fraud?  Are there particular locations within the Council where fraud is more likely to occur?	No  It is considered that cash, contract and benefits/tax reliefs are most likely areas of risks in most years. During the pandemic, we have been administering additional benefits and grants and these have added to the risk profile.  Westlands and the Octagon where there are high volumes of cash transactions could be deemed higher risks (in normal trading circumstances) but controls are in place to manage this. Following an investigation into irregularities at the Council's Lufton Depot new controls have been introduced in that area to manage the risk.  The impact of COVID introduced new and potentially significant risks relating to the grants received and administered. The risks relate to those potentially receiving the grant and those administering / determining them. Payment assurance measures have been implemented to minimise the risk of fraud and error.
6. What processes do the Council have in place to identify and respond to risks of fraud?	SSDC is committed to operating in ways which make fraud more difficult to commit, more likely to be detected, and more certain to be punished. The Council is reviewing its "Counter Fraud, Theft and Bribery Strategy which is the centrepiece of the Council's counter fraud framework, and explicitly sets out the arrangements that are in place for deterring, preventing, detecting and punishing all forms of fraud which could affect the Council's finance and assets.

# Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for the Council, including:</p> <ul style="list-style-type: none"> <li>the existence of internal controls, including segregation of duties; and</li> <li>the process for reviewing the effectiveness the system of internal control?</li> </ul> <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>Budgets are managed under strict delegations in the operating model. Lead Specialists and Specialists monitor the budgets but do not have budget responsibility. The Finance specialists work closely with the budget holders analysing large value transactions. Managers are responsible for signing off individual's travel etc.</p> <p>There remains a separation of duties between the Specialists and Case Officer posts which are monitored as part of the controls audited by SWAP. Many of the processes are system controlled, particularly in relation to the financial transactions.</p> <p>Key areas of risks are agreed as part of the internal audit plan.</p> <p>Reliance on audit reports and the Annual Governance Statement which includes officer annual declarations which cover internal control. Internal Audit provide a cyclical effectiveness review which will be reported to the Audit Committee.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>Both Internal and External Audit of key systems and controls each year provide assurance and mitigates the risk of misreporting</p>



# Fraud risk assessment

Question	Management response
<p>9. How does the Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>SSDC Code of Conduct and other policies are all held on the staff portal for all staff to view. An essential part of an effective counter fraud culture is ensuring that all personnel affiliated with the work of the Council abide by the Counter Fraud policies in place. As part of this, it is vital that all personnel know the appropriate way to disclose a suspicion of misconduct, whether it involves staff, members, contractors or third parties. The Council's former Counter Fraud Policy and Whistleblowing Policy has been reviewed. This ensures that both the appropriate reporting channels and the authorities involved in dealing with the allegations are known to all.</p> <p>Each Member and officer of the Council is responsible for countering fraud to safeguard corporate standards, meaning that everyone affiliated with SSDC has a duty to ensure:</p> <ul style="list-style-type: none"> <li>• their own behaviour is beyond reproach and in accordance with best practice</li> <li>• they follow all policies, procedures and controls laid down to prevent, detect, investigate and punish fraud, according to the Council's Constitution</li> <li>• they report to the appropriate officer any instance where they suspect or are aware of any person(s) behaving improperly, as well as communicating any reasonable suspicions they may have that the Council's systems may be open to fraud or abuse of another kind.</li> </ul> <p>As part of this, it is vital that all personnel know the appropriate way to disclose a suspicion of misconduct, whether it involves staff, members, contractors or third parties. All employees are periodically reminded of the whistleblowing policy and all staff are expected to sign related party transaction declarations on an annual basis.</p> <p>Following a whistleblowing letter received in April 2021 (as detailed in the answer to Q.3 above), particular attention has been paid to ensuring employees within the Environmental Services team are aware of our policies and procedures in relation to disclosing suspicion of misconduct.</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Senior Leadership Team and Leadership Management Team are the higher risk posts as they have a high level of control at this level, but in general terms the Council's controls are such that it will require more than one person to perpetuate a fraud. In terms of the risk that a post-holder commits fraud, the biggest risk is low level, low value matters that slip below the radar. The Council has reviewed its controls in these areas</p> <p>Other posts across the Council could conceivably present fraud and corruption risks, although the hierarchy of authorisation and separation of duties required for monetary transactions, as well as control mechanisms included within the Financial Procedures, protect against risk.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>Related party transactions are disclosed in the accounts in accordance with accounting standard FRS8. Elected Members and officers with a position of significant influence (e.g. CEO / Directors / S151 Officer) are required to complete the register of interests and a related parties return annually for the annual accounts reporting process.</p>

## Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>Quarterly risk reporting to Audit committee has been enhanced for 2022-23. To date reports have gone forward for 26<sup>th</sup> May (21-22 Q4 Summary) and 28<sup>th</sup> July (22-23 Q1 Status). The register is now an openly published document.</p> <p>Risks have been mapped to the corporate projects as part of the priority project reporting, so in practice we have a deeper level of risk profiling matched to delivery of corporate priorities than that recommended by the auditors.</p> <p>Our risk register already contains controls (existing) and ongoing risk treatment/actions. It was agreed with Audit Committee and SLT in July 2022 that full risk statements including controls and mediating action plans will be published in the future.</p> <p>As stated above the Strategic and corporate risk register will be published in full (33 risks). The risk report format allows for focus on the critical risks through presentation by residual risk rating, ranked High to Low. In addition, risk movements are already provided comparing residual risk scores to the previous reporting period, to allow for focussed discussion on developing or increasing risks.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>Yes – see response to question 3 given in this section.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No</p>

# Law and regulations

## Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit Committee, is responsible for ensuring that South Somerset's District Council's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

# Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?</p>	<p>All Committee reports contain a section on Legal implications and reports are now required to be discussed and signed off by Senior Leadership Team, (which includes the Monitoring Officer and Chief Finance Officer) before going forwards through the democratic process.</p> <p>Regular use is made of external specialists to advise us on complex areas of legislation and regulations, for example Arlingclose on guidance on regulations within CIPFA's Prudential and Treasury Management Codes.</p> <p>Officers receive relevant training on legislative requirements e.g health and safety. The publication of CIPFA's revised Prudential Code in December 2021 led to the council ceasing further new investment for yield activity for the remainder of the financial year 2021/22 (and onwards).</p>
<p>2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The Audit Committee receives reports on matters such as compliance and health &amp; safety, with higher risk areas included on the Internal Audit Plan. The Annual Governance Statement identifies areas of concern and areas for improvement. And is reported to Audit Committee.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details</p>	<p>Not as far as management is aware</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>Not materially as far as management is aware</p>

## Impact of laws and regulations

Question	Management response
5. What arrangements does South Somerset District Council have in place to identify, evaluate and account for litigation or claims?	The Council's legal team work with SLT and the relevant LMT Officers when any potential claims or litigation are identified; it also provides the S151 Officer with details of any litigation or claims for inclusion within the financial statements.
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	No

# Related Parties

## Matters in relation to Related Parties

South Somerset District Council are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by the Council;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Council, or of any body that is a related party of the Council.

Page 150

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the [type of body]'s perspective but material from a related party viewpoint then the Council must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

## Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in South Somerset District Council's 2020/21 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> <li>the nature of the relationship between these related parties and South Somerset District Council</li> <li>Whether the Council has entered into or plans to enter into any transactions with these related parties</li> </ul> <p>the type and purpose of these transactions</p>	<p>None apart from:</p> <p>There have been a large number of grants made to businesses which may now fall into a related party scenario. These grants are either mandatory or have strict criteria for discretionary awards.</p>
<p>2. What controls does the Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>All of SLT and LMT, and any other significant officers are required to complete an annual related party disclosure form which are compiled as part of the year end financial statements. These are then reviewed by the S151 Officer and reported to SLT where necessary.</p> <p>Members are also required to disclose interests in line with the Member Code of Conduct, with such interests publicly disclosed.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Normal controls are in place. An officer would be expected to disclose any related party transaction and then this would be checked.</p> <p>Separation of duties is embedded in financial processes, and the requirement to disclose interests as described above.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>The controls contained within the Financial Procedures Rules apply to all transactions. Such transactions would be drawn to the attention of the S151 Officer.</p>

# Going Concern

## Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.



# Going Concern

Question	Management response
<p>1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by South Somerset District Council will no longer continue? Is this mandatory or discretionary statutory services?</p>	<p>As a principal local authority, any English local council operates within a highly legislated and controlled environment. An example of this is the requirement for councils to set a balanced budget each year combined with the legal requirement for Council to have regard to such matters as the robustness of budget estimates and the adequacy of reserves. In addition to the legal framework and extensive controls imposed by Central Government, there are other regulatory factors. For example, the independent role undertaken by the External Auditor in assessing a council's financial controls, reviewing the council's financial sustainability, and review of the annual Going Concern Statement provided by the s151 Officer.</p>
<p>2. Are management aware of any factors which may mean for South Somerset District Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?</p>	<p>On 31 March 2023, SSSDC will transfer its services and functions to the new Somerset Unitary Council. Whilst substantial planning work is currently being undertaken to formulate how the new council will function, there is no intention that statutory services will no longer be provided.</p> <p>As at the time of writing, funding mechanisms will remain unaffected by the formation of the new authority, subject to formulation by the central government and its respective departments.</p>
<p>3. With regard to the statutory services currently provided by South Somerset District Council, does the Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for South Somerset District Council to cease to exist?</p>	<p>See response given in 2 above.</p>
<p>4. Are management satisfied that the financial reporting framework permits South Somerset District Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?</p>	<p>Yes. The amalgamating authorities are developing plans for the continuation of financial reporting..</p>

# Accounting estimates

## Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

# Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	As set out in Appendix A to this document and include Property Plant & Equipment valuations, Pension (LGPS) liabilities and assets, Bad Debt Provisions, Expected Credit Losses, Measurement of Financial Instruments., Business Rates, Debtors and Creditors.
2. How does the Council's risk management process identify and address risks relating to accounting estimates?	Review of Corporate Risk Register is reported to Senior Management Team and Audit Committee. Any impacts realised upon financial statements would then be fed through s151 Officer and the finance team
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to accounting estimates?	<p>The Council employs professionals to verify these estimates, calling in external experts when necessary. (for example, valuation of SSDC Opium Power Ltd.'s battery storage units)..Internal valuers are all professionally qualified Chartered Surveyors.</p> <p>We have qualified accountants preparing accounts and giving advice to management/ budget holders.. The Finance team attend workshops and training events that inform them of new processes and financial accounting requirements.</p> <p>We subscribe to CIPFA publications to access up to date Codes, Guidance and other relevant regulatory guidance; for example, CIPFA's Financial Advisory Network and CIPFA's Technical Information Service (TIS Online). We monitor other updates such as CIPFA LAAP Bulletins and CIPFA e-bulletins. The Council's treasury management advisory firm, Arlingclose, issues local authority technical guidance and training. We also use relevant expertise such as LG Futures. The finance team uses these and other measures to ensure knowledge and awareness is up to date.</p>
4. How do management review the outcomes of previous accounting estimates?	Meetings and ongoing discussions between Finance and Property Team valuers in relation to asset valuations, including SSDC Opium Power Ltd.'s external valuers regarding the company's battery storage assets. Discussions between Accountant and Business Rates team on NNDR 1 and NNDR 3 and impacts upon business rates income, appeals and provisions. Regular dialogue with Somerset County Councils' Pension Fund Specialist.
5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?	No

## Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>The close down process is looked at “afresh” each year to capture changing circumstances and economic climate and the previous year’s external audit opinion and recommendations..</p> <p>The relevant expertise is identified and applied as required in all cases. Where there is a viable need to buy in specialised skills or knowledge then this is implemented. Examples are treasury management expertise comes from Arlingclose. On the advice of Somerset County Council, actuaries (Barnett Waddingham) provide expertise to value pension fund assets and liabilities, following relevant regulations and Codes, for disclosure in SSDC accounts. Specific specialist valuation advice is procured to value SSDC Opium Power Ltd.’s assets.</p>
<p>7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>The Council applies the control activities relevant to each accounting estimate as assessed necessary by the S151 Officer and Deputy S151 Officer each year.</p>
<p>8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p>	<p>We rely on professional qualifications (e.g.. RICS for our valuers). Key controls such as updating the asset register form part of our capital expenditure process. Other controls are monitored through budget setting and particularly through budget monitoring where variances are flagged, and explanations required.</p>
<p>9. What is the nature and extent of oversight and governance over management’s financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> <li>- Management’s process for making significant accounting estimates</li> <li>- The methods and models used</li> <li>- The resultant accounting estimates included in the financial statements.</li> </ul>	<p>Responsibility for preparing and subsequently approving the Statement of Accounts as presenting a true and fair view sits with the S151 Officer, who must be a professionally qualified accountant.</p> <p>The Statement of Accounts are presented to SLT for comment and any issues in significant accounting estimates are discussed.</p> <p>The draft unaudited statement of accounts is presented to Audit Committee members so that they have an early opportunity to question the s151 Officer and other key officers on the significant accounting estimates before the accounts are audited.</p>

## Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	As a the time of completing this report, a new valuation is being undertaken for SSSDC Opium Power Ltd.'s assets, shown in SSSDC group accounts for 2020/21.
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	Many of the items presented are technical and entail assessment by suitably qualified professionals (examples include the assessment of assets, their valuations, useful life and impairments, as well as determining pensions valuations and assessing pension fund assets and liabilities). The Council appoints suitably-qualified professionals to undertake this assessment and estimation work as part of its programme of preparing its financial accounts. Any aspects of estimation that are carried out in-house (for example estimating year-end accruals) are reviewed by suitably qualified staff (such as valuers and professional accountants)..
12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	<p>A review of accounting policies is carried out and reported to Audit Committee annually.</p> <p>The draft statement of accounts is presented to Audit Committee members who can question the S151 Officer and other key officers on the accounting estimates.</p> <p>Audit Committee receive and are thereby able to question the external auditors and management on the Annual Audit Findings and Annual Audit Reports which will give assurance on whether the estimates and judgments are adequate.</p>

## Appendix A Key Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Property, Plant & Equipment valuations	Fair value for land/buildings defined as 'existing use' by the Council.	Valuations are performed annually to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. For land and buildings all material assets will be considered in 2020/21.	Internal valuer who are all qualified Chartered Surveyors.	Degree of uncertainty inherent with any revaluation. We employ professional valuers and rely on expert opinion.	No
Group PPE valuations	Discounted Cash flow model, value calculated using a discount rate	Valuation performed annually	Valuations made by independent (external), RICS qualified professionals	Degree of uncertainty inherent with any revaluation. We employ professional valuers and rely on expert opinion.	No
Investment property valuations	Fair value.	Valuations are performed annually to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. For Investment Property, all material assets will be considered in 2020/21.	Internal valuer. Where property has been purchased within the last 12 months, an external Red Book valuation is undertaken.	Degree of uncertainty inherent with any revaluation. We employ professional valuers and rely on expert opinion.	No
Depreciation	Each part of an item of property, plant and equipment with a significant cost in relation to the total cost is depreciated separately. Depreciation methods, useful lives and residual values are reviewed each financial year and adjusted if appropriate.	See left box	Discussion with internal asset team and where applicable an external valuer	Depreciation is calculated on a straight-line basis as this reflects consumption of assets and is a reasonable assumption.	No

## Appendix A Key Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of defined benefit net pension fund liabilities	The actuarial gains and losses figures are calculated by the actuarial expert Barnett Waddingham. These figures are based on making % adjustments to the closing values of assets/liabilities	The Council responds to queries raised by the administering body.	Yes, the actuary Barnett Waddingham	As defined by actuarial report. The nature of these figures forecasting into the future are based upon the best information held at the current time and are developed by experts in their field.	No.
Defined benefit pension amounts and disclosures	Staff are members of the LGPS, administered by Somerset County. Report from the Actuary satisfies IAS19.	Rely on the calculations made by the actuary. Challenge any unusual movements or assumptions with the actuary.	Yes, the actuary Barnett Waddingham	Reliance on the expertise of the actuaries of the pension scheme.	No.
Measurement of Financial Instruments	Financial instruments are valued at fair value based on the advice of external treasury consultants and investment fund managers.	All financial instruments are reviewed at year end and advice taken from professional advisors..	Yes – primarily Arlingclose	Instruments are valued on an individual basis with advice from treasury management professionals and investment fund managers.	No.

## Appendix A Key Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Bad Debt Provisions/ credit losses	Debts are reviewed monthly and any debts that are deemed to be irrecoverable are written off to the Comprehensive Income and Expenditure Account.	Aged debt reports and practitioner knowledge. Review by a professional accountant.	No	Knowledge by the Accounts Receivables and Revenues & Benefits Teams of likelihood of recoverability and the aging of the debts used along with Finance Team review	No.
Accruals	We use standard accruals accounting –accruals are based on expenses incurred that have not yet been paid.	Monthly budget management ensures any accruals are highlighted and actioned	No	Accruals for income and expenditure have been principally based on known values. Where accruals have been estimated, the latest available information has been used.	No.
Provisions for liabilities	Provisions are made whenever an event takes place that give the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefit or service potential, and a reliable estimate can be made of the amount.	Each provision is separately reviewed by financial accountants and a working is put together to support the calculation.	As necessary on an individual basis	Each provision is assessed on an individual basis to ensure that it meets the criteria of a provision per IAS 37. The degree of uncertainty is assessed when determining whether a provision is the correct treatment for an item.	No







## **SWAP Internal Audit Plan Progress Report 2022-23**

SWAP CEO: Dave Hill – Chief Executive - SWAP  
Lead Officer: Alastair Woodland – Assistant Director  
Contact Details: Alastair.Woodland@SWAPAudit.co.uk

---

### **Purpose of the Report**

To update members on the Internal Audit Plan 2022/23 progress and bring to their attention any significant findings identified through our work since the previous update in February.

### **Public Interest**

Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.

The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes.

### **Recommendations**

1. Members are asked to note progress made in delivery of the 2022/23 internal audit plan and the significant findings since the previous update.
2. Members are asked to express their views on areas they require assurance.

### **Background**

The Internal Audit function plays a central role in corporate governance by providing independent assurance to the Audit Committee over the effectiveness of internal controls, governance and risk management. The 2022/23 Annual Audit Plan was approved by the Audit Committee at its March 2022 meeting and is to provide independent and objective assurance on SSDC's Internal Control Environment and this work will support the Annual Governance Statement.



## **Report Detail**

This report summarises the work of the Council's Internal Audit Service and provides:

- Details of any new significant weaknesses identified during internal audit work completed since the last report to the committee in May 2022.
- A schedule of audits completed during the period, detailing their respective assurance opinion rating, the number of recommendations and the respective priority rankings of these.

Please refer to the attached SWAP Progress Report 2022-23 for further details.

## **Financial Implications**

There are no financial implications associated with these recommendations.

## **Council Plan Implications**

Delivery of corporate objectives requires strong internal control. The attached report provides a summary of the audit work carried out to date this year by the Council's internal auditors, SWAP Internal Audit Services.

## **Carbon Emissions and Climate Change Implications**

There are no implications arising from this report.

## **Equality and Diversity Implications**

There are no implications arising from this report.

## **Background Papers**

- Internal Audit Plan and Charter 2022-23 March 2022
-



**SWAP**

**INTERNAL AUDIT SERVICES**

Helping Organisations to Succeed

# South Somerset District Council

## Report of Internal Audit Activity

2022-23 Progress Update Report September 2022

Page 164

# Contents

## The contacts at SWAP in connection with this report are:

### David Hill

Chief Executive

Tel: 020 8142 5030

[david.hill@swapaudit.co.uk](mailto:david.hill@swapaudit.co.uk)

### Alastair Woodland

Assistant Director

Tel: 07720312467

[alastair.woodland@swapaudit.co.uk](mailto:alastair.woodland@swapaudit.co.uk)

### Adam Williams

Principal Auditor

Tel: 020 8142 5030

[Adam.williams@SWAPaudit.co.uk](mailto:Adam.williams@SWAPaudit.co.uk)

➤ Summary:		
	Contents	Page 1
	Role of Internal Audit	Page 2
➤ Control Assurance:		
	Internal Audit Work Programme Update	Page 3
	Significant Corporate Risks	Page 4
	Summary of Limited or No Assurance Opinions	Pages 4
	Support for LGR	Pages 5
➤ Plan Performance:		
	Changes to the Audit Plan	Page 6
➤ Appendices:		
	Appendix A – Audit Framework Definitions	Page 7
	Appendix B – Summary of Work Plan	Pages 8 - 11

## Our audit activity is split between:

- **Operational Audit**
- **Governance Audit**
- **Key Control Audit**
- **IT Audit**
- **Grants**
- **Other Reviews**



## Role of Internal Audit

The Internal Audit service for the South Somerset District Council is provided by South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter approved by the Audit Committee at its meeting in March 2022.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work includes:

- Operational Audit Reviews
- Cross Cutting Governance Audits
- Annual Review of Key Financial System Controls
- IT Audits
- Grants
- Other Special or Unplanned Review

Internal Audit work is largely driven by an Audit Plan. We have adopted an 'agile rolling plan' approach and whilst this will be a 'live' continuous approach, confirmed work will only cover every 3-6 months with a rolling 'back-log' for future consideration. Priorities will be assessed in conjunction with Senior Management, and we welcome input from members of the Audit and Governance Committee. The 2022-23 Audit Plan was reported to the Audit Committee and approved at its meeting in March 2022. Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk within South Somerset District Council.

## Outturn to Date:

We rank our recommendations on a scale of 1 to 3, with 3 being minor or administrative concerns to 1 being areas of major concern requiring immediate corrective action.



## Internal Audit Work Programme Update

The schedule provided at **Appendix B** contains a list of all audits as agreed in the Annual Audit Plan 2022/23. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Each completed assignment includes its respective “assurance opinion” rating together with the number and relative ranking of recommendations that have been raised with management. In such cases, the Committee can take assurance that improvement actions have been agreed with management to address these. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as detailed on **Appendix A** of this document.

The following table summarises Audits finalised since the last update in June 2022:

Audit Area	Opinion
Arts Council Culture Recovery Fund grant certification	Advisory
Protect and vaccinate – CIA sign off	Advisory
<b>NEW:</b> Covid Outbreak Management Fund – CIA Sign off	Advisory
Yeovil Cemetery & Crematorium Annual Accounts	Substantial
Covid-19 Grants – Restart Grant Post Payment Assurance – CIA sign-off	Reasonable
Unitary Lesson Learnt	Advisory

Please refer to Table 2 in **Appendix B** for LGR complete and on-going work.

As we report by exception, details on completed work that is not No/Limited Assurance or a follow up is available on request for members.

**Significant Corporate Risks**  
**Identified Significant Corporate Risks should be brought to the attention of the Audit Committee.**

**Completed Assignments:**

**Summary of work completed with a focus on the high priority issues that we believe should be brought to the attention of the Audit Committee.**

- **Limited or No Assurance Opinions**
- **Follow-ups**



### Significant Corporate Risks

We provide a definition of the 3 Risk Levels applied within audit reports and these are detailed in **Appendix A**. For those audits which have reached report stage through the year, I will report risks we have assessed as 'High'.

In this update there are no final reports included with significant corporate risks.



### Summary of Work Completed – Limited or No Assurance Opinions

There are no limited or no assurance opinion pieces of work to bring to your attention.

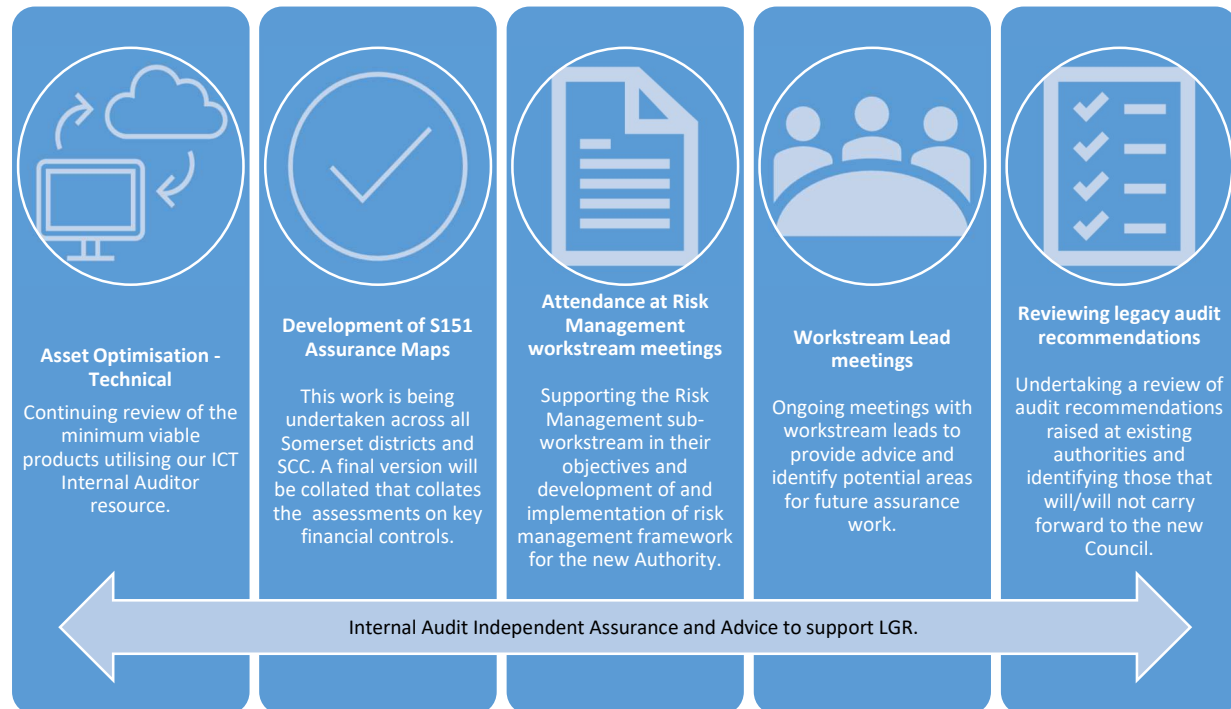


Supporting the formation of the new unitary authority by providing advice and independent assurance on activities being undertaken via the workstreams.



## Support for LGR

As part of our planning for 22/23 we have included time to provide Unitary Programme Assurance Work as well as Unitary Workstream support. Most Programme Assurance will be covered by the PWC Quality Reviews. We should be able to take assurance from their work to contribute to the Internal Audit Annual Opinion to avoid any duplication. We will provide a critical friend role to LGR work supporting delivery of outcomes. This is advisory/consultative work with rapid feedback via meetings/e-mail, or brief summary reports. Some of the areas we're focussing on are detailed in the chart below.



# Internal Audit Plan Progress 2022-23

We keep our audit plans under regular review so as to ensure that we are auditing the right things at the right time.



## Approved Changes to the Plan

We will regularly re-visit and adjust our rolling programme of audit work to ensure that it matches the changing risk profile of the organisation’s operations, systems, and controls. Details of our current work areas are provided in **Appendix B**.

Our rolling plans are agreed with the Senior Leadership Team quarterly from the list of unscheduled audit areas that constitutes the rolling Audit Plan. Members of the Audit Committee are welcome to identify area where they need assurance for priority work to assist in their role with oversight of governance, risk and control.

The following table highlights changes to the plan since the previous update report.

Assignment	Amendment	Reason
Covid Outbreak Management Fund	Added	Requirement for CIA Sign off
Arts Council Culture Recovery Fund grant certification	Added	Request for Internal Audit to review.
Civil Emergencies	Added	Coverage for Q2.
Yeovil Rec improvements	Added	
Recommendation Tracking & Reporting	Added	

We are scheduled to meet with the Senior Leadership Team on the 5<sup>th</sup> of October and welcome the input of Audit Committee Members for potential areas of coverage for the next 6 months (October – March).

Assurance Definitions

<b>No</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control are inadequate to effectively manage risks to the achievement of objectives in the area audited.
<b>Limited</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>Reasonable</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Substantial</b>	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Non-Opinion/Advisory</b>	In addition to our opinion-based work we will provide consultancy services. The “advice” offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance.

Definition of Corporate Risks

<b>Risk</b>	<b>Reporting Implications</b>
<b>High</b>	Issues that we consider need to be brought to the attention of both Senior Management and the Audit Committee.
<b>Medium</b>	Issues which should be addressed by management in their areas of responsibility.
<b>Low</b>	Issues of a minor nature or best practice where some improvement can be made.

Categorisation of Recommendations

In addition to the corporate risk assessment it is important that management know how important the recommendation is to their service. Each recommendation has been given a priority rating at service level with the following definitions:

<b>Priority 1</b>	Findings that are fundamental to the integrity of the service’s business processes and require the immediate attention of management.
<b>Priority 2</b>	Important findings that need to be resolved by management.
<b>Priority 3</b>	Finding that requires attention.

Page 171

Audit Type	Audit Area	Status	Opinion	No of Rec	1 =	↔	3 =	Comments
					Major		Minor	
					Recommendation			
					1	2	3	
<b>Completed Work</b>								
Grant Certification	Arts Council Culture Recovery Fund grant certification	Complete	Advisory	-	-	-	-	
Grant Certification	Protect and vaccinate – CIA sign off	Complete	Advisory	-	-	-	-	
Grant Certification	<b>NEW:</b> Covid Outbreak Management Fund – CIA Sign off	Complete	Advisory	-	-	-	-	
Assurance	Yeovil Cemetery & Crematorium Annual Accounts	Complete	Substantial	-	-	-	-	
Grant Certification	Covid-19 Grants – Restart Grant Post Payment Assurance – CIA sign-off	Complete	Reasonable	-	-	-	-	
Advisory	<b>NEW:</b> Unitary Lessons Learned	Complete	Advisory	-	-	-	-	
<b>Reporting</b>								
Assurance	Commercial investments	Drafting						
Advisory	<b>NEW:</b> Recommendation Tracking & Reporting	Under review	Advisory					New in addition to rolling plan. Priority area for Q2
Assurance	Opium arrangements	Drafting						
<b>In Progress</b>								
Advisory	Octagon Theatre Expansion	In Progress	Advisory					Ongoing project support throughout the year.
Advisory	Baseline of Maturity for Fraud Risk	In Progress						

Page 172

Audit Type	Audit Area	Status	Opinion	No of Rec	1 = Major	↔	3 = Minor	Comments
					Recommendation			
					1	2	3	
Grant Certification	Decarbonisation Grant - CIA sign off	In Progress	Advisory					
Follow Up	<b>NEW:</b> Lufton Depot	In Progress						Planned priority area for Q2 from rolling plan.
Assurance	<b>NEW:</b> Civil Emergencies	In Progress						New in addition to rolling plan. Priority area for Q2
Assurance	<b>NEW:</b> Yeovil Rec improvements	Audit Scoping						Planned priority area for Q2 from rolling plan.

Page 173

Table 2

Audit Type	Audit Area	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
					1	2	3	
<b>LGR Support Work</b>								
Advisory	PCIDSS	Complete	Advisory	-	-	-	-	
Advisory	Data Centre	Complete	Advisory	-	-	-	-	
Advisory	IT Minimum Viable Products	Complete	Advisory	-	-	-	-	
Advisory	M365 and Active Directory	Complete	Advisory	-	-	-	-	
Advisory	Risk Management Workstream Support	Ongoing						Q1- Q4

Audit Type	Audit Area	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
					1	2	3	
Advisory	Asset Optimisation: Technical Workstream Support	Ongoing						Q1- Q4 (Cyber Security aspects Q3 & Q4)
Advisory	S151 Assurance Map	In Progress						
Advisory	<b>New:</b> Legacy Audit Recommendations & AGS Actions	In Progress						Q2 – Q4
Assurance	Business Continuity	Not Started						Q4
Assurance	Payroll – transfer of district staff	Not Started						

Please note that PWC are the Quality Assurance provider overseeing the whole LGR programme and provide monthly updates to the Programme Board.

The list below constitutes the rolling ‘unscheduled’ audits for consideration for the next two quarters work as shared with this Committee in March 2022. On the 5<sup>th</sup> of October we will be meeting with the Senior Leadership Team, and welcome the input of Audit Committee Members, to refresh this list and identify priorities for audit work covering the next 6 months.

Audit Type	Audit Area
Assurance	Debtors Analytical Review & Control Review
Assurance	Creditors Analytical and Control Review

Audit Type	Audit Area
Assurance	Treasury Management
Assurance	Council Tax & NDR

Audit Type	Audit Area
Assurance	Partnerships
Assurance	Management of Commercial Property

Assurance	Project Management Office (PMO)
Assurance	Income collection
Assurance	Debt Management/Holding Accounts/Suspense clearance
Assurance	Yeovil Rec improvements
Assurance	Main Accounting & bank reconciliation
Assurance	Ham Hill Visitor Centre
Assurance	YIC Phase2 Project

Assurance	Housing Benefits
Assurance	Discretionary Grant Payments
Assurance	Asset Management
Assurance	Climate Change Strategy
Assurance	Information Management
Assurance	Freedom of Information (FOI)
Assurance	Health & Safety Framework

Assurance	Supply Chains and Third-Party Risk
Assurance	Related Party Disclosures
Assurance	Council's Response to Energy Crisis
Assurance	Purchasing Cards
Assurance	Corporate Building Health & Safety
Assurance	Complaint Procedures
Assurance	

## **Risk Management Update Q2 2022/23**

Strategic Director:	Nicola Hix - Strategy and Commissioning
Service Manager:	Brendan Downes - Lead Specialist, PPC
Lead Officer:	Brendan Downes - Lead Specialist, PPC
Contact Details:	brendan.downes@southsomerset.gov.uk

---

## **Purpose of the Report**

This report is provided to inform Audit Committee of the status of the Strategic and Corporate Risk Register on 8<sup>th</sup> Sept 2022 (Provisional Q2 status)

## **Public Interest**

Effective risk management will help to ensure that the Council maximises its opportunities and minimises the impact of the risks it faces, thereby improving our ability to deliver key priorities, improve outcomes for residents, maintain good governance and minimise any damage to its reputation.

## **Recommendations**

1. Audit committee note the SSDC Strategic & Corporate Risk profile on 8<sup>th</sup> September 2022.

## **Background**

2. Risk: "The effect of uncertainty on objectives, often described by an event or a change in circumstances"

Risk Management: "Coordinated activities to direct and control an organisation with regard to risk"

## **Report Detail**





**2022-23 Q2 risk status**

3. The attached report presents the status of the 11 Strategic and 22 Corporate risks for SSDC as at 8<sup>th</sup> September 2022. This is presented as a provisional Q2 position to align to Audit committee timing. Full detail of the 7 red risks which retain a residual score of 21 or above have been provided in the report.
4. Changes to the risk profile since the Q1 report are summarised below with a brief narrative.

**New Risks.**

- No new risks were identified in the period

**Retired Risks.**

- “PAP-06 - External project funding is less than anticipated” was retired following review at SLT as it was agreed the majority of anticipated external funding on current project has now been secured.

**Risk Changes:**

Comparison of Q2 risk scores to previous periods are highlighted on page 4 of the report. Changes from Q1 status (last reporting period) are summarised below.

**Increased risk score:**

- “PEOPLE-02: Risk of failing to retain staff”. Score was adjusted up following review with people managers to reflect potential greater exposure within the authority. Retention data indicates a year on year increase in staff attrition which could be attributed to our transition to unitary and uncertainty for staff, in particular for agency and fixed term staff. Review is underway to assess the risk of fixed-term contracts covering business critical roles, for consideration to become permanent or contract extensions post vesting day

**Reduced risk score:**

- “PAP-04: Poor or partial planning and execution of strategic priority projects.” Score was reduced as a number of priority projects have progressed or now been delivered so likelihood and impact of risk occurring has reduced. In addition improved transparency through the new project monitoring approach allows for earlier insight and corrective actions.
- “PEOPLE-06: Risk of deterioration in quality of work being delivered by staff”. Increased frequency (monthly) of monitoring of performance measures for 2022/23 now in place, no significant decrease in quality of outputs across the organisation.
- “PEOPLE-05: SSDC staff have a lack of change readiness/resilience to the LGR transition period”. This risk was reassessed in light of the LGR programme



around change readiness and staff engagement, and internal change initiatives described below.

- “PEOPLE-04: Staff morale & wellbeing affected by organisational pressures and unitary transition” – Risk reassessed due to increased focus on support to staff. Interventions of note are the rollout to LMT/SLT of change management courses to support the workforce, and implementation of the Leadership and Management Forum (LMF) to improve communications and peer support for staff at the forefront of the change effort.

### **Financial Implications**

None

### **Council Plan Implications**

Include links to Council Plan 2020 – 2024 – which can be found on the staff portal at this link: [Council Plan | South Somerset District Council](#)

### **Carbon Emissions and Climate Change Implications**

None

### **Equality and Diversity Implications**

Please describe the outcome of your Equality Impact Assessment. As a minimum an Equality Impact Relevance Check form must be completed which will indicate whether a full Equality Impact Assessment is required. Please see template guidance notes. [Equality Impact Assessment - South Somerset District Council](#)

Please complete the questions in the box below along with a brief summary of the outcome of the EIA process. A copy of either the Impact Relevance Check form or full Equality Impact Assessment form should be appended to this report.

If you need advice on completion of these forms please contact David Crisfield [david.crisfield@southsomerset.gov.uk](mailto:david.crisfield@southsomerset.gov.uk)




<i>An Equality Impact Relevance Check Form has been completed in respect of the Proposal?</i>	No
<i>The Impact Relevance Check indicated that a full EIA was required?</i>	No
<i>If an EIA was <b>not</b> required please attach the Impact Relevance Check Form as an Appendix to this report and provide a brief summary of its findings in the comments box below.</i>	
<i>If an EIA <b>was</b> required please attach the completed EIA form as an Appendix to this report and provide a brief summary of the result of your Equality Impact Assessment in the comment box below.</i>	
<b>Additional Comments</b>	
<i><b>It is my understanding that a risk report does not require assessment.</b></i>	

### **Background Papers**

Please bear in mind that, for executive decisions, all background papers listed here must be available for public inspection and posted on the SSDC website. Do not list working files.

1. Presentation showing status of the Strategic and Corporate risks register on 8<sup>th</sup> September 2022



# SSDC Strategic & Corporate Risks 2022-23 Q2 Status (provisional)

(Data Extract on 8<sup>th</sup> Sept 2022)

Page  
180

**Brendan Downes**

**Lead Specialist – Procurement, Performance and Change**

**South Somerset District Council**

**V1.00**

# Contents

- P3 Overview of strategic and corporate risks by category
- P4 Changes in residual risk score over reporting periods
- P5 5x5 matrix showing inherent and residual risk position
- P6-7 Strategic and corporate risks ranked by residual risk score
- P8 Guidance slide – How to read the detailed risk page
- P9- 16 Detailed risk pages for each of the 7 highest red risks

# Strategic & Corporate - Risk Report



**32**

Total of Active/Live Risks

**11**

Strategic

**21**

Corporate

Inherent Score

**0**

Total Green Risks

**5**

Total Yellow Risks

**10**

Total Orange Risks

**17**

Total Red Risks

Residual Score

**4**

Total Green Risks

**14**

Total Yellow Risks

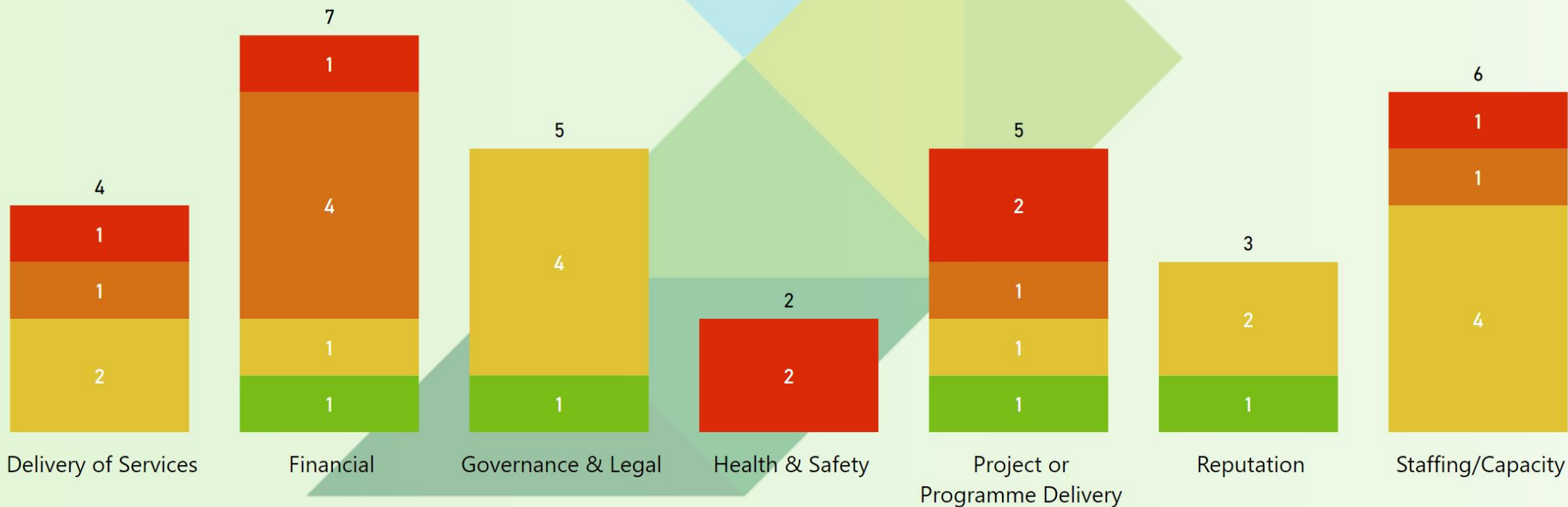
**7**

Total Orange Risks

**7**

Total Red Risks

Page 182



# Strategic & Corporate - Risk Movements



RiskLevel	Title	Category	RiskTitle	Owner	March	June	September
(1) Strategic	HAS-01	Health & Safety	Failures in Statutory compliance and practice - Health & Safety	Nicola Hix	23	23	23
	PAP-01	Project or Programme Delivery	LGR programme creates tensions shifting priorities / tensions between BAU & LGR work	Jan Gamon	20	21	21
	PAP-02	Project or Programme Delivery	Capital costs are spiralling	Jan Gamon	20	21	21
	PEOPLE-01	Staffing/Capacity	Risk of a potential lack of organisational capacity to deliver key objectives.	Nicola Hix	15	15	15
	REP-01	Reputation	Risk that SSDC members lose engagement and focus on strategic priorities post election during unitary transition	Jane Portman	18	13	13
	GAL-01	Governance & Legal	Failure in Statutory compliance and practice - Information Governance	Jill Byron	15	14	14
	DOS-03	Delivery of Services	Ineffective or inadequate delivery to customers through SSDC partnerships	Kirsty Larkins	14	14	14
	DOS-01	Delivery of Services	COVID - Risk of SSDC not being prepared for Business continuity issues / Civil contingency enactment	Nicola Hix	14	13	13
	GAL-02	Governance & Legal	Failure in Statutory compliance and practice - Equalities	Jan Gamon	14	13	13
	FIN-06	Financial	Management of commercial Investments	Karen Watling	1	18	18
	FIN-07	Financial	Governance and decision making around use of public money	Karen Watling	8	8	8

RiskLevel	Title	Category	RiskTitle	Owner	March	June	September
(2) Corporate	DOS-02	Delivery of Services	Increasing numbers of public needing our services	Kirsty Larkins	25	25	25
	HAS-02	Health & Safety	Poor implementation or failure of new Health and Safety framework (systems and infrastructure)	Jess Power	23	23	23
	PAP-04	Project or Programme Delivery	Poor or partial planning and execution of strategic priority projects	Natalie Fortt	23	23	18
	FIN-03	Financial	Lower Business Rates Income than anticipated	Karen Watling	21	21	21
	PEOPLE-03	Staffing/Capacity	Inability to recruit to meet resourcing needs	Amanda Kotvics	21	21	21
	FIN-01	Financial	Rising costs of borrowing adding increased pressure on budgets	Karen Watling	20	20	20
	FIN-02	Financial	Increase in inflation risking cost overspends	Karen Watling	20	20	20
	DOS-04	Delivery of Services	Risk to the confidentiality, integrity or availability of information assets due to malicious activity or user error.	Toffer Beattie	19	19	19
	FIN-05	Financial	Further local or national pandemic restrictions impacting daily council business	Karen Watling	19	19	19
	PEOPLE-04	Staffing/Capacity	Staff morale & wellbeing affected by organisational pressures and unitary transition	Amanda Kotvics	21	21	15
	PEOPLE-05	Staffing/Capacity	SSDC staff have a lack of change readiness/resilience to the LGR transition period	Amanda Kotvics	20	20	14
	PEOPLE-02	Staffing/Capacity	Risk of failing to retain staff	Amanda Kotvics	14	14	20
	PEOPLE-06	Staffing/Capacity	Risk of deterioration in quality of work being delivered by staff	Amanda Kotvics	16	16	15
	GAL-05	Governance & Legal	Failure to deliver mandatory statutory functions (e.g. planning, licensing)	Kirsty Larkins	15	15	15
	PAP-05	Project or Programme Delivery	Loss of stakeholder support to projects	Natalie Fortt	14	14	14
	GAL-03	Governance & Legal	Risk of officer or member inducement, bribery or corruption	Jill Byron	13	13	13
	REP-03	Reputation	Risk of reputational damage if regeneration projects are not delivered or proposed changes are not well presented.	Natalie Fortt	13	13	13
	FIN-04	Financial	Financial system risks	Paul Matravers	12	12	12
	GAL-04	Governance & Legal	Failure to comply with corporate procedures	Jane Portman	9	9	9
	PAP-03	Project or Programme Delivery	Lack of organisational knowledge base on projects	Natalie Fortt	8	8	8
REP-02	Reputation	Risk of reputational harm to SSDC due to all ongoing issues	Richard Birch	1	9	9	



## Inherent Score

## Residual Score

LIKELIHOOD (A) Page 184	5 Certain >80% chance	0	0	0	6	5
	4 Probable 51 to 80% chance	0	0	2	5	2
	3 Possible 21 - 50% chance	0	0	3	4	4
	2 Unlikely 6 - 20% chance	0	0	0	1	0
	1 Remote 0-5% chance	0	0	0	0	0
		Minimal 1	Limited 2	Moderate 3	Significant 4	Catastrophic 5
IMPACT (B)						

LIKELIHOOD (A)	5 Certain >80% chance	0	0	0	4	1
	4 Probable 51 to 80% chance	0	0	4	3	0
	3 Possible 21 - 50% chance	0	2	4	2	2
	2 Unlikely 6 - 20% chance	0	2	5	2	0
	1 Remote 0-5% chance	0	0	0	1	0
		Minimal 1	Limited 2	Moderate 3	Significant 4	Catastrophic 5
IMPACT (B)						

32

Total Risks



Title	Risk Title	Risk Owner	RiskLevel	Category	Score
DOS-02	Increasing numbers of public needing our services	Kirsty Larkins	(2) Corporate	Delivery of Services	25
HAS-01	Failures in Statutory compliance and practice - Health & Safety	Nicola Hix	(1) Strategic	Health & Safety	23
HAS-02	Poor implementation or failure of new Health and Safety framework (systems and infrastructure)	Jess Power	(2) Corporate	Health & Safety	23
FIN-03	Lower Business Rates Income than anticipated	Karen Watling	(2) Corporate	Financial	21
PAP-01	LGR programe creates tensions shifting priorities / tensions between BAU & LGR work	Jan Gamon	(1) Strategic	Project or Programme Delivery	21
PAP-02	Capital costs are spiralling	Jan Gamon	(1) Strategic	Project or Programme Delivery	21
PEOPLE-03	Inability to recruit to meet resourcing needs	Amanda Kotvics	(2) Corporate	Staffing/Capacity	21
FIN-01	Rising costs of borrowing adding increased pressure on budgets	Karen Watling	(2) Corporate	Financial	20
FIN-02	Increase in inflation risking cost overspends	Karen Watling	(2) Corporate	Financial	20
PEOPLE-02	Risk of failing to retain staff	Amanda Kotvics	(2) Corporate	Staffing/Capacity	20
DOS-04	Risk to the confidentiality, integrity or availability of information assets due to malicious activity or user error.	Toffer Beattie	(2) Corporate	Delivery of Services	19
FIN-05	Further local or national pandemic restrictions impacting daily council business	Karen Watling	(2) Corporate	Financial	19
FIN-06	Management of commercial Investments	Karen Watling	(1) Strategic	Financial	18
PAP-04	Poor or partial planning and execution of strategic priority projects	Natalie Fortt	(2) Corporate	Project or Programme Delivery	18
GAL-05	Failure to deliver mandatory statutory functions (e.g. planning, licensing)	Kirsty Larkins	(2) Corporate	Governance & Legal	15
PEOPLE-01	Risk of a potential lack of organisational capacity to deliver key objectives.	Nicola Hix	(1) Strategic	Staffing/Capacity	15
PEOPLE-04	Staff morale & wellbeing affected by organisational pressures and unitary transition	Amanda Kotvics	(2) Corporate	Staffing/Capacity	15
PEOPLE-06	Risk of deterioration in quality of work being delivered by staff	Amanda Kotvics	(2) Corporate	Staffing/Capacity	15

Title	Risk Title	Risk Owner	RiskLevel	Category	Score
DOS-03	Ineffective or inadequate delivery to customers through SSDC partnerships	Kirsty Larkins	(1) Strategic	Delivery of Services	14
GAL-01	Failure in Statutory compliance and practice - Information Governance	Jill Byron	(1) Strategic	Governance & Legal	14
PAP-05	Loss of stakeholder support to projects	Natalie Fortt	(2) Corporate	Project or Programme Delivery	14
PEOPLE-05	SSDC staff have a lack of change readiness/resilience to the LGR transition period	Amanda Kotvics	(2) Corporate	Staffing/Capacity	14
DOS-01	COVID - Risk of SSDC not being prepared for Business continuity issues / Civil contingency enactment	Nicola Hix	(1) Strategic	Delivery of Services	13
GAL-02	Failure in Statutory compliance and practice - Equalities	Jan Gamon	(1) Strategic	Governance & Legal	13
GAL-03	Risk of officer or member inducement, bribery or corruption	Jill Byron	(2) Corporate	Governance & Legal	13
REP-01	Risk that SSDC members lose engagement and focus on strategic priorities post election during unitary transition	Jane Portman	(1) Strategic	Reputation	13
REP-03	Risk of reputational damage if regeneration projects are not delivered or proposed changes are not well presented.	Natalie Fortt	(2) Corporate	Reputation	13
FIN-04	Financial system risks	Paul Matravers	(2) Corporate	Financial	12
GAL-04	Failure to comply with corporate procedures	Jane Portman	(2) Corporate	Governance & Legal	9
REP-02	Risk of reputational harm to SSDC due to all ongoing issues	Richard Birch	(2) Corporate	Reputation	9
FIN-07	Governance and decision making around use of public money	Karen Watling	(1) Strategic	Financial	8
PAP-03	Lack of organisational knowledge base on projects	Natalie Fortt	(2) Corporate	Project or Programme Delivery	8



RiskTitle	RiskLevel	Category	Risk Owner	Cause	Effect	I-Score	Controls(MitigatingActions)	R-Score
Increasing numbers of public needing our services	(2) Corporate	Delivery of Services	Kirsty Larkins	Cause: - COVID has increased stresses for low-income / families in poverty - Significant community impacts from COVID on the most vulnerable	Effect: - Increased demands on services - Increased service costs - shortfall in revenues - Increase in staffing requirements across all service areas	25	Monitoring of demand through connect contacts and through partners Implementation of business grants in a timely manner as well as self isolation	25

**Risk Description: Including**

- Risk title including cause and effects of the risk.
- Risk level which indicates at what level the risk is being managed (SLT, LMT or within a specific project),
- Category of risk, which allows groupings of risks by theme (Staffing, financial, etc)

**Risk Scoring and Controls:**

- Inherent Risk – the risk score before any controls are applied
- Controls (mitigating actions) – existing measures which should reduce the likelihood of the risk occurring or the impact should the risk occur
- Residual risk – the risk score after the controls are considered

Key Risk	Item	Action	Response	Status	Due Date
DOS-02	1	Improve SLA's with partners	New 2022/23 Service Level Agreements issued to Spark Somerst, CASS and Yeovil4Family. Yeovil4Family providing quarterly data and CASS and Spark providing 6 monthly monitoring reports.	Complete	30/06/2022
DOS-02	2	Review and improve	Work with the highest demand areas within service delivery. Connect, and have improvements plan in place and reviews are ongoing. We continue to use of more automation through technology for Revenues as well as plan in place to ensure resources are put on the areas of focus needed to meet deliverables this financial year. Alternative solutions are also being sought looking at the outsourcing options for both Revenues and Benefits	On-going	31/10/2022
DOS-02	3	Commissioning of specialist services to compliment existing teams	Commissioning specialist services to reduce homelessness and rough sleeping. Funding identified and Service Level Agreements being signed for 1-3 years to ensure services are delivered to meet needs.	On-going	31/05/2022
DOS-02	4	Outsource discreet packages of work to address the difficulties in recruiting additional staff	Work is underway, and some outsourcing has started	On-going	30/12/2022
DOS-02	5	Review staff resources across the Court front line services		On-going	30/10/2022

Page 187

**Risk Action Plan:**

- Further actions identified with the intention to further reduce the residual risk score. Will become controls when fully embedded and effective

# Guide to reading the risk page



RiskTitle	RiskLevel	Category	Risk Owner	Cause	Effect	I-Score	Controls(MitigatingActions)	R-Score
Increasing numbers of public needing our services	(2) Corporate	Delivery of Services	Kirsty Larkins	Cause: - COVID has increased stresses for low-income / families in poverty - Significant community impacts from COVID on the most vulnerable -Cost of Living Crisis is now impacting a larger number of households, due to increases in energy costs and food - increasing numbers of residents experiencing homelessness, food poverty, domestic violence, redundancy...	Effect: - Increased demands on services - Increased service costs - shortfall in revenues - Increase in staffing requirements across all service areas	25	Monitoring of demand through connect contacts and through partners Implementation of business grants in a timely manner as well as self isolation grants Working closely with partner to utilise resources Additional staffing resources started a phase recovery of debt in revenues realignment of budget to support critical areas	25

Key Risk	Item	Action	Response	Status	Due Date
DOS-02	1	Improve SLA's with partners	New 2022/23 Service Level Agreements issued to Spark Somerst, CASS and Yeovil4Family. Yeovil4Family providing quarterly data and CASS and Spark providing 6 monthly monitoring reports.	Complete	30/06/2022
DOS-02	2	Review and challenge of existing service and oppurtunities for improvement	Ongoing work with the highest demand areas within service delivery. Connect, and Planning have improvements plan in place and reviews are ongoing. We continue to explore the use of more automation through technology for Revenues as well as improvement plan in place to ensure resources are put on the areas of focus needed to ensure we meet deliverables this financial year. Alternative solutions are also being seeked through looking at the outsourcing options for both Revenues and Benefits	On-going	31/10/2022
DOS-02	3	Commissiioning of specialist services to compliment existing teams	Commissioning specialist services to reduce homelessness and rough sleeping. Funding identified and Service Level Agreemnts being signed for 1-3 years to ensure services are delivered to meet needs.	On-going	31/05/2022
DOS-02	4	Outsource discreet packages of work to address the difficulties in recruiting additional staff	Work is underway, and some outsourcing has started	On-going	30/12/2022
DOS-02	5	Review staff resources across the Council and if appropriate redeploy to front line services	Approach to be discussed at SLT 7/9/2022	On-going	30/10/2022



RiskTitle	RiskLevel	Category	Risk Owner	Cause	Effect	I-Score	Controls(MitigatingActions)	R-Score
Failures in Statutory compliance and practice - Health & Safety	(1) Strategic	Health & Safety	Nicola Hix	Lack of up to date Policy and compliance documents in high risk areas eg Lufton Single point of failure eg O license holder Newly adopted Health & Safety policy not yet embedded Individual service health & safety polices (chapter 4) to be completed or updated Newly adopted Fire Safety and First aid provision not yet embedded Statutory LMS training not yet completed Service training matrix in need of development	Higher level of accidents and incidents Financial exposure (insurance claims) inability to deliver services through non compliance eg fleet and O license Lack of staff awareness and an increased risk to staff due to lack of training Potential unsafe working practices due to lack of policy development	24	Health and safety training now mandatory for all employees, plus relevant training for LMT & Director level. Improved access for staff to regulatory and bespoke H&S training needs including First Aid Quarterly H&S report to SLT and 6 monthly to Audit committee. Health and Safety working group and Strategy groups well attended and operational Ongoing review of policy documents and risk assessments Newly appointed fleet manager, and improvements to fleet management controls. Appointed H&S named person for the council.	23

Page 189

Key Risk	Item	Action	Response	Status	Due Date
HAS-01	1	Completion and continuous review of the Health & Safety action plan.	Work is ongoing, will review status as part of annual external audit	On-going	31/03/2023
HAS-01	2	New fire and first aid systems and controls to be embedded by property services.		On-going	31/03/2023
HAS-01	3	H&S training Rollout: IOSH training for all Managers and Directors. H&S standards within the mandatory employee training programme. Corporate Manslaughter Training for SLT.	LMT and Line Managers were asked to identify training needs. H & S training has been identified in specific services. All of LMT and SLT have been provided with details to complete the appropriate IOSH course. Target completion is by 31st December 2022 for this. The corporate manslaughter training option was found as a Learning management course but it was not deemed suitable so further investigations are ongoing for this.	On-going	31/12/2022
HAS-01	4	Health & Safety policies – chapter 4 being developed across services	Work underway by service managers, coordinated by Jess Power. Expected completion by Q3 2022/23  26.08.22 - Work on Chapter 4's took longer than anticipated, however we are now making good progress on this work.	On-going	31/10/2022
HAS-01	5	Alignment with County Council H&S and property work streams as part of the LGR programme	Work in progress to consolidate software platforms and approaches, to embed for vesting day but also to be implemented as part of Continuous improvement within the SSDC approach. B-Safe training taking place on Tuesday 30th August.	On-going	31/03/2023
HAS-02	7	Schedule in annual audit by external H&S auditors	Planned date of Audit: Q3/Q4 of 22/23	On-going	01/10/2022



RiskTitle	RiskLevel	Category	Risk Owner	Cause	Effect	I-Score	Controls(MitigatingActions)	R-Score
Poor implementation or failure of new Health and Safety framework (systems and infrastructure)	(2) Corporate	Health & Safety	Jess Power	This Health and Safety risk is about the (potential) limitations of the system/infrastructure of H&S management at the Council <ul style="list-style-type: none"> <li>• Failure to manage the health and safety risk of the Council's undertakings</li> <li>• Lack of Health and Safety training</li> <li>• Lack of awareness and understanding of duties and responsibilities</li> <li>• Lack of staff resources to carry out the required Health and Safety tasks</li> <li>• Failure of operational teams to adopt and implement the new Health and Safety framework</li> </ul>	<ul style="list-style-type: none"> <li>• Failure to protect the Public and Staff (Health and Safety)</li> <li>• Increase in the number of health and safety incidents/accidents and near misses</li> <li>• Inability to carry out roles safely and effectively</li> <li>• Potential Impact of Death or injury</li> <li>• Damage to reputation</li> <li>• Key Health and Safety work is delayed or missed</li> <li>• Litigation or prosecutions</li> <li>• Financial claims and increasing insurance premiums</li> </ul>	24	<ul style="list-style-type: none"> <li>• Mandatory Health and Safety Training for all staff (on Learning Management System) Introduction to H&amp;S course with annual refresh</li> <li>• Mandatory specific training for staff based on role (H&amp;S training for Managers course with annual refresh plus various courses in the H &amp; S courses matrix - as recommended by H&amp;S Groups with guidance from H&amp;S Competent Person) Environmental Services have recently undergone specific training.</li> <li>• 12 weekly Working Group and 6 weekly Steering Group with specific meetings to discuss the H&amp;S Work programme as well.</li> <li>• Corporate H&amp;S policy reviewed (annually in November) and updated as required (by Lead Specialist Strategic Planning in agreement with the Director for Strategy and Support and Leader of Council)</li> <li>• Regular H&amp;S management reports to SLT (at least quarterly through the Lead Specialist Strategic Planning)</li> <li>• Annual H&amp;S report to Audit Committee in May (through the Lead Specialist Strategic Planning)</li> <li>• The H &amp; S Steering Group commissions an annual audit and we receive an independent review of the H &amp; S framework.</li> <li>• The Steering Group agrees the H &amp; S Key Performance Indicators for use for the following year.</li> </ul>	23





Key Risk	Item	Action	Response	Status	Due Date
HAS-02	1	Health and Safety is a standing item on management and staff team meetings (The Lead Specialist Strategic Planning will include this as a recommendation to SLT and roll out accordingly across LMT/PMF)	The Lead Specialist Strategic Planning raised this with the Lead Specialist People and Organisational Development as an agenda item. This was also raised during Working and Steering Group meetings. LSSP to ensure this is being followed through additional communications.	On-going	31/03/2023
HAS-02	2	Health and Safety is a key feature of personal development plans and reviews (The Lead Specialist Strategic Planning will work with the Lead Specialist People to include this in the templates going forward).	Lead Specialist People has updated the return to work form to include questions about driving following sickness etc. The SCC Appraisal form is being considered as an option at SSDC, which includes DSE assessments etc.	On-going	31/12/2022
HAS-02	3	Risk assessments and safe systems of work are easily accessible by all (The Lead Specialist Strategic Planning will ensure this work is carried out by September 2022)	26.08.22 This work was delayed due to the move away from SSDC systems and over to B-Safe for SCC. The revised due date allows for the risk assessments to be updated and transferred.	On-going	31/12/2022
HAS-02	4	H&S is adequately resourced (The Lead Specialist Strategic Planning will carry out an audit of the Health and Safety workload within Strategy and ensure the Council has sufficient resources to do this work or make a recommendation for further resources or assistance)	The Lead Specialist is working with the People Manager to recruit a case officer agency temp role to assist in this H and S space. The Competent Person is continuing to advise on the H & S aspects of the Council.	On-going	31/10/2022
HAS-02	4	Health & Safety policies – chapter 4 being developed across services	Work underway by service managers, coordinated by Jess Power. Expected completion by Q3 2022/23  26.08.22 - Work on Chapter 4's took longer than anticipated, however we are now making good progress on this work.	On-going	31/10/2022
HAS-01	5	Alignment with County Council H&S and property work streams as part of the LGR programme	Work in progress to consolidate software platforms and approaches, to embed for vesting day but also to be implemented as part of Continuous improvement within the SSDC approach. B-Safe training taking place on Tuesday 30th August.	On-going	31/03/2023
HAS-02	5	H& S Collaboration with District and County colleagues as part of the H&S LGR Workstream (The Lead Specialist Strategic Planning and Strategic Planning Specialist represent SSDC on the LGR H&S Group)	Ongoing work. Contacts and network is established.	On-going	31/03/2023
HAS-02	6	Schedule to review the H&S procedures reviewed regularly by the H&S Steering Group and H & S Working Group (at least annually)	Work on H & S policies has commenced and the Specialist Strategic Planning is working on reviewing and refreshing policies. Aim is to provide up to date H & S policies in support of the SSDC overarching policy by end of December 2022 to ensure we have this work completed before Unitary.	On-going	31/12/2022
HAS-02	7	Schedule in annual audit by external H&S auditors	Planned date of Audit: Q3/Q4 of 22/23	On-going	01/10/2022



RiskTitle	RiskLevel	Category	Risk Owner	Cause	Effect	I-Score	Controls(MitigatingActions)	R-Score
Lower Business Rates Income than anticipated	(2) Corporate	Financial	Karen Watling	Cause: - Funding from business rates is based on the accurate calculation of the NNDR1 form. - There is volatility in the estimates due to various factors, such as anticipated discretionary and mandatory reliefs, growth in the rateable value, bad debts, and volume of appeals. - All of these factors can affect the surplus or deficit position on the collection fund	Effect: - Potentially more use of reserves than anticipated - Organisational effort in collecting debts	25	- Collection Fund estimates have been produced using recommended guidance from CIPFA (Chartered Institute of Public Finance & Accountancy) - Review of the figures has been undertaken by LG Futures, an external consultancy firm - Significant bad debt provision is held in the collection fund	21

Key Risk	Item	Action	Response	Status	Due Date
FIN-05	1	Revenue bid made for interim staff to start to write off old debts, allowing existing staff to chase newer debt		Not Started	30/12/2022





RiskTitle	RiskLevel	Category	Risk Owner	Cause	Effect	I-Score	Controls(MitigatingActions)	R-Score
LGR programe creates tensions shifting priorities / tensions between BAU & LGR work	(1) Strategic	Project or Programme Delivery	Jan Gamon	Transition between currrent arrangements and new unitary.  LGR Discovery work highlights areas of existing weakness/gaps that need immediate attention	Officers are put under undue pressure to meet competing priorities, with attendant increase in recorded absence  Officers seek employment outside of SSDC, with further negative impact on available resource	21	People managers closely monitor wellbeing and volumes of work in their team. LMT raises issues directly with SLT, with suggestions for remediation. SLT raises conflicting priorities with elected members to determine choice. Process now developed to identify work in addition to existing LGR and BAU effort, which is required to support transition to the new authority.	21

Key Risk	Item	Action	Response	Status	Due Date
PAP-01	1	Risk is accepted rather than treated and response will depend upon outcome		Complete	01/04/2022



RiskTitle	RiskLevel	Category	Risk Owner	Cause	Effect	I-Score	Controls(MitigatingActions)	R-Score
Capital costs are spiralling	(1) Strategic	Project or Programme Delivery	Jan Gamon	COVID - Inability to procure construction contractors (company failures) - Lack of availability of materials as a result of suspension of manufacture and competition - Potential restrictions being reintroduced which impact BAU on facilities/construction sites INFLATION Inflation has now reached c.9% generally and c.15% in construction industry	Increased cost of materials Delays in delivery of materials, which in turn leads to increased cost Increased cost of supply, due to demand-led environment	25	Project budgets are developed, as far as possible, to take account of increased costs and greater contingency included Project timelines recognise potential for delays in contractors starting on site, longer time spent on site and increase time permitted to respond to tenders is also necessary	21

Page 19/4

Key Risk	Item	Action	Response	Status	Due Date
PAP-02	1	Extension of time for submission of tenders, as suppliers are swamped by opportunity currently In terms of impact on cost, council agreed to establish a capital contingency to allow some flexibility to approved budget financing		Complete	01/04/2022



RiskTitle	RiskLevel	Category	Risk Owner	Cause	Effect	I-Score	Controls(MitigatingActions)	R-Score
Inability to recruit to meet resourcing needs	(2) Corporate	Staffing/ Capacity	Amanda Kotvics	Market Challenges (Payrates) LGR - uncertainty Current fixed term strategy Reputation in some professional / technical area Shortages and demographiic shift in come professional fields (planning, ) South Somerset is not geographically well placed to recruit.	Impact on BAU delivery Stresses on existing workload to backfill gaps Customer and stakeholder impacts Turnover, sickness and retention challenges Reliance on temporary staff	25	- Working across districts and sharing resources through LGR Recruitment Protocols on mutual aid, secondments, collaboration. - Strong LGR programme management and reporting to allow identification and resolution of potential staffing issues (i.e., statutory roles, difficulties to recruit and potential collaborative solutions/support) - New recruitment process to accelerate recruitment needs - Existing agency arrangements reviewed and monitored up to vesting day - Review of all Fixed term, contractor and agency staff to identify pinch points with SLT	21

Page 195

Key Risk	Item	Action	Response	Status	Due Date
PEOPLE-01	2	Explore options for Joint staffing and resourcing of key roles across partner authorities.	Draft recruitment Protocol being launched w/c 4/5/22, which includes mutual aid (sharing resources) before any recruitment activity takes place. As an organisation we are starting to create SLAs with SCC to share resources.	Complete	30/04/2022
PEOPLE-01	9	Data gathering to understand agency arrangements for SSDC (Spend, Partners, Stakeholders)	Spend Analysis and data gathering concluded and shared internally and with SCC. Contracting arrangements are under review in conjunction with SCC who are leading on a procurement exercise for a new agency supplier for SSDC/SCC and the new authority. Should be concluded by end 2022.	Complete	30/11/2022
PEOPLE-01	10	Develop an agency strategy to supplement SSDC capacity	Interim approach being led by the People Team (not procurement) untill new arrangement procured by SCC. New interim approach implemented. New agency agreements should be reviewed by legal before being entered into by individual people managers.	Complete	01/08/2022
PEOPLE-03	1	Improved external communication and marketing of SSDC and Somerset Council in recruitment advertising.	Use of LGR portal to communicate opportunities	Complete	11/03/2022
PEOPLE-03	2	Seek clarity on LGR recruitment policy and guidance to understand whether SSDC have discretion on fixed term versus FT appointments, and communicate these principles to PMF and LMT (Avoid Ad-hoc decisions)	New Recruitment Protocol being launched w/c 4/5/22, which all 5 councils have agreed to. Currently all posts, except SLT, can be recruited to permanently. This will change as vesting day approaches. The Protocol will be shared with SLT/LMT as soon as it is launched. PMF/SLT have seen a draft version.	Complete	31/03/2022
PEOPLE-03	3	Conduct a market rates analysis for hard to recruit areas	Analysis completed and job evaluations completed.	Complete	30/05/2022



## **Audit Committee Forward Plan**

SLT Lead: Karen Watling, Chief Finance Officer  
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.

## **Recommendations**

Members are asked to note and comment upon 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
<b>22<sup>nd</sup> September 2022</b>	2021/22 unaudited Statement of Accounts	Chief Finance Officer and Lead Specialist – Finance (Deputy S151 Officer)
	2021/22 Draft Annual Governance Statement	Chief Executive, Monitoring Officer, and Chief Finance Officer
	Informing the Audit Risk Assessment for the 2021/22 external audit	Chief Finance Officer, Monitoring Officer and Chief Executive
	2022/23 Q2: Internal Audit Progress Report	Alistair Woodland, Assistant Director (SWAP)
	Risk Management Update Q2 2022/23	Lead Specialist, PPC
	Report on SSSDC Opium Ltd - governance and financial position	Chief Finance Officer, Monitoring Officer
<b>24<sup>th</sup> November 2022</b>	2022/23 Treasury Management mid-year treasury performance and strategy update	Lead Specialist Finance (Deputy S151 Officer)
	2020/21 Housing Benefits Certificate of Claims Report	Lead Specialist Finance (Deputy S151 Officer)
	<i>As requested and to be confirmed:</i> Audit Committee training on Treasury Management	Chief Finance Officer and Lead Specialist – Finance (Deputy S151 Officer)
<b>26<sup>th</sup> January 2023</b>	2021/22 External Audit Findings Report	Barrie Morris, Director, and Beth Garner, Manager (Grant Thornton)
	2021/22 External Auditors' Annual Report (to go to full Council)	Barrie Morris, Director, and Beth Garner, Manager (Grant Thornton)
	Approval of 2021/22 audited Statement of Accounts	Chief Finance Officer and Lead Specialist – Finance (Deputy S151 Officer)
	Approval of 2021/22 Annual Governance Statement	Chief Executive, Monitoring Officer and Chief Finance Officer
	2021/22 Housing Benefits Certificate of Claims Report ( <i>tbc</i> )	Lead Specialist Finance (Deputy S151 Officer)



	2022/23 Q3: Internal Audit Progress Report	Alistair Woodland, Assistant Director (SWAP)
	Risk Management Update Q3 2022/23	Lead Specialist, PPC
	Update on Improving Environmental Services and Corporate Governance	Chief Executive, Director Strategy Support and Environmental Services
<b>23rd March 2023</b>	2022/23 Annual Health & Safety Update	Lead Specialist – Strategic Planning
	2022/23 Annual Civil Contingencies	Lead Specialist – Strategic Planning
	2022/23 Annual Whistleblowing Update	Monitoring Officer
	2022/23 Internal Audit Outturn Report	Alistair Woodland, Assistant Director (SWAP)
	2022/23 Q4 Risk Management Update	Lead Specialist, PPC
	2022/23 Internal Audit Annual Opinion Report	Alistair Woodland, Assistant Director (SWAP)
	2022/23 Draft Annual Governance Statement Note: expect supplementary change order provisions will require the dissolving councils to prepare and approve their final Annual Governance Statement by 31 March 2023	Chief Executive, Monitoring Officer and Chief Finance Officer
<b>TBC</b>	<i>2020/21 External Audit Findings Report</i>	<i>Barrie Morris, Director, and Beth Garner, Manager (Grant Thornton)</i>
	<i>Approval of 2020/21 audited Statement of Accounts</i>	<i>Chief Finance Officer and Lead Specialist – Finance (Deputy S151 Officer)</i>
	<i>Approval of 2020/21 Annual Governance Statement</i>	<i>Chief Executive and Monitoring Officer</i>



**South Somerset**

**District Council**

**SSDC Opium Power Limited – Update Report**

Executive Portfolio Holder: Peter Seib, Finance and Legal Services  
John Clarke, Economic Development & Commercial Strategy

SLT Lead: Karen Watling, Chief Finance Officer (S151)  
Jill Byron – District Solicitor and Monitoring Officer

Lead Officer: Karen Watling, Chief Finance Officer (S151)

Contact Details: Karen.Watling@southsomerset.gov.uk or 07521 460232

## Purpose of the Report

1. At the Audit Committee meeting on 26 May 2022, several questions were raised by Members regarding SSDC Opium Power Limited (SSDC OPL). In addition to the answers provided by Officers, the Council's Chief Executive Officer agreed to provide a specific report on SSDC OPL to address any queries and questions and to update Members on the latest financial position of the company.
2. The purpose of this report is to provide an update on SSDC OPL. This report is an Officer led report, however Directors from SSDC OPL have been invited to attend this meeting to answer any questions Members may have on the on the performance and direction of the business as a going concern.
3. This report is a financial update on SSDC OPL and is not a forensic accounting investigation. The report focuses on the implications for the Council's own budget arising from the investment made in these companies. There is a separate report in progress from South West Audit Partnership (SWAP) who are carrying out a specific Internal Audit of SSDC OPL.
4. In view of the amount of public interest SSDC OPL has attracted over the years, where possible, this report is in the public domain. It is however important to recognise that elements of this report are commercially sensitive and could, if made public, have a detrimental effect on SSDC OPL's business and consequently on public finances.

## Recommendations

5. The Audit Committee are asked to note the contents of this financial update paper.

## Summary

- As part of the 2018 approved commercial strategy SSDC has made a significant investment to SSDC Opium Power Ltd and its two subsidiary companies.
- The investment totals £42.2m and comprises lending at commercial rates of interest to the companies so that new Battery Energy Storage Sites could be established and, once operational, trade to achieve a profit.



## South Somerset District Council

- The council benefits financially by receiving interest income over and above the amount it itself needs to borrow in order to lend to the company.
- It will also receive a share in the profits generated via an annual dividend payment.
- The confidential annex to this report shows in detail the loan repayment periods and interest rate charges agreed and how much of the loan has been repaid along with the schedules for future repayments. The loans are secured on the assets of the companies.
- Whilst the companies have not been profitable up to the end of 2021/22, this is because they are turn-key investments requiring investment before they start to generate an income. The confidential annex to this report shows future forecast income projections for the companies. It is anticipated that (a) the loan will continue to be repaid to the council, along with the agreed interest charges, and (b) that SSDC will receive a dividend income this financial year (2022/23) and in future years.

### Commercial investments and the context for the Council

6. Like many Councils, South Somerset District Council (SSDC) has chosen to develop a range of commercial interests to generate additional income streams to reduce the burden on the local Council Taxpayer due to reductions in central government grant funding.
7. During the financial year 2017/18, SSDC reported a forecast revenue gap of £4.7m (source - Medium Term Financial Plan 2017-18) with the probability that this number would increase to over £10m in years to come. To help bridge the gap, a commercial strategy was developed by Officers to generate extra income. This was subsequently approved by the Council for the period 2017 to 2021.
8. The objective of the Commercial strategy was to deliver a minimum of £1.35m per annum of revenue receipts by 2021/22. A £75m block allocation of capital funding was approved to engage in commercial activity and asset management, which could include renewables, commercial or residential property investment, regeneration, or development. This investment allocation was increased from £75m to £150m as part of a 2019 commercial strategy review. The Council engaged specialist commercial staff to lead this work.
9. The development of commercial interests is wide-spread in local government and since the 1980s, many Councils have set up trading companies and commercial arms to generate revenue and improve service delivery. Various institutes have endorsed this approach. There has also been an expectation from Central Government for Councils to become more commercial and cutting-edge in their approach.





10. Council commercial investments have also gained traction due to historically low rates of finance with borrowing at 1-2% in recent years. However, and as the Committee will know, the revised Prudential Code, published in December 2021, considerably restricts councils undertaking new commercial investments.
11. In broad terms, there are two types of commercial investment that Councils tend to engage in, the first is often referred to as an “off the shelf” investment; which is an investment such as purchasing a commercial property with a tenant in place. This type of investment tends to deliver results immediately and will usually produce a steady level of income once a purchase is made. There are risks attached (as with all investments) but this type of investment tends to be self-contained and relatively easy to manage as long as a tenant remains in place.
12. The second type of commercial investment is often referred to as a “Turn-key” investment. An example would be an asset or business where something must be built or constructed, or a specific technology is involved. This type of investment often requires funding in advance before it delivers an income stream. It may also be subject to risks such as build delays or technical testing. However, once built, these investments often deliver a stronger level of income in the medium to longer term when the asset operates at full capacity.
13. It has been determined that all of the Council’s investments in SSDC OPL that are detailed in this report fall under the category of turn-key investments.

### **SSDC Opium Power Limited – the original commercial investment (Fideoak site)**

14. This section of the report explains the rationale for the original Fideoak site investment and why SSDC OPL as a company was formed. It also details how a second stage of development was added, plus two further battery storage sites with these set up as subsidiary companies to SSDC OPL.
15. In 2017/18 the Council was evaluating commercial opportunities and an opportunity arose with a local business called Opium Holdings Limited. The opportunity could lead to a future income stream for the Council and capital appreciation of the assets due to the technology that was involved.
16. The opportunity was a “turn-key” investment into the renewables energy market by developing a battery storage facility at a site called Fideoak Mill in Taunton Somerset. The storage facility would be built and linked to the national power grid with the ability to store and send back energy to the national grid at peak demand periods. The energy renewables market was (and still is) seeing incredible growth with the climate change agenda moving ahead strongly and a desire to move away from fossil fuels. The objectives of this investment also fell within SSDC’s green policy objective of becoming carbon neutral and relying on renewable clean energy wherever possible.

17. At this point in the report it is helpful to give a brief technical explanation of the purpose of battery storage in terms of how it interacts with the national power grid. In short, the business of the company is to sell stored energy to the National Grid and energy providers by setting up and managing a Battery Energy Storage System (BESS).
18. The table below explains the benefits of a BESS and its interaction with the national grid:

How a battery energy storage system (BESS) provides benefits to and from the national grid

<b>Benefit</b>	<b>Explanation</b>
Grid frequency balancing	The national grid has peaks and troughs in terms of power supply – the use of battery technology allows power to be drawn from the grid at off peak times and be re-supplied during peak periods as renewable energy – per megawatt unit
Capacity standby	Emergency losses of power can be resupplied or redirected to the grid per mega- watt from the battery storage system
Balanced mechanisms	To take excessive power from the grid when it is not being generated, e.g. a wind turbine is programmed to shut down if the grid is in full supply – battery storage can be used to draw off this excess supply if the turbine is kept in use
Wholesale trading	From a purely commercial point of view – power supply from the battery storage can be sold by an optimiser company to the grid on a wholesale basis and rates have increased markedly since 2019 with sharper increases expected in 2022 to 2029

19. The Fideoak investment was structured as follows; Opium Holdings Limited would bring to the Council a complete package comprising a conditional contract to acquire the land, the purchase of the plant and equipment (including a 25 mega-watt (MW) BESS. They would fully develop the project and manage the site with full energisation and connection to the national grid. SSDC would fund the entire investment and be a joint business partner.
20. SSDC OPL is a 50:50 joint venture using a limited company structure with Opium Power Limited. However, the Council has the right to veto or sanction any decision.
21. In terms of the financial benefits, once operational the investment was projected to provide an annual income stream to the Council via a dividend, based on the 50:50 shareholding. The Council would also benefit from loan interest gained by lending to the company at commercial rates. Under state aid rules the Council must lend at market rate to avoid anti-competitive behaviour. The Council can borrow at significantly less than current commercial rates due to its counter-party strength and unique position in the financial markets.
22. The funding required from SSDC is a commercial loan to the company of £9.84m secured by legal charges on the assets (the land, plant, and equipment)



to protect the Council's interest. There are in fact six legal charges registered with Companies House as active in favour of the Council for this investment.

23. As the Council was providing all the funding for this joint venture (and carrying the risk), it was agreed that any net profit declared for dividend, would be first used to redeem the loan from SSDC. Only when the loan was fully repaid (however many years this took) could a dividend be declared for shareholders. This factor added additional financial security to the Council alongside the six legal charges on the land and assets.
24. It was agreed that no director of the company would receive a salary from the company in the early years (and this is still the case). Opium Power Ltd, would however, receive a management fee to cover project management costs in the early stages of the build. The management fee would cease at an early point after the site became operational.
25. In April 2018, the Council's "Investment Asset Group" (IAG) met to consider the proposal. The IAG was a Board set up to consider and approve investments proposals of this nature, with final decisions being approved by the Chief Executive in consultation with the Leader of the Council. IAG approved this investment on 18 April 2018 with a recorded decision. The IAG evaluation report detailed the key aspects of the investment including risks and likely income streams. This paper was supplemented with a business case, draft development agreements, loan agreements as appropriate. A financial model was also produced with the first 10 years of income projection data supplied by Kiwi Power who were the expert energy optimiser at the time. SSDC OPL has since engaged Limejump Ltd (from 2020) as its new energy optimiser. Limejump are part of the Shell Oil's group.
26. In terms of risk, the IAG report noted that project delay could be a key factor given that the site development was complex, and connection was needed to the national grid.
27. It was agreed the joint venture company would be called SSDC OPL. In terms of deliverables, it was anticipated that the facility would be operational in quarter three of 2019 after allowing a year to acquire and develop the site. The site was in fact energised in November 2019 and generated its first sales income in April 2020 after a period of commissioning.

#### **Company formation SSDC Opium Limited**

28. SSDC OPL was incorporated at Companies House on 2 May 2018 with a written resolution adopting the articles of association being filed in May 2018. The company is owned 50% by South Somerset District Council and 50% by Opium Power Limited. Each owner holds ordinary 50 shares with a nominal value of £0.10 each.

As a limited company, SSDC OPL has a Board of Directors, who are appointed by the shareholders. The table below lists the current Directors. The Board is

chaired by a Council appointed director. The following link to Companies House also provides details of the company formation, charges, and titles.

[SSDC Opium Power Ltd - Companies House](#)

<b>Name</b>	<b>Title</b>	<b>Appointed</b>
P. Ashton	Company Director (Independent)	5 November 2019
J. Divall	Director	22 April 2021
J. Dobson	Company Director	2 May 2018
R. Orrett	Director	15 February 2022
D. Owen	Company Director	2 May 2018

### **SSDC OPL Phase 2 – rationale and approval**

29. The Fideoak site received planning permission during 2018/19 and commenced build of the 25 MW BESS. It received a Direct Network Operator licence (DNO) for a larger 30 mega-watt BESS. This was a positive outcome for the company but came with a condition that if the full 30 MW licence capacity was not utilised within 12 months of energisation, then the additional 5 MW capacity would be lost.
30. As this could lead to a lost income opportunity, a Phase 2 for the project was considered to add the 5 MW and take advantage of the economies of scale on offer by rolling phase 2 and phase 1 programmes together. This would save contractor costs and efficiently dovetail with phase 1. The Council would have to provide an additional £2.033m of loan funding for Phase 2 of the project.
31. A second Investment Asset Group report was prepared in July 2019 for Phase 2 approval. The report (as examined for this review) did point out that Phase 1 was delayed, and the introduction of Phase 2 could further push back the development programme and energisation of the entire BESS.
32. IAG also noted that the income projections for the BESS were still being provided externally by the expert aggregator Kiwi Power Ltd and that reliance had to be placed on this. It was noted in the report sheet that the Chief Executive would require Officers to take a stronger oversight of the project roll out to ensure that warranties, contracts, insurances were in place and monitored to SSDC's satisfaction. However, in overall terms, the benefits of extending the Phase 2 programme was seen as an advantage in terms of the investment income targets the Council had to meet.
33. IAG approved the Phase 2 development on 16 July 2019 and this was signed off by the former Chief Executive and Leader of the Council. The approval was supplemented with a business case, share agreements, loan agreements, development agreements and specified paperwork as required.
34. With Phase 2 of the Fideoak development approved, work continued to complete the BESS, however as highlighted in paragraph 31 above, there were already delays with Phase 1, one delay resulted in the need for additional



funding for the project, and the other delay necessitated an insurance claim for an outage spike. These delays are explained below.

35. The first delay was a rectification issue that required additional works. This was due to several factors, being the complexity of the build, contract and project management issues, and the complex technology. In order to resolve these issues and complete the work, a further element of funding was required at £1.284m, and a loan was approved by IAG (Chief Executive).
36. A second delay at the Fideoak site occurred in June 2019 when there was a local power outage. In short, there was an over-powering from the grid which caused a power spike damaging the local electricity sub-station switch gear, which also knocked out the electricity supply at a number of residential sites including a local hospital in Taunton. The power supply for residents was re-routed and the local hospital at Taunton was provided with emergency generators. In total, SSDC OPL faced a four-month delay before it could operate again with grid connection not possible. A successful insurance claim has since been made for the loss of revenue and this has recently been settled for circa £900,000+ which has now been paid to SSDC OPL.
37. Subject to the delays above, the site was finally energised in November 2019. The site is now fully operational and producing a strong revenue income stream. The battery storage system is operating in the Stability Services market (Dynamic Containment market). This is the highest earning market for Grid Scale Batteries. Due to the overall build time and delays in energisation, there has been a shortfall in initial income and need for rescheduling of the first loan repayment, although accrued interest has been charged for this.

#### **Fareham Energy Reserve Ltd – rationale, creation, and approval**

38. In early 2020 the Council discussed a further investment proposal with Opium Power Ltd to invest in another battery energy storage site which had potential for a 40 mega-watt storage facility.
39. The 3.66-acre site was located outside of the District at Tanners Lane in Fareham Hampshire. The proposal was based on a leasehold tenure of 25 years. In addition to the income potential, there was an existing private investor company (looking to sell) who had already secured the Grid Licence, planning consent for 40 MW BESS and land lease. By purchasing this as a going concern, the development phase would be simpler than at Fideoak. It would also give a lower cost grid base than rival developments in this new technology as the licence was attained at lower value. There was an exclusivity period to this offer to the Council which would end on the 10 July 2020.
40. The cost of the investment would be circa £18m. The potential financial benefits to the Council were detailed in an IAG report which showed a return (after build) as a dividend, plus a net return on interest on the commercial loan. This would again be a turn-key investment.



41. In terms of the company structure, the new Fareham site would be incorporated as a separate company called "Fareham Energy Reserve Ltd (FERL1) and this would be set up as a subsidiary company of SSDC OPL. The company would be purchased from the existing owners via a share purchase agreement. As part of the due diligence, it was noted that there was also an option to purchase another site at Fareham (from the same owner) which had gained approval and planning permission to develop the site with a 20MW battery storage system.
42. In terms of potential return to the Council, a revised arrangement for dividend distribution was negotiated with Opium Power Limited to reflect the additional risks the Council was taking and because the Council was still the sole fund provider.
43. On 20 May 2020, the IAG approved the Fareham investment after carefully considering a detailed business case, a 25-year finance cashflow model, the planning consent and grid licence. The IAG approval form was signed off by the former Chief Executive and Leader of the Council.
44. Fareham Energy Reserve Ltd (FERL1) was registered at Companies House on 10 July 2020 and effectively has the same Board membership as SSDC OPL.

#### **SSDC Opium Limited – Fareham Energy Reserve 2 Ltd – rationale and approval**

45. As highlighted in paragraph 41, there was an option in the initial Fareham proposal to purchase a second site at Tanners Lane Fareham (from the same original owners) with planning permission and the relevant grid licence to develop a 20 Megawatt battery storage facility. The lease term was again 25 years and the site were approximately 1.8 acres. Note that at this time, the development of the original BESS Fareham site was in build and due to be energised by March 2022.
46. Details of the Fareham 2 investment were very similar to the original Fareham acquisition but on a smaller scale as the BESS was 20MW. The cost of the investment would be £10.3m and the Council would again fund this via a loan to the company at a commercial rate.
47. On 11 February 2021, the Commercial and Income Generation Director put forward a further evaluation report to IAG with supporting papers including a business case, 25-year cashflow model and planning and other relevant documents. This investment would be further in favour of the Council as the dividend split would be 70:30 if the site was energised on time.
48. The IAG considered the risks of the scheme and in the report, it was acknowledged that due to the number of sizeable investments that the Council now had in BESS, a future strategy might be to sell on some of the portfolio to a third party. It is clear from the IAG papers that risk factors were considered. It was also acknowledged that these investments would place SSDC as one of the leading councils in the Country in this sector.



## South Somerset District Council

49. The IAG approved this investment on 16 February 2021 and the former Chief Executive and the Leader of the Council signed off the investment approval.
50. It was agreed that a further subsidiary company named “Fareham Energy Reserve 2 Ltd” (FERL2) would be established for this investment and FERL 2 was registered at Companies House on 14 May 2021 and a Board of Directors appointed. The Board has the same Directors as SSDC OPL as outlined in paragraph 24.
51. In summary, the three companies formed are separate entities and file all required documentation with Companies House individually. The information in respect SSDC Opium Power Ltd, FERL1 and FERL2 is held at Companies House and can be found via the links below.
- [SSDC Opium Power Ltd - Companies House](#)
  - [Fareham Energy Reserve Limited - Companies House](#)
  - [Fareham Energy Reserve Limited 2 - Companies House](#)
52. The Table below provides a quick reference summary of all the investments made by the Council with SSDC OPL and FERL1 and FERL2. The table details each site, the amount of loan provided, the date Council approved the investment and the date the site was energised.

**Table - Summary of Investments by site**

Site / Phase	BESS	Loan provided £m	Investment approved	Site energised	First Income delivered
Fideoak phase 1	25 MW	9.840	18/4/2018	November 2019	April 2020
Fideoak phase 2	5 MW	2.033	16/7/2019	November 2019	April 2020
Fideoak rectification		1.284	24/6/2019	November 2019	
Fareham 1	40MW	18.690	20/5/2020	March 2022	April 2022
Fareham 2	20MW	10.319	16/2/2021	July 2022	Aug 2022
<b>Total</b>	<b>90MW</b>	<b>42.165</b>			

### Financial Performance of the company

53. The confidential annex of this report provides a financial overview for each of the three companies (SSDC OPL, FERL1 and FERL2). The only information that can be given in this public report is already published information held at Companies House.
54. Since formation, all three companies have had their accounts prepared and audited by a local private sector accounting company called Old Mill Audit Limited (OMAL) who are based in Yeovil. OMAL also accounts for the day to day transactions of the company on their ledgers.
55. Naturally, OMAL provide regular cashflow and financial advice to the Board to help them with business direction. The Council does not manage the companies day to day finances or produce or audit the accounts - the only



exception to this is that the Council has to account for the companies' results in the year-end group accounts of the Council as it has joint ownership.

56. Since formation, OMAL have prepared the accounts for SSDC OPL for 2018/19 through to 2021/22 (4 years – but note 2020/21 & 2021/22 are draft). They have also prepared accounts for FERL1 from 2020/21 to 2021/22 (2 years) and for FERL2, (1 year) one year for 2021/22. The accounting process starts when the company starts to trade or has incurred costs and/or generated income.
57. The accounts can be found on the Companies House website with the links provided in paragraph 51. The accounts at Companies House tend to be micro versions and not the full accounts suite.
58. The accounting follows the requirements laid out in the various Companies Acts and accounting and audit standards. The format of the accounts follows the usual private sector, industry, and commerce practice of having a profit and loss account (P&L), a balance sheet and accompanying notes (or disclosures) to the accounts and annual report.
59. The results show losses for the first three financial years with the company moving into profit from year 2021/22. The reasons for the losses in 2018/19 to 2020/21 are due to the BESS build time and fact that no sales income was achieved until the site was energised. Although the Fideoak site was energised in November 2019, a period of commissioning followed, and the first income stream arrived in April 2020.
60. The confidential annex shows that the expectation is that given recent sales income and future estimates the company has now moved into a profit generating position.

### **Financial impact on the Council**

61. This section of the report provides an overview of the financial interactions between the Council and SSDC OPL and FERL1 and FERL2 and the impact of this investment on the Council's budget. Detailed financial information is given in the confidential annex to this report.
62. In terms of the loans, the report has already identified the loans made. The balance of the loans sits on the Council's own Balance Sheet and reduces annually as further scheduled repayments are made. The latest set of Council accounts for 2021/22 (draft) discloses a Long Term Debtors balance in Note 23 to the accounts: for SSDC OPL the loan balance is £37.7m for 2021/22. It needs to be noted that in terms of the lending made for FERL2 (£10.3m) loan repayments have been agreed to only start in April 2023.
63. In terms of dividends payable there are clear benefits for the Council as the joint venture investor. The figures given in the confidential annex show that the



Council expects to receive significant dividend income from this financial year 2022/23 onwards.

64. In terms of the Council's own budget arrangements, it can be reported that no dividend assumption has ever been built into the Council's Budget (for any year) for any of these companies. Furthermore, the current S151 Officer has made the same assumption for the current 2022/23 Budget. In hindsight this could be considered a prudent decision as all investments are turn-key, i.e. they have the potential to deliver gains only when built and established.
65. As such, any dividend payment to the Council now, or in future years will be a pure gain and contribute to the Council's General Fund (GF) balance or be used to fund other requirements.
66. In accordance with State Aid rules and competition law, the Council is required to lend at commercial market rates to these companies. The rates for the loans to the companies range from 4% to 7.5%. These rates were determined by market rates at the time and advice from respective treasury advisors.
67. As the Council can borrow at lower rates due to its unique position (and in accordance with its Treasury Management Strategy), a gain will be made on loan interest due to rate differential. The Council manages its annual cashflow position with a specific borrowing strategy which is agreed in consultation with its treasury adviser; Arlingclose Ltd. The Council's strategy is to short term borrow for most of its requirements to maximise the interest rates on offer from lenders.
68. Further analysis highlights the average rates of short term borrowing for the Council since 2018/19 through to the current year 2022/23 based on actuals.

**Short term borrowing rates (average)**

Year	Rate %
2018/19	0.83
2019/20	0.88
2020/21*	1.33
2021/22	0.77
2022/23	0.94

Note \* - short term borrowing rates spiked in 2020/21 due to Covid 19 and Councils retaining funds

69. The low short-term rates above, have proved to be beneficial for the Council. However, it must be recognised that interest rates are rising in the UK, now at 1.75% as recently set by the Bank of England's Monetary Policy Committee with further increases possible as due to rising inflation and other pressures.
70. Advice from the Councils Treasury Advisor; Arlingclose suggests a forecast rate peak of 2.75% by June 2023, with this tapering down to 1.75% in June 2025 onwards. This advice has been used to model the future interest rate differential projections for the Council shown in detail in the confidential annex.



## South Somerset District Council

71. The differential (or net income) the council forecasts to receive on interest charges received from the company over the loan periods is in the order of £9.8m.
72. A number of performance indicators have been calculated and shown in the confidential annex to show the forecast financial results for the council of these investments. The indicators compare dividend and interest rate returns to the original IAG forecasts for return. The forecast results are higher than originally anticipated.
73. These indicators provide a useful performance snapshot, but it must be stressed that they are indicative only, and a medium to longer term evaluation (based on actuals over time) is the most accurate way to assess full performance and investment return.

### Reporting to other Committees and internally at SSDC

74. The progress on the schemes which included an update (then) on site construction and from a finance perspective are reported to committees via a number of avenues, which are:
75. **Investment Assets Update** – The Commercial Property, Land and Development Manager provides a quarterly report to District Executive, part of which is an update on the Battery Energy Storage Schemes.
76. **Treasury Management Reports** - Two progress reports are provided to audit committee on the Councils' investments. A mid-year update and outturn report are provided. Both reports contain information on the value of loans made to the company which are classified as 'Non-Treasury Investments'.
77. In addition, the annual Treasury Management Strategy which falls within the terms of reference of Audit Committee, and is subsequently approved by Full Council, provides details on the value of 'other investments' made of which the loans to SSDC OPL are classified. The strategy statement details the balance owing and proposes the 'approved limit' for the forthcoming financial year for this type of investment.
78. **Capital and Revenue Budget Monitoring** – The quarterly budget monitoring reports to District Executive provide information on the spend and income in respect of the company. The capital programme includes the approved budget for the loans (as they are classified as capital loans) and will also include the total spend (amount loaned). In addition, the loan repayments received from the company are included as financing for the capital programme and therefore reduces the external borrowing requirement for the council.
79. **Annual Statement of Accounts** – The annual accounts include the financial performance of the company as part of the Council's group accounts. The

accounts incorporate the position of the company and the council's share of the profit or loss for the year and the share of the assets and liabilities.

80. In addition, the auditing of the company accounts and the SSDC accounts, which incorporate the position of the company and are audited by Grant Thornton, provides certainty around the reported performance of the company.

### Investment approval decisions - governance

81. As detailed in the early sections of this report, all the investment decisions made by the Council (for SSDC OPL, FERL1 & FERL2) were considered and approved by the Council's IAG. All IAG approvals were approved with supporting business cases, cashflow models and planning papers. The FERL1 and FERL 2 investments were approved rapidly as the sites were subject to an exclusivity arrangement, open to the Council and its joint venture partner Opium Power Ltd.
82. All of the IAG decisions are summarised below with the dates approved. All loans made below are subject to loan agreements and legal charges as prepared by the Council's legal team.

Site / Phase	Loan provided £m	Investment approved
Fideoak phase 1	9.840	18/4/2018
Fideoak phase 2	2.033	16/7/2019
Fideoak rectification	1.284	24/6/2019
Fareham 1	18.690	20/5/2020
Fareham 2	10.319	16/2/2021
<b>Total</b>	<b>42.165</b>	

### Financial risks

83. All investments by their nature introduce a layer of risk to the council, these factors are considered below:
- **Loan Repayments** – The capital loans made to the company are being repaid in full and are on track with a loan repayment schedule which details the payment date and the principal and interest payment due. The main risk is a future loan default and the subsequent impact on both the Council's revenue budget and external borrowing requirement. The Council has a provision for bad debts, but this would not cover a continued loss of this size.
  - **Legal charge over assets** – It should be noted that the Council has a charge over the company's assets and land at Fideoak site. If the company fails then the value of the assets would have to be considered in terms of the cessation arrangements and liquidation.
  - **Selling as a going concern** – the Council could possibly sell its shares of the investment to a new buyer. This would depend on market circumstances,



valuations, legal and financial considerations, and a prospective buyer's ability to repay capital to the Council to redeem the loans, and goodwill (increased value).

- **Interest payments** – interest gain on the loans is factored into the Council's Treasury Management income strategy – any loss of interest would add a similar burden on the revenue budget and general fund.
- **Interest rate risk** – the Council has lent to the companies based on a fixed rate of interest for each loan at a commercial rate. However, in accordance with its Treasury Management Strategy and advice from Arlingclose, the Council has short term borrowed to fund these loans. There is a risk of Bank of England base rate rises in the current economic climate although this risk has been factored into the calculations of interest gain shown in the confidential annex to this report. The Council has an earmarked reserve to cover interest rate risk.
- **Divided Payments** – Each of the companies has a different equity ratio for the Council's share. Based on the forecasts shown in the confidential annex to this report, dividends should be payable this and in future years and be available for distribution.
- As these are turn-key investments, the Council's S151 Officers (past and present) have prudently made zero level assumptions for dividend payment in the Council's Budgets. Any dividend received in future (subject to SSDC OPL repaying debt first) would be therefore represent additional income for the Budget.
- **Lower levels of Sales income** – as with any business, the sales income generated by their product in future years is crucial to cover costs and ultimately make a profit. The risk here is that BESS is a new technology and generation of revenue is dependent upon factors such as legislation around renewable energy and energy policy. That said, the demand for energy on the national grid and BESS sales at the current time for this product is increasing exponentially due to economic and world events.
- **Company closure / failure** – The closure of the company would not only have financial but reputational damage to the council. As mentioned above, the capital loan value remaining, would potentially be covered by the charge over the assets. Many other factors would need to be considered in terms of options depending on the reason for closure. This would be a position of last resort.

## Financial Implications

84. There are no direct financial implications related to this report, but it will be shared as part of the on-going collaborative work in preparation for vesting day on 1 April 2023.



85. There are no direct legal implications related to this report.

### **Council Plan Implications**

86. This report is consistent with the Council Plan 2020-24.

### **Carbon Emissions and Climate Change Implications**

87. As has been explained above, in addition to income generation, this innovative investment by the Council also supports our Environment Strategy by providing facilities to capture surplus energy generated from renewable resources for storage and release when needed.

### **Equality and Diversity Implications**

88. There are no direct implications within this report.

### **Privacy Impact Assessment**

89. There are direct implications as the annex to this report contains commercially sensitive data.

### **Background Papers**

- Council Plan 2020-24 and Annual Action Plan 2020/21.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted