



**North Somerset Council  
Financial Report  
2021/2022**

# Accessibility and Contents

## Accessibility

Please note this document is not yet fully accessible to document reader software.

This is in order to meet the tight timescales for the preparation of the draft accounts, review by members, and by the Council's external Auditors. The Financial Report will be re-formatted and published in an accessible version following the completion of the external audit and approval of the accounts.

If you need help in accessing the information within the document, please call or e-mail our Head of Finance Melanie Watts, on 01934 634618, [Melanie.Watts@n-somerset.gov.uk](mailto:Melanie.Watts@n-somerset.gov.uk).

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# Narrative Report

## What is in the Financial Report?

The Council publishes an annual Financial Report, incorporating the Statement of Accounts for the financial year, information about the governance of the Council and also details of the major influences on the Council's finances which affect how it manages its finances both now and in the future.

This report provides information about the Council's costs, its income streams, and its reserves and balances. All information included within the report is in draft form and is subject to review by the Council's auditors.

## Narrative Report from the Director of Corporate Services

The Narrative Report is the introductory statement to the Council's accounts for the 2021/22 financial year. It has been structured in such a way to enable readers to understand North Somerset Council, its operating environment, and key issues which affect the Council, the delivery of its services, and its financial position, including:

- An overview of North Somerset
- Financial context
- Performance during the 2021/22 financial year
- Looking ahead in the medium term
- Summary position
- Basis of preparation of the accounts and an explanation of the accounting statements

### 1. An Overview of North Somerset

North Somerset is a unitary council covering an area of around 37,500 hectares (145 square miles) and currently has a population of approximately 211,500 people. It is strategically placed close to the major cities of Bristol and Cardiff and has excellent transport links with the M5 and the mainline railway from Bristol to the South West running north to south through the district and remains a popular visitor destination.

Almost 40 percent of North Somerset's residents live in rural communities or 'rural town hubs' such as Clevedon, Portishead and Nailsea. Weston-super-Mare is already the third largest settlement in the West of England, with significant further expansion planned.

Recent forecasts show that the population is projected to grow significantly over the next two decades, from its current level to almost 252,000 by 2041, which is faster than the national average. Additionally, the area has proportionately more elderly and young people than other comparative unitary councils, which are also set to increase. Source: ONS Estimates for 2016.

Overall North Somerset is considered prosperous, with below average unemployment and above average weekly earnings. However, there are big differences between areas and individuals: North Somerset is unusual in including areas in both the most and least deprived 1% in England, giving a wide range in deprivation scores between neighbouring towns and villages within the area.

In recent years the Council has faced both economic and service-related pressures, although it continues to be an ambitious organisation which is recognised for providing good value services within a challenging financial environment.

### *Covid-19 Pandemic*

The Covid-19 pandemic continued to significantly impact on the Council during the year, as well as on our residents, businesses, partners, other public institutions, and the voluntary and community

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organisations within our region. Looking back to its starting point in March 2020, we can see that the pandemic has required an unprecedented, collective response to mobilise the resources, skills and goodwill of many across the District, to ensure that those who needed help and support received it. Although the impacts of the pandemic have changed over time, we will continue to do all we can to support our residents, communities and local businesses by reviewing our services so that they remain relevant to the latest situation.

The Governments' national guidance and reaction to the pandemic has also continued to evolve, along with their many support packages and interventions, the majority of which have now ceased. The success of the vaccination programme and other measures, now leaves the country in a position where it is living with much lower levels of Covid and trying to establish a new 'norm'.

Over the course of the past two years the Council has recognised three major phases of the pandemic for North Somerset, its residents and businesses, which have required different responses;

- an initial emergency response – which saw some services reduced, scaled or stopped (for example car parks and libraries were closed); and other new services created (community hubs was established to provide food and essential supplies to residents who were shielding),
- a transitional phase – which saw some services or processes delivered in different ways (for example, new ways of working and the transition to online or digital solutions), and some services beginning to be re-opened,
- a recovery and renewal phase – which sought to understand the impacts on the residents and businesses within our communities, and to support them to recover and regenerate back to a position prior to the Covid-19 emergency.

The Government's response to supporting local government through the pandemic has been essential. It has provided an extensive range of funding and support measures since March 2020, as well as updating guidance and regulations to enable councils to continue to provide vital services and respond to the very real situations faced within our communities. The scale of financial support has been tailored to the specific needs of the pandemic and so has reduced during 2021/22, compared to the previous financial year.

During the 2021/22 financial year the Council continued to experience a range of financial impacts on our budget. These have been closely monitored and assessed to ensure that funding was available. Some of these impacts were considered, planned and approved in advance. For example, external service providers in fields such as adult social care, leisure and transport, were provided with additional financial support to ensure that they could continue to deliver core services or additional Covid related activities. However, the Council also experienced unplanned impacts on its budget, notably reductions or deferrals within income streams, such as car parking, concessions, investment and property income, leisure services, and planning fees. Generally these reductions were lower than in the previous year, and funded from the government grant.

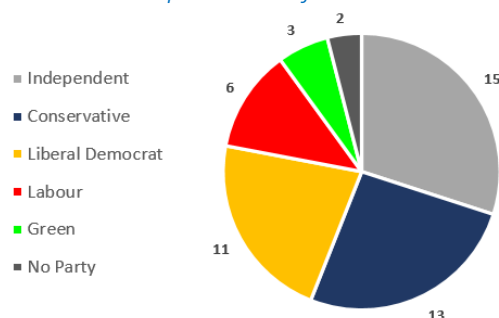
Throughout the pandemic, the Council has communicated with the public through a variety of channels including holding online virtual meetings and webinars, sharing press releases, and social media, as well as continuing with more formal reporting, in order to reach as many people as possible. Communication and engagement plans are recognised as an important priority. It is anticipated that these will become an embedded part of all future service planning.

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## *Our Constitution*

The Council has an approved Constitution in place which sets out how it operates, how decisions are made, and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution, which can be found on the Council's website at [Constitution](#), is reviewed on a regular basis with the most recent update being in May 2022 following a detailed review led by the Audit Committee.

## *Our Leadership and Workforce*



Our 50 elected Councillors represent the people of North Somerset and they set the overall policy of the Council, operating with a Leader and Executive model as the current political management structure.

Following the local elections in May 2019, no single political party or group has overall control and an alliance of Independent, Liberal Democrat, Labour and Green Party councillors, are working closely together to

deliver key outcomes. There have been by-elections since 2019 and the chart has been updated to reflect the latest position.

The Leader of the Council is responsible for the appointment of members of the Executive, the allocation of portfolios, and the delegation of executive functions.

The Executive includes the Leader of the Council, the Deputy Leader of the Council and six other Executive Members. Executive Members are held to account by a system of scrutiny committees which provide local accountability, openness and involvement in decision-making, aiming to improve results for people in North Somerset.

The Audit Committee monitors the effectiveness of the Council's overall governance arrangements including in relation to risk management, systems of internal control, and financial strategy. It monitors the adequacy of the Council's Annual Governance Statement, which provides an overview of the Council's governance arrangements and significant risks, assessing the quality and timeliness of progress in identifying and implementing any required improvements.

Senior officers led by our Chief Executive, include our Directors and Statutory Officers, and together form our Corporate Leadership Team (CLT). CLT works closely with the executive members to ensure a corporate approach to delivering the Council's vision, aims and objectives. The role of CLT is to:

- guide the strategic direction of the whole organisation
- help the organisation translate its policies into practice
- support managers and staff in the development and delivery of services

The Council employs around 1,700 staff, approximately 200 of these staff work in our maintained schools.

The presentation of the Council's budget monitoring and statutory accounts for 2021/22 is based on directorate and service structures which were updated in April 2021.

## *The Council's Corporate Plan*

The Corporate Plan is a working document that exists to help Councillors, staff and partners work together to deliver the vision for North Somerset, which is to have an **Open, Fairer Greener North**

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**Somerset.** Its primary purpose is to set out our story and to share our priorities for North Somerset; to explain what we are doing and why we are doing it. The latest Plan, which covers the period 2020-2024 can be found at [Corporate Plan](#) . Progress against the plan is monitored quarterly.

Our Corporate Plan is the business plan for our organisation. Everything we do as a Council links back to this plan. It guides our work and explains why we focus on specific areas.



The Plan recognises that we are living through a period of great change locally, nationally and indeed globally. Whilst the global economy grew in the last decade, the impact has been variable across our communities. Some of our residents have seen a fall in their living standards and we have responded by targeting our reducing resources on our most vulnerable residents.

We have reached a tipping point in tackling climate change, which this council is committed to address by not only declaring a climate emergency, but also developing an action plan, and whilst technology is transforming how we live, we also need to focus on shaping where we live as our High Streets change and the need for housing and employment land increases.

We want to maximise the things which make North Somerset such a great place to live whilst tackling the big and urgent issues, like climate change, reducing inequalities and how we engage more effectively with our residents.

## Our Services

As noted above, the Council provides a wide range of statutory and discretionary services to the people of North Somerset. Although over the past two years the Covid-19 pandemic has impacted on our core business as usual service offer, significant efforts have been made to ensure that the vulnerable people within our communities continue to receive the support they needed.

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During this time the Council helped facilitate North Somerset Together, which is an online platform and call centre to bring focussed support for our residents together in one place. The NS Together offer has continued to evolve, and it is expected that it will help underpin and shape future service partnership models.

Covid-19 has had a widespread impact on the workforce of the Council and the way in which it delivers services. The Council utilised technology at the start of the pandemic which allowed many staff to work seamlessly from home with minimal disruption to services. For those services areas which could not work from home (whether provided directly, or through our contract partners), such as those engaged in refuse collection and highways services, working practices have been adapted to ensure their health and well-being throughout the last year. The Council published its Accommodation Strategy in February 2021 and is developing its agile working policy and practices. As a result, its two major office locations will be amalgamated into the Town Hall, releasing financial benefits in the future.

As the pandemic has continued to evolve and restrictions have now eased, many of the temporary measures have ceased, although the Council recognises the risk to services and the role that it will need to play in the future if Covid-19 rates rise again. There may be requirements for support to be provided in different ways or in different areas, almost certainly extending into future financial years, and potentially instigating permanent change and creating a new 'norm'.

## 2. Financial Context

### *Resources Overview*

For many years local authorities have continued to deliver valued services to their communities within the wider context of national austerity, and this has been an extremely challenging period. Cost pressures, and the demand for our vital services continued to rise, at the same time as Central Government funding has been reduced. North Somerset, along with many others within local government, have risen to this challenge, and has introduced a series of strategies which seek to transform services by reviewing delivery mechanisms, increasing efficiencies and maximising the use of digital solutions wherever possible, enabling the Council to reduce costs and re-prioritise its resources.

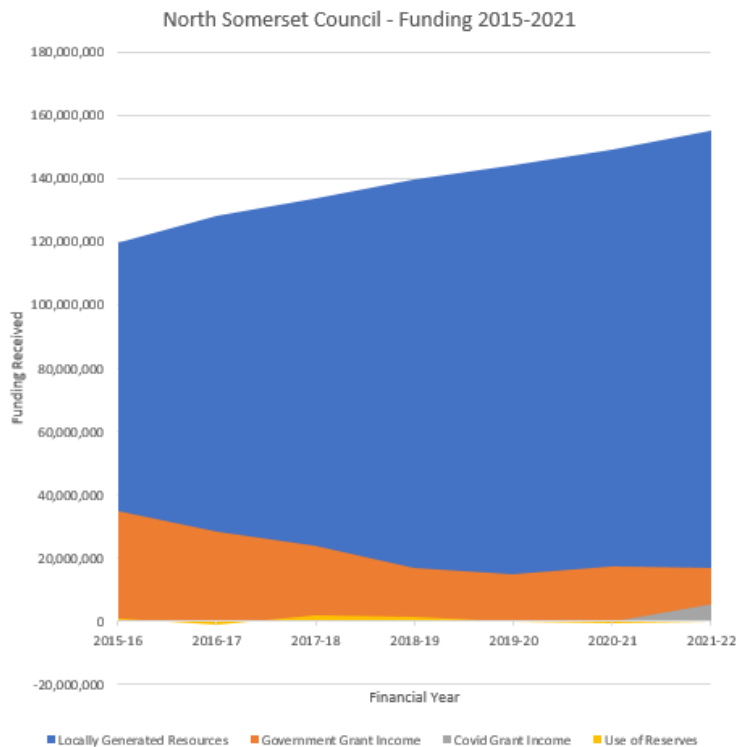
As a significant proportion of the Council's income is generated locally from council tax and business rates, the Council has sought to drive business and housing growth in the area to increase the amount of funding which it can use towards the existing budget, to meet growing demand pressures and fund the emerging priorities set out in the revised Corporate Plan.

The largest spending pressures within North Somerset's base budget remain unchanged and are linked to the costs of an aging and rising population and its associated funding, and the rising numbers of children requiring social care support and safeguarding, and with special educational needs.

As can be seen in the chart below, approximately £155m, or 88% of our funding received during the 2021/22 financial year, was raised locally through council tax, business rates and reserves, with just £22m, or 12%, from government grants.

At an overall level these proportions are broadly comparable to the previous financial year, as a further 'one-year roll-over' funding package was agreed by the Government as part of its Spending Review.

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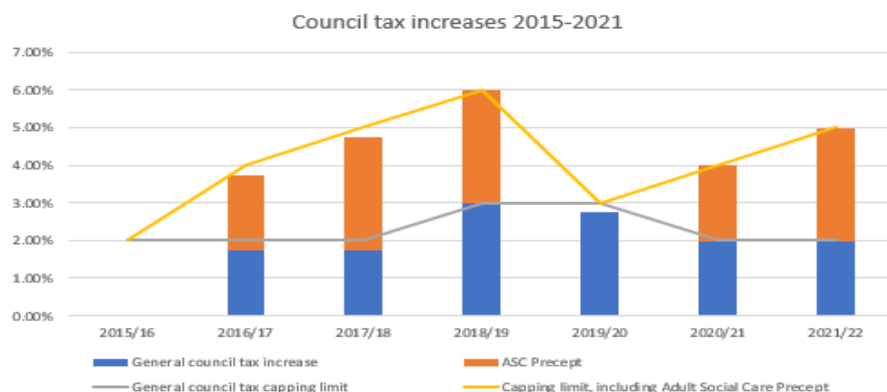
However, £5m of the grants allocated to the Council from the government for 2021/22, relates to funding for any ongoing Covid-19 pressures and will be one-off in nature, which means that the amount of money given by the Government for all other services, continues to make up a lower proportion of our total resources than in recent years.

Given the uncertainties in terms of the level of 'general' government grant the Council can expect to receive in the future, we recognise that making decisions in respect of setting levels of local taxation and also achieving economic growth from both residents and businesses is even more important

to ensuring the Council's future financial resilience.

When setting the 2021/22 budget, the Council approved an increase of 1.99% on its base council tax levels to generate additional income and pay for services. The chart below shows that this was marginally below the Government capping limit of 2%.

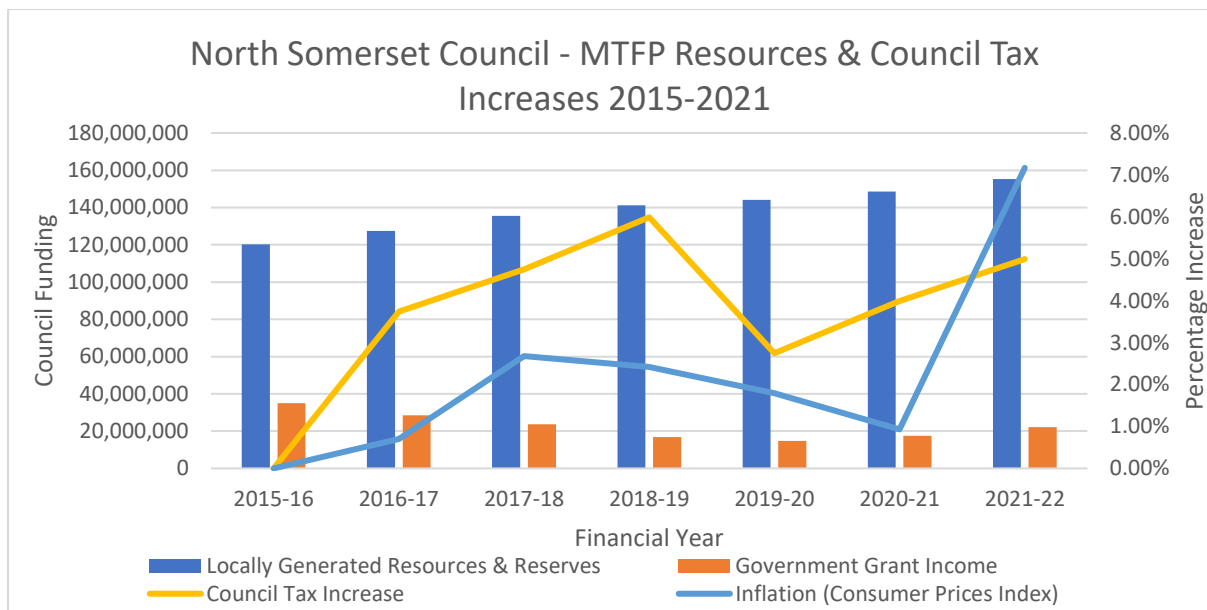
The Council also approved a further 3% increase in respect of the Adult Social Care Precept, which was within Government parameters. Hence the total increase in council tax for the year was 4.99%.



Council tax levels in North Somerset remain relatively low compared to other authorities in the South West. However, as can be seen from the chart below, whilst the increases that have been approved within recent years were within approved parameters, the majority of increases have been at levels that were higher than inflation (the Consumer Prices Index, or CPI) at that time. This largely relates to how local taxation is being used within Government policy, as the government does now allow councils to fund a proportion of their rising adult social care costs using from local taxpayers, through the Adult Social Care Precept, rather than these costs being fully funded at a national level, and through wider taxation.

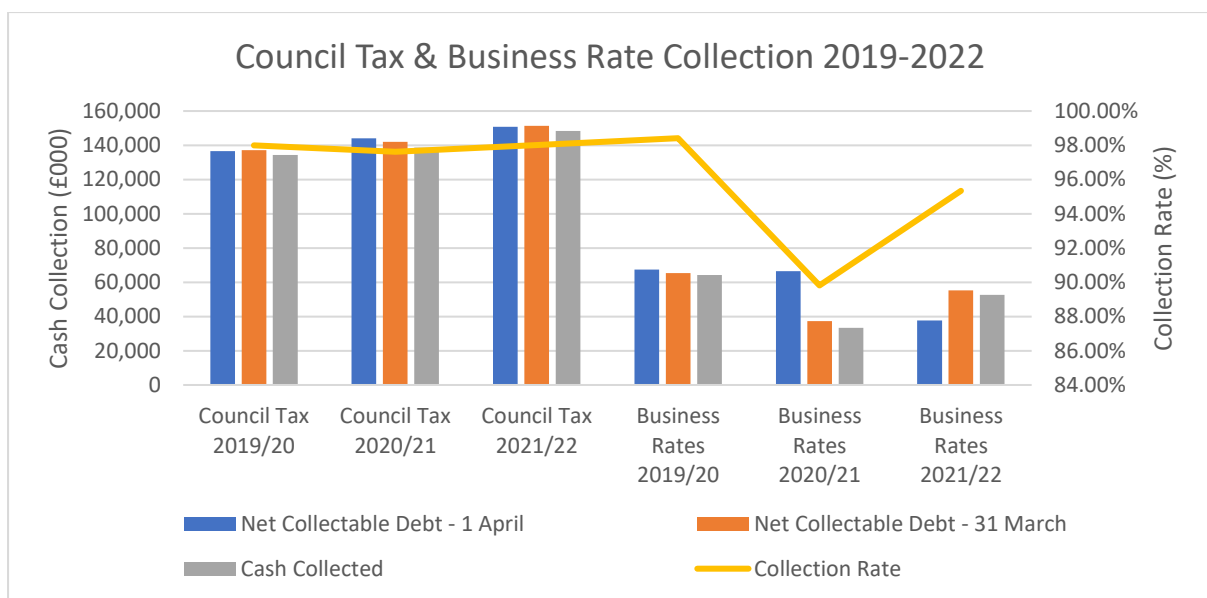


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Collection rates for both council tax and business rates are important to the Council. Not only are they a measure of financial performance but, as noted above, they remain a key source of funding for our services. The Council is aware that any losses which occur as a result of poor collection, could impact on the budget in future years. Collection rates were relatively high before Covid-19 with both areas achieving around 98% of the net collectable debt, although it was recognised that performance in this area could be significantly impacted by Covid-19.

The graphic below illustrates the impact of Covid-19 on collection rates. It details the total cash sums collected by the Council in respect of in-year council tax and business rates, and a comparison to the net collectable debt due for the three years since 2019.



Whilst the collection rates for council tax remained relatively unchanged, the business rate income due to be collected by the Council at the end of the 2020/21 financial year was significantly lower than it was at the start of the year, a reduction of over £29m. The majority of this decrease relates to Government support packages in respect of Covid-19, which provided 100% relief for business rate liability for the year to businesses operating in the Retail, Hospitality and Leisure sectors. This policy

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continued into the 2021/22 financial year, although the amount of relief provided to these businesses reduced over time. The Government confirmed that councils would not be disadvantaged by this intervention, and has provided specific grants to cover the shortfall in income in both financial years.

Under current arrangements the Council's retained share of business rate income is 49%, 1% is allocated to the Fire Authority and the remaining 50% is retained by the Government meaning that the Council's share of the losses associated with granting business rate relief in 2021/22 was approximately £5.6m.

The underlying collection rate for business rates, which fell from 98.41% in 2019/20 to 89.81% in 2020/21, has increased to 95.34% at the end of the 2021/22 financial year and is more aligned to pre-Covid levels. Further activity will be undertaken with businesses to improve these rates.

Even before the impact of Covid, local authority services and associated funding in England has undergone considerable upheaval over recent years as the Government implemented a series of changes or provided only short-term funding settlements. These continue to have a significant impact on our finances although some further planned changes to our funding levels, previously announced by the Government, have continued to be delayed by more pressing national issues.

Whilst the Council has undertaken a range of modelling to assess what these changes could mean in the future, specific financial impacts regarding potential changes to the budget cannot be brought into the Council's own financial planning forecasts until more details, including implementation timescales, are shared and confirmed. The proposed changes previously considered by the Government, and which may feature in future years, include;

- Changes to the retention shares of business rates revenues to fund local services, which could see an increase from the current position of 49% retention and move towards local government retaining 75% of business rate income.
- Further changes to the operational management of the national business rates system, in an effort to simplify some of the complexities and volatilities although specific details and timescales are not yet known.
- Implementation of the Fair Funding Review, also now described as the Levelling Up agenda, which would affect how funding is allocated and redistributed between local authorities. Initial consultation exercises previously showed that the Fair Funding Review could potentially move to a flatter distribution, with three main 'cost drivers' being population, deprivation and sparsity, together with additional cost drivers related to specific local authority services, rather than the existing complex series of formulae. However, the Government have since made a series of statements which indicate that the original modelling scenarios may change and the Review be instead used to focus on delivering broader Levelling Up outcomes across the country.

The Council's financial modelling will continue to be reviewed and updated in light of further Government announcements to fully understand the impacts on our available resources. These will largely be centred around the Comprehensive Spending Review covering the period 2022 to 2025, which is the Government's way of informing councils on the likely levels of funding which it can expect to receive in the future.

After several years of single-year settlements the Council recognises that Spending Reviews covering a multi-year period, can reduce risk by providing a greater degree of certainty to support our

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financial planning and enable informed decisions to be made to support service delivery and shape investment priorities in a timely and considered manner. However, they may not provide required levels of flexibility should material assumptions change during the period.

Although only one-year funding settlements have been provided between 2019 and 2021, the Council has developed a strong strategic approach to its revenue budget and financial planning considerations, and incorporated a range of scenarios into its latest modelling. It will continue to focus on both the internal and external financial challenges and opportunities faced to ensure that the Council fully understands its current and future financial position, and has strategies and mitigations available to respond when required.

### *Risks and Opportunities*

The Council has an embedded process to manage risks and assist the achievement of its objectives, alongside the monitoring of national and local performance targets. The Corporate Risk Register, and the underlying risk strategy, plays an integral role in the management of risk and is subject to review by both the Corporate Leadership Team (CLT) and the Audit Committee.

Business as usual risks identified at the strategic level include uncertainties in relation to increased levels of demand for our services whilst maintaining ongoing service provision, for example in relation to:

- safeguarding children and vulnerable adults,
- continuing the transformational activity to support customers and clients of the Council, and
- monitoring the availability, quality and affordability of key resources that the Council depends on to deliver services in the future, such as delivering sustainable solutions to the support our housing needs, or providing economic growth within the local area.

The Corporate Risk Register is a live document which is updated throughout the year by both CLT and the Executive. It still includes the impacts of Covid-19 as a core risk, even though many of the previous restrictions have been removed by the Government. Material risks, including those to partnerships and projects, are reviewed by scrutiny panels or included within the Annual Governance Statement (AGS) where necessary.

The underlying risks associated with the Covid-19 pandemic continue to feed into all areas of strategic decision-making, for both ongoing service delivery and future business planning. Regular updates detailing the impacts of the pandemic over the course of the 2021/22 financial year have been shared within budget monitoring reports presented to the Executive. As we transition through the recovery and renewal phases of the pandemic, the Council is focused upon understanding any long-term impacts on its services, particularly in relation to health and social care delivery and its workforce.

Whilst there are no new significant service-related issues raised in the 2021/22 Annual Governance Statement, the uncertainties surrounding the ongoing long-term impact of the Covid pandemic together with the longer-term funding solution for local government, and specifically the ongoing reduction in the level of public sector funding, alongside the increasing demand on the Council's services, remain major risks that the Council faces.

### 3. Performance during the 2021/22 financial year

#### *Monitoring the revenue budget in 2021/22 – introduction and context*

In line with good financial governance, all aspects of the Council's operational revenue budget are monitored throughout the financial year, with reports being considered by the Council's Executive

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on a regular basis. All such budget monitoring reports can be found on the Council's website, see link [Minutes](#) .

Monitoring focuses on the forecast income and expenditure positions compared to the approved budgets set for the year, taking care to highlight and report any areas where there are material exceptions to the approved budget or agreed spending plans. The reports also advise on any decisions or interventions that may be required to ensure that the Council can balance its budget by the end of the financial year, as well as the consequential impact on the Council's reserves and balances should any surpluses or deficits arise.

The reports for 2021/22 continued to consider and include Covid-19 as a key risk, recognising that the financial impacts for the Council would be ongoing even though many Government restrictions were lifted for individuals and businesses during the year.

### *Monitoring the revenue budget in 2021/22 – income and resources*

The Council's net revenue budget is primarily funded from two main sources, local taxation and government grants, and reserves are often used to smooth impacts across financial years.

At the start of the financial year almost £146m, or 83% of the Council's total income resources were expected to come from council tax and business rates, with the balance from government grants and reserves.

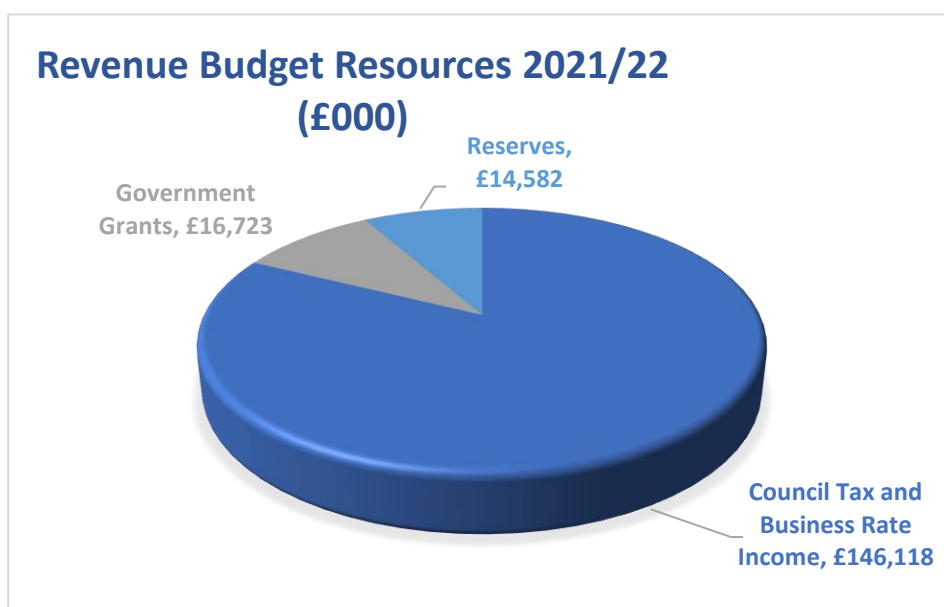
The proportion of income from local taxation sources is usually much higher than the 83% budgeted for 2021/22. However, the budget reflected a

contribution from the Smoothing Reserve of over £14m, in respect of prior year Covid impacts, notably the funding given to the Council for its share of relief given to businesses in the retail, hospitality and leisure sectors during the previous financial year.

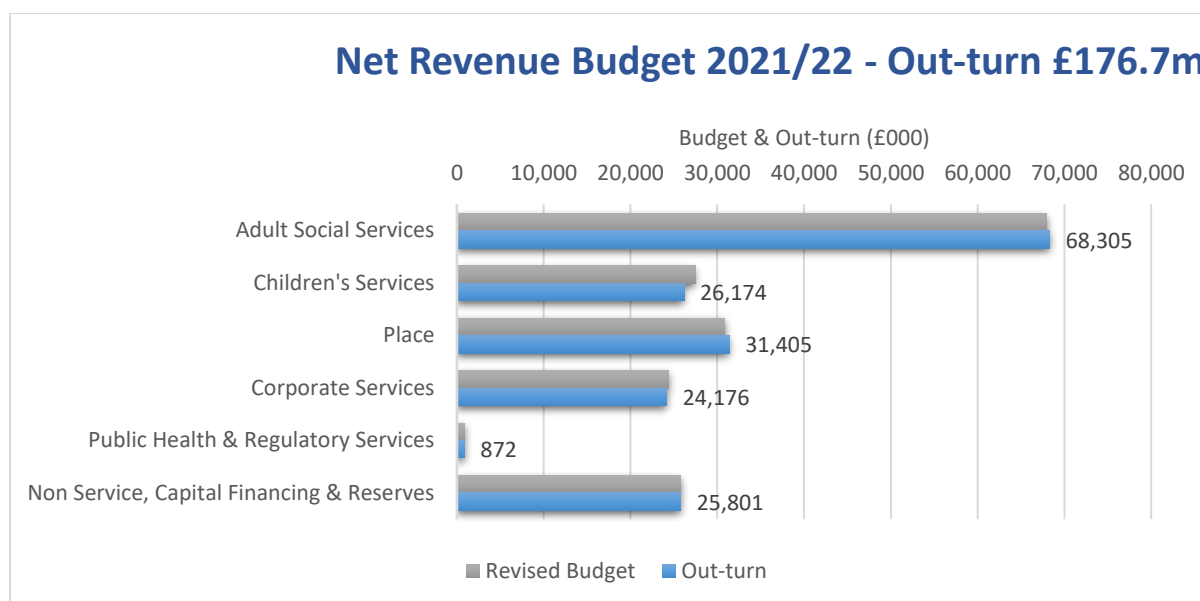
The final out-turn position for 'resources' shows that the total income for the year was £177m, which is the same amount as the budget.

### *Monitoring the revenue budget in 2021/22 – revenue expenditure*

The chart below shows the Council's budgeted and actual spending plans for the year across each of its directorates. The final out-turn position achieved by the Council for all of its services was net expenditure of £176.7m, which is £0.691m lower than the approved budget for the year, and means that, at an overall level, the Council was able to contribute £0.691m into its General Revenue Reserve at the year-end.



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Although the overall out-turn position for the Council was an underspend of £0.691m, as in previous years, the Council continued to face cost pressures within several areas of the budget, notably the adult social care placement budgets, which were overspent by £2.2m at the year-end, and home to school transport budgets, which were overspent by £0.96m. Understanding the reasons for any areas of overspending is important so that we can assess any potential impacts that may continue into future years.

The main drivers of the overspend for Adult Social Care relate to increased complexity and package size, rather than increased numbers of long-term care packages. Indeed, the average number of long-term care packages was 4.2% lower than in 2020/21, with a continuation in the shift from residential care to more care in the community. The one material area where package numbers have increased is in supported living (from an average of 240 in 2019/20 and 263 in 2020/21 to an average of 281 in 2021/22). This is an expected rise, which is particularly associated with bringing forward new schemes as a more cost-effective alternative to residential placements, predominantly to support the increasing number of younger adults with learning difficulties.

Monitoring shows that increases in package size likely reflect deterioration and deconditioning (partly due to delays in elective surgery and other treatments and lock-down or isolation), earlier hospital discharge, increases in mental health support needs, and family or carer breakdown. The average weekly unit cost of a long-term care package increased by approximately 7% in 2021/22, with only around 2% of that reflecting price inflation as opposed to package size.

In addition, we have seen falls in levels of client income, especially in residential care. This is due to a change in the mix of care (client contributions cannot increase beyond the maximum charge even when the package size increases), a reduction in income from property debt and an increase in debt write off and provision for credit losses.

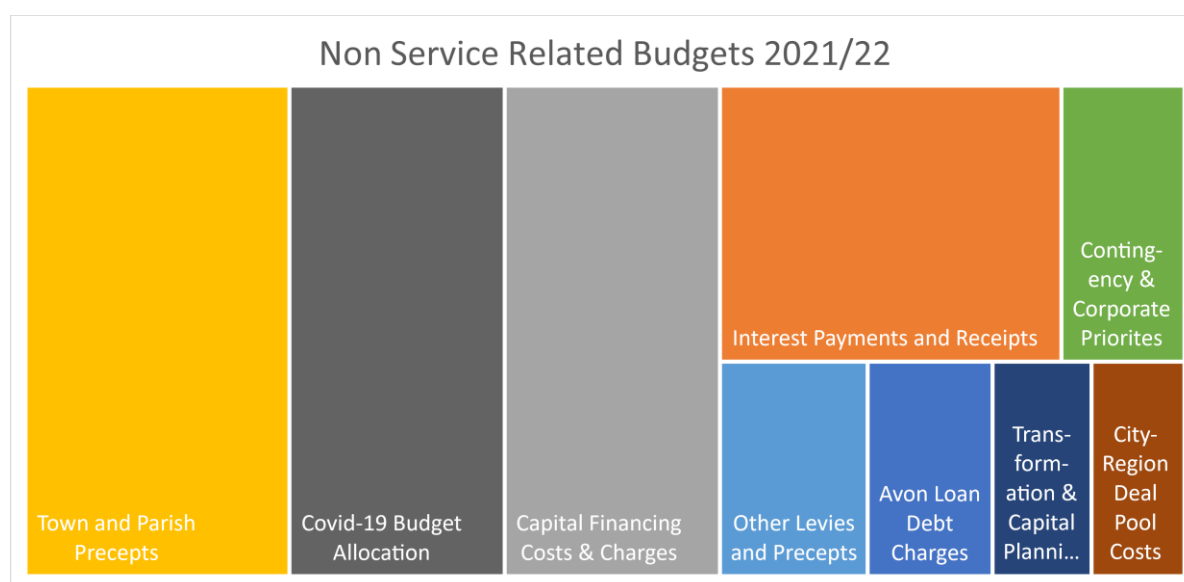
There have also been increases in the number of short-term residential and nursing placements, which may reflect changes in hospital discharge processes, increased respite or rehabilitation use, a lack of capacity to secure long-term placements, and breakdown in carers' arrangements. Given that much of this spending will continue into future years, the Council has increased provision within the 2022/23 Adult Social Care budget to ensure that it has a sustainable base to deliver from.

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Much of the Council's revenue spending in 2021/22 has been discharged on business-as-usual services and activities, although during the year some of the expenditure charged to the revenue budget has also included Covid-19 related activities, pressures and impacts. Some of the Covid spending is directly attributable to the grant funding provided by the Government to support businesses, social care and leisure providers, or to develop and maintain policies and plans which actively contain Covid out-breaks and manage their spread to prevent the virus from spreading and harming more people. The table below shows Covid-19 related grant income that has been reflected within the revenue budget during the year.

	Specific Grants £000	General Grant £000	Sales, Fees & Charges £000	Furlough Grant £000	Total Grant Income £000
Adult Social Services	7,460	0	0	0	7,460
Children's Services	1,174	0	56	3	1,233
Corporate Services	1,292	0	144	0	1,436
Place	3,193	0	306	5	3,504
Public Health & Regulatory Services	7,223	0	0	0	7,223
Non Service Budgets	260	4,975	1	0	5,236
Resources - Council Tax Support	1,923	0	0	0	1,923
<b>Total Covid Grant Income with the revenue budget</b>	<b>22,525</b>	<b>4,975</b>	<b>507</b>	<b>8</b>	<b>28,015</b>

Whilst most of the Council's spending is allocated to specific directorates, an element of the budget covers functions that do not directly correspond to a front-line service or which are outside of daily spending decisions. The graphic below shows the relative values of the component parts of the Council's £26.8m 'non-service' budgets at the start of the year, with the largest areas of spending being allocated to town and parish council precepts (£6m), Covid-19 (£5m), capital financing costs (£5m) and interest payments (£4m). The Council's budget includes a Contingency provision of £1.3m which can be used to fund unexpected or unplanned pressures.



The budget monitoring reports presented to Members during the year do not include the statutory or technical accounting adjustments required for inclusion within the Comprehensive Income and Expenditure Statement, which provides an overall summary of the Council's income and expenditure at the end of the financial year, in accordance with proper accounting practice.

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However, the monitoring reports do include amounts transferred to or from the Council's usable reserves, as Members make decisions regarding the planned use of such resources, and so need to understand the financial impacts of these decisions.

A reconciliation table has been included in Note 10 to show how the revenue out-turn position reported to Members reconciles to the financial performance reported in the Comprehensive Income and Expenditure Statement (CIES). The transfers to and from reserves are separately included within the Movement in Reserves, rather than the CIES.

### *Monitoring the capital budget in 2021/22*

Capital expenditure relates to amounts which are paid to acquire or improve assets such as land or buildings, vehicles, equipment and roads, which are expected to have a life of more than one year. During the year the Council spent over £45m on capital projects across its service areas, including £31m on schemes delivered by the Place directorate and £8m on schools and educational facilities. Specific projects include;

- £4m on the completion of the Weston Transport Enhancement Scheme which has improved the traffic flow around the town centre and created a central bus hub,
- £4m on the start on the Banwell By-Pass project,
- over £5m on the MetroWest Rail project in Portishead, and
- over £6m on the creation of the Winterstoke Hundred Academy Expansion scheme, which will deliver additional secondary school places in Weston-super-Mare.

Capital expenditure was funded by receipts from the sale of assets (£2m), contributions from the revenue budget and reserves (£2m), grants and contributions (£36m) and borrowing (£5m).

### *Balance Sheet*

Despite some areas within the revenue budget resulting in overspends, and the growing budget pressures likely to be faced in the future, the Council maintained a Balance Sheet with a positive net worth of £89.8 million at the year end, which is a significant increase compared to the previous year.

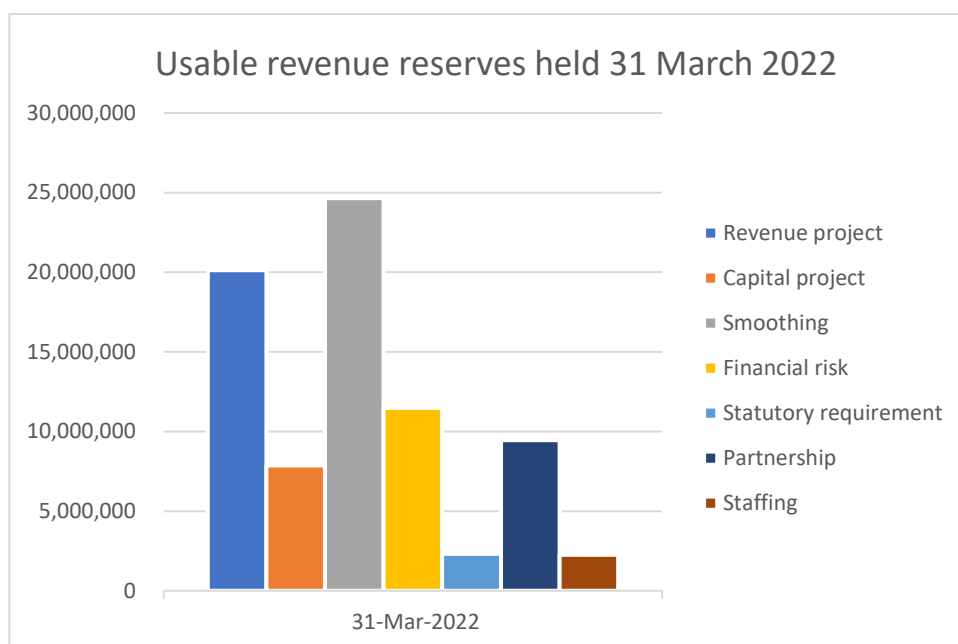
	2020/21 £000	2021/22 £000
Non-current assets	442,744	<b>452,139</b>
Net current assets - debtors, stock and cash less short-term creditors and liabilities	57,674	<b>76,130</b>
Long-term liabilities and provisions	(478,377)	<b>(438,461)</b>
<b>Net Assets</b>	<b>22,041</b>	<b>89,808</b>
<u>Represented by:</u>		
Usable Reserves	(101,344)	<b>(120,542)</b>
Unusable Reserves	79,303	<b>30,734</b>
<b>Total Reserves</b>	<b>(22,041)</b>	<b>(89,808)</b>

The total reserves held by the Council is net of £30.7m 'unusable' reserves (such as the deficit on the Pensions Reserve and the Dedicated Schools Reserve), which are technical adjustment accounts operated by the Council, rather than cash monies available to spend.

The financial impact of Covid-19 on the Council's Balance Sheet can still be seen, most notably within the usable reserves balance, which has increased to £120m at the end of the financial year. A large proportion of this increase relates to the unspent balance of the general Covid grant and to smoothing impacts across financial years. An example is the accounting requirements for Business Rates and the receipt of a government grant being recognised in 2021/22, which was provided to fund the associated income losses, which will be realised in a future financial year.

## Narrative Report

Within usable reserves, the Council has separated its earmarked reserves into sums allocated to directorate priorities and those sums managed on a corporate basis to cover financial risks and strategic priorities. The Council has processes to ensure such reserves are regularly reviewed. The on-going review will utilise available reserves to mitigate any sustained Covid-19 impacts where appropriate.



Held within usable reserves is the Council's **General Fund balance**, which is the reserve the Council uses to cover immediate or unplanned financial risks. At the year-end, the balance was maintained at **£9.744m**, which equates to approximately 5.49% of the original 2021/22 net revenue budget, a level deemed prudent by the Section 151 Officer.

However, whilst this assessment is considered robust at the end of the financial year, the economic issues that have begun to emerge over recent months, particularly rising inflation and the impact on the costs of goods and services, indicate that reserve levels need to be reviewed on an on-going basis.

As noted above, risks and uncertainties are captured within the relevant risk registers.

### *Collection Fund*

The Collection Fund Adjustment Account is the reserve established to account for the Council's share of any surpluses or deficits arising from both the in-year performance of its council tax and business rates income and expenditure and any movements over prior year estimated sums. It is classed as an 'unusable' reserve within the Balance Sheet, as the funds cannot be accessed at the end of the year, but will be transferred into the General Fund in a subsequent financial period.

At the end of the year the reserve shows a net deficit of 4.547m in respect of the Council's ongoing council tax and business rate activities. The majority of the deficit relates to business rate activities, and was generated following the Government's decision to continue to provide some relief to those businesses operating within the retail, hospitality and leisure sectors during 2021/22. As noted elsewhere within the report, the Government has provided grant funding to cover these Covid-related income losses, which was recognised within the Comprehensive Income and Expenditure Statement, and transferred into an earmarked reserve at the year-end, so that that it can be held and used to offset the deficit in subsequent years.

In 2020/21 the Government recognised the impact of the Covid-19 pandemic on the collection fund across local government as a whole, and established a framework to provide a mix of financial support which enables councils to spread Covid-related losses over a three-year period, and provides a local tax income guarantee grant to cover eventual losses. This support will continue into 2022/23.



## Narrative Report

### *Treasury management, borrowing and cash-flows*

The Treasury Management Strategy is reviewed annually, and its main purposes are to:

- manage cash flows – ensuring cash is available when needed and investing surplus balances in a low risk way
- fund capital plans - capital plans often require longer term cash flow planning which may involve arranging loans or using longer term cash flow surpluses

The Strategy provides the framework within which authority is delegated to the Director of Corporate Services to make decisions on the management of the Council's debt and investment of surplus funds. The Strategies for 2021/22 and 2022/23 were presented to the Executive in February 2021 and 2022, and can be found on the Council's website in the relevant minutes.

The overarching investment strategy is to continue to hold a diverse portfolio of investments (notably short-term unsecured bank and building society investments) and/or higher yielding asset classes in order to spread risk. In previous years the Council has invested monies in longer-term investments such as the Churches, Charities and Local Authorities (CCLA) Property Fund and multi asset funds, which have provided higher yields than traditional cash-based investments, and this has continued throughout 2021/22. Performance and risks continue to be kept under review to determine whether the strategy needs to be revised.

During the emergency phase of the pandemic the Council's investment strategy focused almost entirely on immediate liquidity type issues, as the Council managed the high volume and value of Covid related grant receipts and payments. In an environment of very low interest rates that did not present a significant issue. Investment returns remained low for most of 2021/22 and there remained volatility and uncertainty over the levels of cash-flows managed by the Council, as various Covid support and funding packages continued to be received at short notice. However, interest rates increased towards the end of the year, along with inflation. As Covid impacts appear to be receding, the Council will now focus efforts on improving the returns from its investment decisions within the risk parameters set within the strategy, which may alleviate some of the potential inflationary pressures on costs that it may face within the revenue budget.

Further information relating to investments and their performance can be found within the Financial Instruments note and the Financial Performance section of the Narrative Report.

Whilst an element of the Council's capital programme generated a borrowing requirement, this was largely financed internally by utilising short-term cash balances and non-material interest free borrowing from Salix Finance Ltd, who provide Government funding to the public sector to improve energy efficiency, reduce carbon emissions and lower energy bills. As a result, no new long-term borrowing was taken with the Public Works Loan Board during the year. Given the current environment of low but increasing interest rates, we will continue to manage cash balances whilst considering the need to incur further external borrowing over the next few years.

### *Pension assets and liabilities*

The deficit within the accounts relating to employees' pension funds is £266.0m as at 31 March 2022, which is a net reduction of £32.9m from the opening balance deficit of £298.9m. This balance reflects the value of pension liabilities which the Council is required to pay in the future as they fall due, offset by the value of assets invested by the pension fund. Each year the Council incurs a cost within its revenue budget that covers the future service cost for those employees within the pension fund, which is converted into a % of pensionable pay, as well as a financial contribution in respect of a past service deficit position. These values are reviewed every three years as part of the Pension

## Narrative Report

Fund Triennial Review. This review is next due in 2022/23, and will influence the Council's future employer's pension contributions.

### Financial performance outputs

One important way in which we measure and monitor outputs is by reference to activity and unit cost data. This is particularly relevant to key council spend areas such as adults' and children's social care, and waste. The 2021/22 out-turn data indicates summary information in these areas.

### Adult Social Care

The table below illustrates the average number of adult social care clients supported during 2020/21 and 2021/22, together with the average weekly unit cost. The data can usefully either be split by the type of care received or in accordance with the clients' primary support reason. The cost information is shown gross, before any client contributions.

Adult Social Care Packages	Average number of clients 2020/21	Equivalent Gross Expenditure 2020/21 £	Average Weekly Unit Cost 2020/21 £	Average number of clients 2021/22	Equivalent Gross Expenditure 2021/22 £	Average weekly unit cost 2021/22 £
<b>By Care Type:</b>						
Residential	705	20,573,455	559.33	669	20,146,497	577.53
Residential Extra Support Need (ESN)	263	11,674,908	850.80	260	11,738,464	864.74
Nursing	308	10,272,233	640.31	306	10,573,706	663.41
Nursing Extra Support Need (ESN)	55	1,566,139	551.11	61	1,591,732	503.18
Homecare	924	9,645,252	200.28	875	10,233,584	224.21
Supported Living	263	9,624,542	701.82	281	11,297,927	770.62
Direct Payment	319	8,244,322	495.12	300	8,229,029	525.91
Day Care	226	1,698,525	144.24	178	1,426,332	153.32
Extra Care Housing	125	1,578,488	242.66	120	1,531,678	245.81
Shared Lives	47	1,236,913	503.82	48	1,264,931	503.64
Short term Care	70	1,961,546	494.47	103	3,042,474	541.54
<b>Total</b>	<b>3,304</b>	<b>78,076,320</b>	<b>453.16</b>	<b>3,201</b>	<b>81,076,355</b>	<b>485.79</b>
<b>By Primary Support Reason:</b>						
Physical Support	1,632	32,508,823	382.08	1,561	32,958,098	404.98
Learning Disability	972	29,228,250	576.93	959	31,128,415	622.83
Mental Health	368	9,402,739	490.24	347	9,383,270	517.97
Memory & Cognition	234	5,277,688	432.55	241	5,896,021	470.00
Other	99	1,658,820	320.37	94	1,710,551	367.76
<b>Total</b>	<b>3,304</b>	<b>78,076,321</b>	<b>453.13</b>	<b>3,201</b>	<b>81,076,355</b>	<b>485.79</b>

In broad terms, it can be seen that nursing and residential care is more expensive per head than non-residential or community-based services. The Council's strategy is to maximise independence and, where appropriate, ensure that people can remain in non-residential services for as long as possible. It is also interesting to note that spend on adults with learning disabilities and mental health conditions, where unit costs are higher, now outweighs the spend on adults with physical support or memory and cognition needs. This is also reflected in the fact that spend on adults aged under 65 now exceeds spend on adults aged over 65 (spend before client contributions for adults aged under 65 accounts for 53% of the total spend, and this rises to 59% once client contributions are taken into account.)

The 2021/22 year saw an overall fall of 3.1% in the number of placements supported by the Council. However, average unit costs rose by an average of 7.2%, which is higher than simple price inflation given that the Council passed on an average 2% price uplift to providers in 2021/22. The increase in unit costs is reflective of the Council supporting people with increased complexity of need, likely driven by factors such as deterioration and de-conditioning (partly due to delays in elective surgery and other treatments, and lock-down or isolation), earlier hospital discharge, increases in mental

## Narrative Report

health support needs, and family or carer breakdown. It is also interesting to note that as the size of care packages rise, the proportion that is recovered in client contributions falls, which increases overall costs further.

The last year has also continued to be financially challenging for our adult social care providers and the Council has provided around £8m of additional payments for grants relating to infection control, testing, workforce capacity, and nursing and insurance, in order to support them with exceptional additional costs, mostly funded by government grants. The reduction in the number of placements in care homes means that some homes are operating at capacity levels significantly below those in 2019/20, which is not sustainable in the medium-term. The Council recognises these challenges and continues to provide as much support as is possible through a combination of monies set-aside to deliver recovery packages and a grant from the NHS to support the implementation Technology Enabled Care (TEC).

The Government's Social Care reforms will seek to address a number of issues in the social care system. The main areas are as follows:

- Making sure that people do not face unexpected or excessive care costs, through the implementation of the Cap of Care Costs and changes to the capital allowance limits
- Extending the duties covered by section 18(3) of the Care Act to allow self-funders to request that the local authority arranges their care at the rate that the local authority commissions care
- Moving towards local authorities paying a "Fair Cost of Care" to providers

The Council remains concerned about the extent to which the Government will provide sufficient funding for local authorities to be able to implement these changes. In addition, it should be noted that the funding that is being provided for these reforms will not contribute towards the pressures being felt in the system now, due to increasing demand and costs.

During and since the pandemic, the Council has worked closer than ever with its partners in the NHS, implementing a new "Discharge to Assess" model for hospital discharge. This is designed to reduce the time people spend in hospital when they no longer need acute care, but to ensure that they have access to appropriate health and social care rehabilitation and reablement services, and that their assessment for longer-term care and support needs is undertaken in the most appropriate setting and time for the person. A joint business case has identified on-going funding for Council services in North Somerset, which will support delivery of the model. This includes a new reablement service to help people to retain or regain their skills, confidence and independence following a hospital stay. The service is expected to be extended to community referrals to help people remain independent in their own homes for longer.

The Council's challenges for 2022/23 are to continue to ensure sufficiency in the care market and to respond to the expected increases in demand for care services, whilst delivering against our Maximising Independence Transformation Programme, and delivering the Government's proposals on social care reform.

### [Looked After Children](#)

The table below illustrates the number of children's placements made during the year, together with the average annual unit cost of each type of placement.

For the second year in a row, 2021/22 has seen a reduction in spend on children's placements. In 2021/22 the reduction in spend was an unprecedented 16%, following on from an 8% reduction in the previous year. In 2021/22, the fall in spend partly relates to an overall reduction in the number

## Narrative Report

of children looked after (shown in the table below) but also a shift away from residential, supported living and independent foster care to local in-house fostering, housing with support, kinship and special guardianship. This is due to improved commissioning arrangements and a focus on permanency planning. The average unit cost of a placement has reduced from £35,202 per annum to £28,365 per annum (19%).

Children's Placements	Average Number of Clients 2020/21	Gross Expenditure 2020/21 £	Average Annual Unit Cost 2020/21 £	Average number of clients 2021/22	Gross Expenditure 2021/22 £	Average annual unit cost 2021/22 £
<b>By Care Type:</b>						
In-house Foster Placements	74	1,204,017	16,235	80	1,220,926	15,229
Independent Foster Agency Placements	52	2,197,614	42,466	43	1,840,632	42,726
Residential Placements	12	2,489,397	207,623	13	2,567,853	200,457
Supported Independent Living	10	2,115,739	205,013	3	526,213	168,658
Housing with Support	0	0	0	14	412,263	28,931
Kinship	41	547,392	13,328	26	364,244	13,876
Special Guardianship	74	560,846	7,549	96	854,790	8,904
Parent and Baby	2	240,250	110,207	0	40,148	154,415
<b>Total</b>	<b>266</b>	<b>9,355,255</b>	<b>35,202</b>	<b>276</b>	<b>7,827,069</b>	<b>28,365</b>

North Somerset has bucked the national trend as it experienced a reduction in the number of looked after children. We now have a rate per 10,000 that is in the lower quartile of all Councils in England. Whilst it is important to note that the 2022/23 budget setting process has taken into account the reduced numbers, there is some concern that this may not be able to be sustained. This has been captured within our risk register. It is also worth noting that it is not just overall numbers that influence costs. Exceptional individual placements can cost in excess of £500,000 per annum and this has the potential to impact significantly by driving spend that is in excess of estimates.

### Waste Disposal and Processing

The table below shows the weight and unit cost of waste that was sent to landfill or for other processing in 2021/22 and compares this to the 2020/21 activity.

Children's Placements	Number of Tonnes 2020/21	Gross Expenditure 2020/21 £	Weighted Average Cost per Tonne 2020/21 £	Number of Tonnes 2021/22	Gross Expenditure 2021/22 £	Weighted Average Cost per Tonne 2021/22 £
<b>By Waste Type:</b>						
Residual Waste - Landfill	11,237	1,174,981	116.24	11,381	1,309,419	119.34
Residual Waste - Treatment	30,794	3,525,559	110.57	31,077	3,455,467	105.03
Food Waste - Treatment	7,908	459,218	58.07	7,411	441,992	59.64
Garden Waste - Treatment	19,213	424,415	22.09	16,214	424,415	22.64
<b>Total</b>	<b>69,152</b>	<b>5,584,173</b>	<b>80.75</b>	<b>66,083</b>	<b>5,631,293</b>	<b>85.22</b>

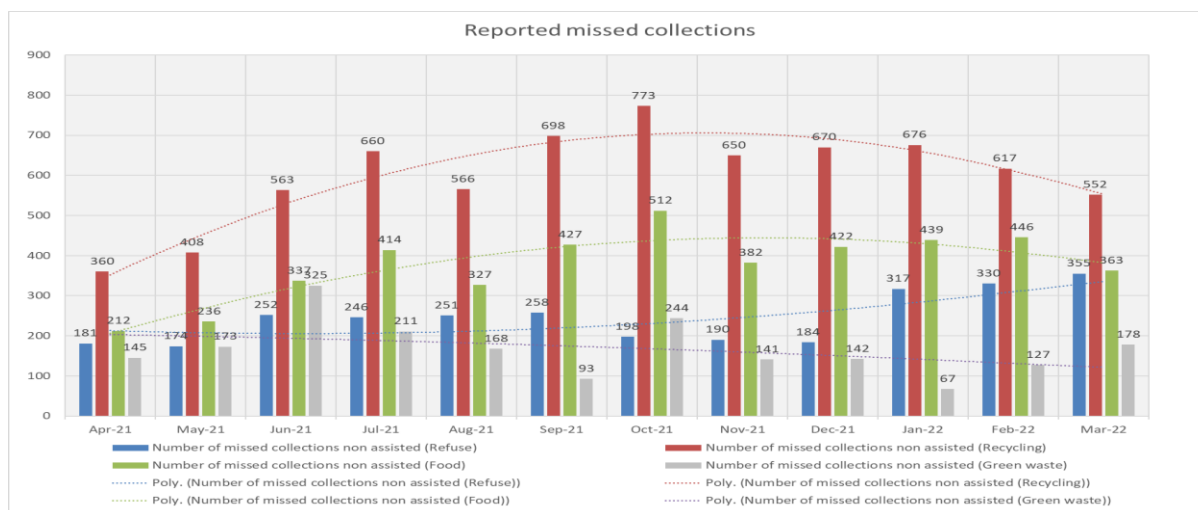
In 2020/21 a decision was made to terminate the existing waste collection contract early and to deliver the waste services through a local authority trading company. The North Somerset Environment Company Limited (NSEC) was formed at the end of March 2021 and has been delivering the waste services throughout 2021/22. This change in arrangements had minimal impact on the net expenditure for the year, as the Council has made managed use of reserves to smooth the financial impacts of the transition.

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The first full year of operation has seen a number of challenges for the company, such as Covid related staff shortages, the HGV driver shortage, increased waste volumes and high inflation, and this has impacted on their financial performance. The Council decided to reduce the garden waste service to maintain collections of residual waste and recycling.

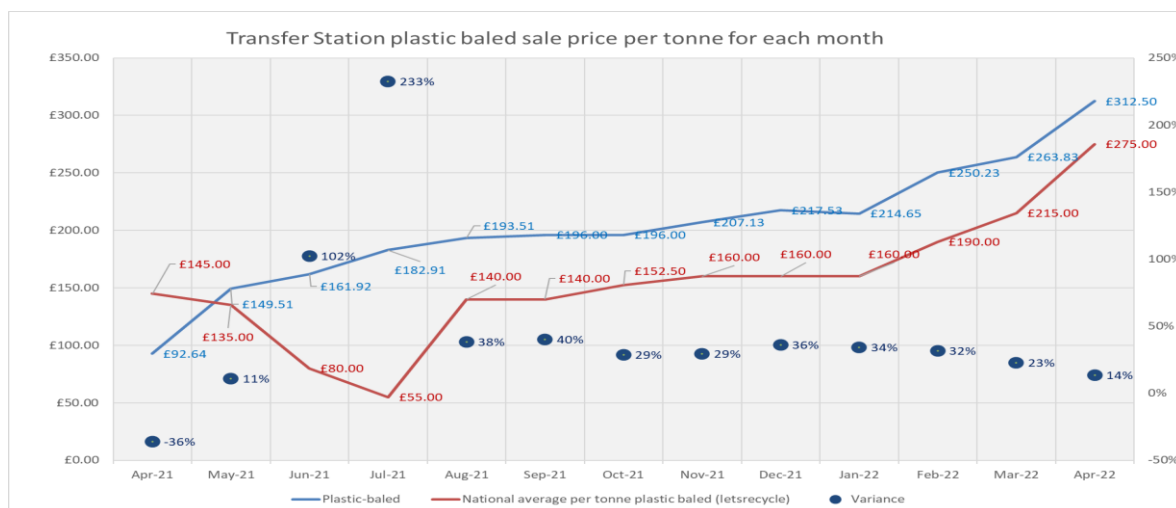
NSEC has dealt with these operational difficulties, and delivered the best possible service under the circumstances. This can be seen in the key performance indicators (KPIs) reported to the Council. Two of the key areas monitored are collection performance and sale of recycling materials performance.

The graph below shows the collection performance during 2021/22. The number of missed collections increased between June to October, which was the period when staffing levels were low due to Covid isolation absences and driver shortages. The absence levels decreased through the remainder of the year, and performance improved, with 99.85% of collections completed in March 2022. To increase HGV driver numbers, NSEC carried out a number of targeted recruitment campaigns, as well as offering HGV training to a number of employees. This has helped stabilise the workforce, and is something NSEC will continue to focus on moving forwards.



The Council also monitor NSEC performance on recycling materials income. NSEC disposes of recycling materials on behalf of the Council, and the net sales proceeds are passed back to the Council. Each type of material is monitored against the national average. This is an area where NSEC has performed particularly well, maximising income for the Council. The graph below shows an example of materials handled by NSEC compared to the national average, and demonstrates their high performance:

# Narrative Report



A shareholder function has been established for governance arrangements over the company, largely to deal with reserved matters, to approve the business plan and for formal reporting from the company’s board. The Council and NSEC are currently undergoing a recruitment process for Non-Executive Directors, which will help reduce the risk of any potential conflict of interest with the existing council officers who sit on the board.

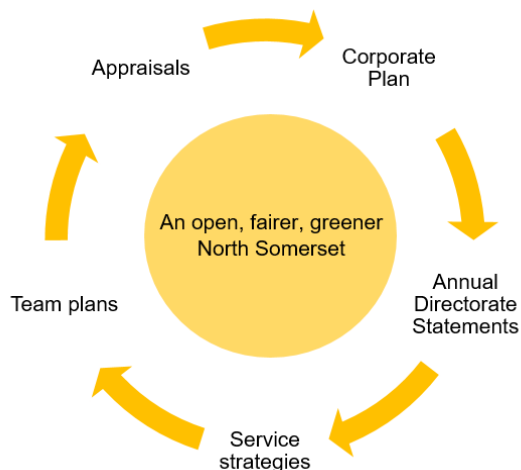
The company produces its own accounts, which are subject to an independent external audit. In 2021/22 the company’s accounts have been consolidated into the Council’s accounts for the first time. In this financial year NSEC made an operational loss. Hence financial performance will need to be closely monitored moving into 2022/23. The company is facing a number of challenges relating to inflation, some of which will be met through increases in the contract sum paid by the Council, and funded through the medium term financial plan. The company is putting measures in place, including departmental budgets, to help bring costs back to within their existing budget.

### Non-financial performance monitoring

The Council gathers information and data from across the organisation to ensure that it is effectively and efficiently monitoring its own performance in an open and transparent manner. This is undertaken by the Business Intelligence team. They utilise the Performance Management Framework, which was recently shared with the Audit Committee, and brings together both national and local statistics and compares these to inputs, activities and outputs within the Council.

The services we provide have an impact on every resident and business in the area. We have a clear and comprehensive mechanism for business planning within the Council. The key components of the business planning process are illustrated in the graphic below. Our business planning process utilises Annual Directorate Statements (ADS) which set out how we are going to achieve the ambitions and outcomes we have identified within the Corporate Plan, and the resources and skills each directorate, service and team need to do this. Service strategies, team plans and individual appraisals ensure that all staff are clear what their priorities are, and how they are helping to contribute to the delivery of Corporate Plan aims and objectives.

# Narrative Report

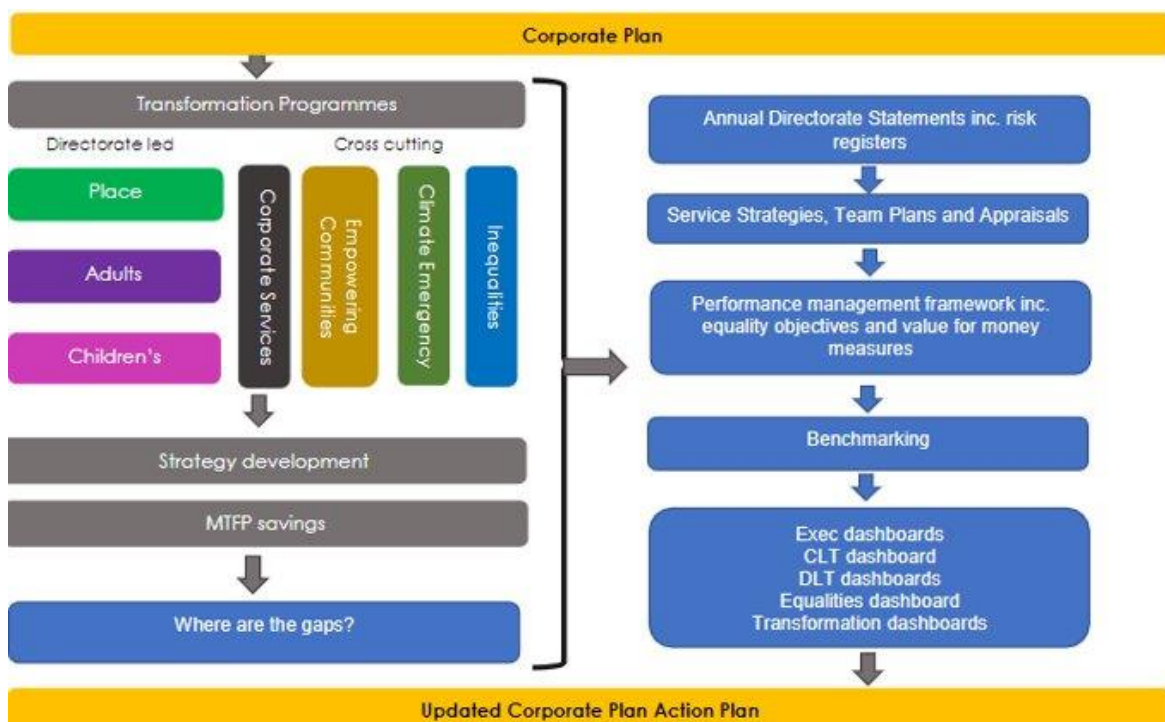


The way that the Council manages its business and delivers services to residents is changing rapidly. Our population continues to grow and people are living longer, bringing increased demand for services. Technological change, recently escalated by the Covid pandemic, is also having a huge impact, from how and where we work, to how we socialise.

Achieving our vision for North Somerset requires a new relationship with residents, striking the right balance between providing public services and enabling people to do things for themselves.

The Council's transformation vision aims to address these challenges and it has helped us identify and unlock financial savings in the last few years, enabling us to be more efficient and to prioritise resources for frontline services.

In the past we have promoted regeneration and economic growth, and improved the way we work both within the Council and with our partners. The Council's vision for the future builds on this foundation, but broadens it to ensure that all areas of the Council's services are integrated into a Transformation Programme. The graphic below provides an overview of the updated transformation arrangements and how they integrate with the Corporate Plan, Financial Planning and the Performance Management Framework, with the Corporate Leadership Team take an overarching strategic role in bringing things together, and monitoring outcomes.



## Narrative Report

### *Performance outputs*

Each quarter the Corporate Leadership Team receives a performance report on a wide range of indicators to ensure that the priorities of the Council are being met, services are being delivered to customers, income targets and cost reductions are being achieved, and to identify issues which may require further strategic action. Reports are also considered by the Executive, as well as Policy and Scrutiny Panels, who may choose to provide in-depth focus on specific elements of the report or performance outcomes.

Performance is compared to locally set targets, and, where available, national and regional benchmarks. Targets are agreed prior to the start of each year, and action plans are developed throughout the year to take remedial action where Council performance has not met planned targets. The Council also publishes a range of Key performance measures on its public website on a quarterly basis.

Monitoring shows that some indicators have, in-part, been impacted by the Covid-19 pandemic in 2021/22, although performance will be improved once the situation returns to pre-Covid circumstances. For example, as noted above, waste collection and recycling performance has been impacted due to driver shortages during periods when Covid-19 levels remained high.

Some of the key performance indicators across the range of activities are shown below, comparators are shown in the following table:



## Narrative Report

Measure	Performance Output 2020/21	Target 2021/22	Benchmark (SW)	Performance Output 2021/22	RAG rating 2020/21	RAG rating 2021/22
<b>A thriving and sustainable place</b>						
Healthy life expectancy at birth (male) (years)	66.7	Increase	64.7	61.9	Green	Red
Healthy life expectancy at birth (female) (years)	67.4	Increase	65.5	68.1	Green	Green
Average earnings by place of residence (£)	617.4	>£600	577.3	579.5	Amber	Amber
The percentage of minor planning applications determined within 8 weeks or agreed time limit	87.0%	>75%	83%	87.3%	Green	Green
The percentage of major planning applications determined within 13 weeks	80.0%	>70%	N/A	66%	Green	Amber
The total number of crime incidents	12,120	<12,120	N/A	13,600	Green	Red
The number of anti-social behaviour incidents	3,502	<3,502	N/A	2,663	Green	Green
The percentage of potholes repaired within 28 days	98.3%	>95%	95%	95%	Green	Green
The percentage of Principal roads that need maintenance	1.4%	<1.4%	3%	2%	Green	Amber
The percentage of Non-principal roads that need maintenance	5.7%	<5.4%	7%	5%	Amber	Green
<b>A Council which empowers and cares about people</b>						
Number of people in permanent care home placements age 65+ remains stable	770	875	N/A	738	Green	Green
Number of people in permanent care home placements age 18-64 remains stable	192	204	N/A	181	Green	Green
The percentage of care leavers who are EET (in education, employment or training) (aged 19-21)	43%	Increase	52%	58.2%	Red	Green
The percentage of care leavers who are in suitable accommodation	92.8%	Increase	89%	94.8%	Green	Green
The percentage of adults with a learning disability who live at home or with family	67.9%	68%	78%	66.0%	Green	Amber
The percentage of adults with learning difficulties in paid employment	8.8%	5.3%	5.3%	7.9%	Amber	Amber
The percentage of adults in contact with secondary mental health services who are in paid employment	11.0%	11.00	11.0%	10.8%	Green	Green
The number of households living in temporary accommodation	74	<60	N/A	88	Red	Red
Claimant count for those on out of work benefits in North Somerset (aged 16-64 years)	4.6%	<4%	3.0%	2.8%	Green	Green
Percentage of older people who are still home 91 days after discharge from hospital into reablement/rehabilitation services	72.7%	80%	88.3%	40.0%	Red	Red

In addition, our financial objectives and measures are laid out in the assumptions supporting our Budget and Medium Term Financial Plan, and our performance against these for 2021/22 is as follows:

## Narrative Report

Measure	2020/21 Performance	2021/22 Target	2021/22 Performance	RAG rating	RAG rating
				2020/21	2021/22
Net revenue budget out-turn	Net Revenue Outturn in line with budget (no under / over-spend)	Within 1.5% of budget	Net Revenue Outturn in line with budget (underspend of £0.69m = 0.4% of budget)	Green	Green
General Fund balance	General Fund balance is £9.053m, 5.5% of the net revenue budget	Minimum of 5% of net revenue budget	General Fund balance is £9.744m, 5.5% of the net revenue budget	Green	Green
Council Tax increases	Increase of 1.99% - Within capping limit of 2% Adult Social Care precept of 3% - Within the government capping limit of 3% over 2 years	Within government capping limit	Increase of 1.99% - Within capping limit of 2% Adult Social Care precept of 3% - Within the government capping limit of 3% over 2 years	Green	Green
Council Tax base growth	The tax base reduced by 0.58%, compared with a planned growth of 0.86%	As per forecast	The tax base reduced by 1.25%, compared with a planned growth of 0.89%	Red	Red
Collection rates:-					
· Council Tax	97.6%	97.3%	98.0%	Amber	Green
· Business Rates	89.8%	98.2%	95.3%	Red	Amber
· General Debtors	90.7%	80.0%	93.6%	Green	Green
Payment of general creditors	99.7% within 30 days	85% within 30 days	98.3% within 30 days	Green	Green
Capital investment programme	Actual capital expenditure £47.8m / 72%. Slippage into 2021/22	Capital programme 2021/22 £94.4m	Actual capital expenditure £45.4m / 48%. Slippage into 2022/23	Red	Red
Return on short-term investments	Actual income £0.4m	Budgeted income £0.1m	Actual income £0.2m	Red	Green
Return on long-term investments	Actual return 4.21%	Budgeted return 4.0%	Actual return 4.0%	Green	Green
Net income from commercial investment property	Actual net income £0.079m	Budgeted net income £0.154m	Actual net income £0.026m	Red	Red
Borrowing	Actual borrowing £151.0m, which is below net revenue budget of £166.0m	Not to exceed net revenue budget	Actual borrowing £144.1m, which is below net revenue budget of £177.4m	Green	Green
Revenue costs of borrowing	Actual borrowing costs £12.2m, which equates to 7.4% of the net revenue budget	Not to exceed 10% of the net revenue budget	Actual borrowing costs £12.2m, which equates to 6.9% of the net revenue budget	Green	Green

Performance within some of the financial indicators was partially affected by Covid-19 during the year in some areas, although to a lesser extent than in 2020/21. Some of these areas have already been described elsewhere within the Narrative Statement, for example, reduced levels of collection for council tax and business rates.

As can be seen from the table above, the outcomes for each of these measures can have a very real impact on the Council's financial well-being. Corrective actions or plans have been put into place where possible to ensure that the long-term future sustainability of the Council is protected. This

## Narrative Report

highlights the importance of the framework, and the reason we choose to monitor these important indicators in detail. All of the outcomes have been integrated into the Council's financial monitoring processes, and the impacts are featured within the budget monitoring reports or the statutory accounts, whether on the face of a core statement or described in a supporting note or working paper.

It is important to note that all councils have similar frameworks to monitor and assess financial performance. Whilst some of the measures may appear generic in nature, individual factors, circumstances and approaches to risk can mean that they are not directly comparable to other authorities.

### 4. Looking ahead in the Medium Term

#### *Looking ahead with the revenue budget planning in the medium term*

For 2021/22 the Council received a further one-year settlement from central government, which in essence was a 'rolled-over' funding package based on levels from the previous financial year.

Whilst this did not provide any of the delayed reforms intended for local government finance or any financial certainty across the medium-term, the government did continue to recognise the pressures faced by councils in respect of adult social care, meaning that the Council received additional grant funding towards these pressures, and was permitted to levy a 3% Adult Social Care Precept by increasing council tax.

As a result, total resources going into 2021/22 increased by over £11m over the previous year. However, the Council still had to make savings of over £7.451m to set a balanced budget, due to inflationary cost rises, increases in demand for adult and children's social care, home to schools transport services and special educational needs.

As Government funding and the regulatory framework continues to be uncertain, income generation and a wider sense of commercialisation has become more of a priority for the Council. The Council is developing plans to maximise its current sources of income, to identify new income streams and to take a more commercial approach to understand its cost drivers and commissioning arrangements, and looking at other ways to deliver services, whether through partnership arrangements or other solutions. A strong emphasis has once again been placed on maximising income from council tax and business rates. Work continues to encourage new house building, and to accelerate and generate new business growth, particularly in Enterprise Areas. This aligns with the regeneration ambitions of the Council, as well as those being developed in the Local Plan.

The Council's latest medium-term financial modelling for the three years 2022 to 2025, shown in the table below, was published in February 2022.

## Narrative Report

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
<b>Projected Revenue Resources</b>				
Government Grants	24,030	27,861	21,409	21,258
Council Tax & Business Rates	147,845	152,369	160,687	166,184
Other	(558)	(1,140)	1,539	0
<b>Total Resources</b>	<b>171,317</b>	<b>179,090</b>	<b>183,635</b>	<b>187,442</b>
<b>Net Revenue Budget</b>				
Base Budget	160,030	171,317	179,090	183,635
Growth items	13,763	16,905	14,143	13,593
One-off Covid items	4,975	(4,975)	0	0
Grant Income and Savings Proposals	(7,451)	(4,157)	(805)	(715)
Savings Requirement	0	0	(8,793)	(9,071)
<b>Revised Base Budget</b>	<b>171,317</b>	<b>179,090</b>	<b>183,635</b>	<b>187,442</b>

This modelling covers a shorter period than hoped for, as the Council would ideally like to publish plans for the next five years, but it reflects the limited funding information released by the Government at that time. Given the potential range of change faced by most councils across the country as a result of national fiscal and policy decisions, it is increasingly difficult to make meaningful predictions beyond the period of the published Spending Review. The modelling reflected the Council's estimates of locally generated resources and anticipated cost increases for inflation, superannuation and service demands. The deteriorating economic situation over recent months, such as lower growth forecasts and rapid increases in inflation, means that these estimates will need to be reviewed and updated in the coming months. The Council recognises that there remain many uncertainties over events, and impacts which may emerge, even in the short-term, which will need to be addressed and incorporated into future reporting.

As can be seen from the table above, the Government provided additional one-off, short-term funding to cover the potential financial impacts of the pandemic during the 2021/22 financial year. Whilst these sums were incorporated into the revenue budget, no definitive spending plans were approved at that time. The out-turn report presented to the Executive shows that £0.8m of funding was allocated to the Place directorate at the end of the year to fund the Covid impacts that arose across different areas of their budget, notably income short-falls in parking and seafront concessions.

The table shows that the budget short-fall across the remaining two years of the plan is nearly £18m, with a fairly even split of approximately £9m in each year. As noted above, several elements of the forecast made at that time were uncertain or have changed since that time. Uncertainties include the amount of government support for the long-term funding solution of adult social care services, the wider funding back-drop for local government as a sector, legislative changes relating to the Fair Funding Review and Business Rate Review and Re-sets, and the implementation of Social Care Reforms.

The Council's financial planning regime is a well-established and continuous process, and work began in April to update these forecasts, bringing in the latest information available in preparation for budget setting for 2023/24 as part of the Medium Term Financial Plan. As in previous years we will continue to update and publish such forecasts on a rolling basis and whilst the financial plans indicating a savings requirement could appear daunting, the Council has a strong record of demonstrating good financial management, meaning that over recent years savings plans have been identified and delivered, and more importantly, budgets have been set and balanced without the need to call on the General Fund reserve balance.

## Narrative Report

However, the Council is currently concerned about recent rising inflationary pressures linked to the cost of living crisis, which are likely to significantly impact across our budget in the months ahead, driving up the direct costs of employees, transport and other energy provision, as well as introducing increases throughout the supply chain as contractors adjust to higher cost pressures. The Government has yet to announce any additional funding for these unprecedented pressures. Representations are being made to share such details. The Council may be required to take further action to deliver a balanced budget, which could involve decisions to reduce areas of non-essential spending, and potentially make changes to service provision.

### *Looking ahead with the five-year capital programme*

In the same way that the Council plans and prepares for its revenue budget, we also have similar plans for our capital programme, which looks ahead on a five-year horizon. The programme is ambitious and seeks to deliver the needs of our growing communities, but also to deliver real transformation change within the environment we live and work in.

Further details are contained within the Capital Strategy, which provides the framework within which the Council's capital investment plans are to be delivered. The latest Capital Strategy, which was approved in February 2022, provides:

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services,
- an overview of how the associated risk is managed,
- the implications for future financial sustainability

The Capital Strategy and Programme will also be revisited to ensure that the policies and development plans remain current, or to assess if changes need to be made as a result of asset management surveys and operational service requirements. Capital spending forecasts will also be reviewed to reassess cost projections and funding streams, which may be exposed to financial risk should there be sustained inflationary pressures.

### *Accounting changes in the year and looking ahead*

There is one significant change to the requirements of the Code of Practice on Local Government Accounting and underlying accounting standards impacting on this year's financial statements over the prior year. The disclosure and valuation of Highways network infrastructure assets under the Code is currently subject to consultation. Under draft guidance, disclosures include only the Net Book Value of infrastructure assets, rather than separate disclosure of accumulated cost and depreciation. Hence Infrastructure assets have been excluded from the Property, Plant and Equipment disclosure in Note 24.1 above, and are included in a new table, included at Note 24.2. This change has no impact on the Net Book Value of the Property, Plant and Equipment assets included in the Council's Balance Sheet.

Note 5 of the financial statements details the impact of accounting standards which have not yet adopted into the Code of Local Government accounting on future year's accounts. The implementation of a new accounting standard IFRS16 Leases has again been deferred until 2024/25. The impact of this implementation on the Council's accounts cannot yet be fully quantified.

The Council has prepared group accounts for the first time in 2021/22, to include the financial impact of its new subsidiary, North Somerset Environment Company Ltd (NSEC), whose transactions have become material to the Council's accounts during the year. Differences between the results reported in the group accounts and the Council's single entity accounts largely relate to the analysis

## Narrative Report

of consolidated income and expenditure on the face of the Statement of Comprehensive income and expenditure, and movements in the Group Movement in Reserves Statement.

Under current legislation, until 31 March 2023 the cumulative deficit on the Council's Dedicated Schools Grant (DSG) is carried forward as an unusable reserve, rather than impacting on the Council's General Fund reserves. The cumulative deficit as at 31 March 2022 is £13.4m, but, despite mitigating actions put in place by the Council, this is expected to increase again in 2022/23. Further work on recovering the deficit is on-going. This is discussed in more detail in Note 15. This is a national issue, and the government is currently consulting on whether to extend this statutory override beyond 2022/23. While this represents a potential risk to the Council's financial sustainability, the Council's judgement is that the statutory override is likely to be extended, and hence the deficit is unlikely to need to be charged immediately to General Fund balances.

### 5. Summary Position

The 2021/22 financial year has continued to be influenced by the ongoing impacts and events brought about by the Covid pandemic, with some service areas continuing to be more affected than others. Covid-related impacts, risks and forecasts have been assessed and incorporated into all aspects of the Council's monitoring and governance processes throughout the year to ensure that all impacts were quantified and compared to the amounts of known resources available. This provided an assurance framework to the Corporate Leadership Team, to support and enable strategic decisions to be made knowing that that they could be funded without serious impact on the Council's overall financial sustainability.

Additional resources have again been allocated to the Council throughout the year. These have been closely monitored when managing the overall financial position. It has been important to understand the purpose and nature of this funding, to determine how the Council should reflect these monies within its budget, particularly as much of this funding has been given to deliver national government objectives within a local setting.

Although this has been a year of continued change, risk and uncertainty, the financial impacts detailed throughout the financial statements show that the Council has managed to deliver within its overall resources. Not only has it achieved a balanced budget, but delivered an underspend, which, through setting monies aside, will help to mitigate risk and protect services in future years. Increasing the General Fund working balance and other risk-based reserves were notable achievements that will help maintain financial stability in future years.

The Council's approach to financial planning over the medium-term includes a focus on investment, driving regeneration and building income and growth plans, a key part of the Council's vision is to support local recovery and renewal activity through our place-making strategies, led by the Chief Executive and the Corporate Leadership Team. This will further strengthen our position, developing financial resilience through reducing exposure to possible reductions in government funding.

The Council is acutely aware that there remain uncertainties to be faced in the months and years ahead, but recognises that it needs to deliver against the strategic vision and Corporate Plan aims that it has set for itself, and for the local communities it serves. That being said, it is important to pause and look back, and highlight how the Council has responded to the many, many challenges it has faced over the course of the past year, and how the collective performance from everyone involved has contributed to the successes achieved.

Updates on the Council's finances are provided throughout the year in the free magazine 'North Somerset Life', and through reports available on the Council's website. If you have any questions or

## Narrative Report

would like more information, please call our Financial Management team on 01934 634619, or e-mail the Head of Finance on [Melanie.Watts@n-somerset.gov.uk](mailto:Melanie.Watts@n-somerset.gov.uk). You can obtain additional copies of this report by writing to Melanie Watts, Head of Finance, North Somerset Council, Town Hall, Walliscote Grove Road, Weston-Super-Mare, BS23 1UJ.

A handwritten signature in black ink, appearing to read 'Amy Webb', is enclosed in a light grey rectangular box.

Amy Webb

Director of Corporate Services and s151 officer

7 July 2022

# Narrative Report

## 6. Basis of Preparation and Presentation of the Accounts

The Council prepares its Statement of Accounts on a going concern basis, under the assumption that it will continue in existence into the foreseeable future, and this remains valid despite the uncertainties currently being experienced as a result of the Covid-19 pandemic. Disclosures are included within the Statement of Accounts based on an assessment of their materiality. A disclosure is considered material if through an omission or a misstatement the decisions made by users of the accounts would be influenced. This could be due to the value or the nature of the disclosure.

The Council considers disclosures against an internally calculated materiality threshold which is reviewed each year. However individual items of income and expenditure over £6m which are not disclosed on the face of the Comprehensive Income and Expenditure Statement (CIES) are considered to be significant and are disclosed in Note 3. Some disclosures are included due to their nature even if the value of transactions is not over the materiality threshold, an example of this is Note 18 Officer's Remuneration.

The assessment of materiality also influences the Council's decision to produce Group Accounts. Each year the Council assesses the entities it exerts control or significant influence over to identify which fall into the group boundary. If the value of transactions for the group as a whole is material, Group Accounts are produced. The Council has made a judgement that group company activities are now sufficiently material for there to be a requirement to produce group accounts for 2021/22.

### *Explanation of the Financial Statements*

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2022. It comprises core and supplementary statements, together with disclosure notes. The format of the Accounts follows best practice as defined in the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code") and incorporates the requirements of International Financial Reporting Standards.

The Code is updated annually to reflect new or updated accounting standards. There are no significant changes to the Code in the current year which impact on the core financial statements.

The figures presented in the financial statements are rounded to the nearest thousand pounds and therefore, due to the complexity of the statements and their interdependencies, some rounding differences will arise. Resulting differences are considered trivial and immaterial to the presentation of the financial statements.

The Core Statements are:

[Movement in Reserves Statement \(MIRS\)](#) - shows the movement from the start of the year to the end on the different reserves held by the authority, analysed between 'usable reserves' and 'unusable reserves. Usable reserves can be applied to fund expenditure or reduce local taxation, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. For example, the capital receipts reserve can only be used to fund capital expenditure or repay debt. 'Unusable reserves' relate to technical accounting adjustments, and cannot be used to fund services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences, shown in the movement in reserves statement line 'adjustments between accounting basis and funding basis under regulations'. The statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices (in the CIES), and the statutory adjustments required to return to the amounts chargeable to council tax for the



## Narrative Report

year. The net increase/decrease line shows the movement in the statutory General Fund balance in the year, following those adjustments.

**Comprehensive Income and Expenditure Statement (CIES)** - shows the cost of providing Council services during the year, adjusted to reflect required accounting transactions such as depreciation and impairment, in accordance with generally accepted accounting practice, rather than the amount funded from council tax. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may differ from the accounting cost. The Expenditure and Funding Analysis (Note 10) compares the CIES with income and expenditure taken into account when setting the budget and Council Tax, adjusting for certain amounts which are disregarded by statute. An analysis by nature, often referred to as a subjective analysis, of the CIES is given in Note 16.

**Balance Sheet** - gives a snapshot of the value of the Council's assets and liabilities at the year-end. These net assets are matched by the Council's reserves, which are categorised as either Usable or Unusable (as explained above).

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

The supplementary financial statements are:

- The **Collection Fund** - shows the billing authority transactions relating to the collection of Council Tax and Business Rates, and the relevant distributions to precepting bodies. North Somerset's Council Tax precepting bodies are the Council itself, the Avon and Somerset Police and Crime Commissioner, and the Avon Fire and Rescue Service. The Business Rate precepting bodies are the Council, Central Government and Avon Fire and Rescue Service. Each year the Council calculates the surplus or deficit on the Collection Fund, and this is distributed proportionately between the relevant precepting bodies.
- The **Notes to the financial statements** provide more detail about the application of the Council's accounting policies and individual transactions.
- The **Accounting Policies** set out the policies that have been followed in preparing the accounts, in line with Code requirements.
- The **Group accounts** reflect the combined financial position of the Council and its subsidiary company, North Somerset Environment Company Limited, as the use of this separate company means that the Council's single entity financial statements on their own do not fully reflect the income and expenditure associated with its activities.
- The **Annual Governance Statement** sets out the governance structures of the Council and its key internal controls.
- A **Glossary** of key terms and abbreviations can be found at the end of this publication.

The Council's Accounts are audited by Grant Thornton UK LLP. However, their review does not cover any external documents or statements included as electronic hyper-links.

## Statement of Responsibilities

### North Somerset Council's responsibilities

North Somerset Council is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Corporate Services.
- to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.
- approve the Statement of Accounts.

During 2021/22 these responsibilities were undertaken by Amy Webb, the Director of Corporate Services and Section 151 officer.

### The Director of Corporate Services' core responsibilities

The Director of Corporate Services is responsible for the preparation of the Council's Statement of Accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code").

In preparing this Statement of Accounts, the Director of Corporate Services has:

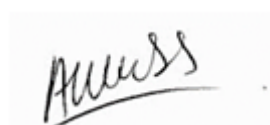
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the local authority Code.

The Director of Corporate Services has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps to prevent and detect fraud and other irregularities.

### Certificate

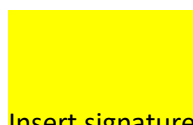
I hereby certify that the following Statement of Accounts gives a true and fair view of the financial position of North Somerset Council at the reporting date, and of its expenditure and income for the year ended 31 March 2022, and hereby authorise the issue of the accounts.



Amy Webb FCCA

Director of Corporate Services

7 July 2022



Insert signature

Cllr John Cato

Chairman of Audit Committee

XX September 2022

## Independent Auditors Report and Opinion

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# Primary Financial Statements

# Primary Financial Statements

## Movement in Reserves Statement

2021/22	Note	Usable Reserves								Unusable Reserves										TOTAL RESERVES £000
		General Fund Earmarked Reserves					Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Revaluation Reserve £000	Capital Adjustment Account £000	Collection Fund Adjustment Account £000	Pensions Reserve £000	Dedicated Schools Grant Adjustment Account £000	Financial Instruments Adjustment Account £000	Accumulated Absences account £000	Deferred Capital Receipts Reserve £000	Pooled Investment Funds Adjustment Account £000	Total Unusable Reserves £000	
		General Fund Balance £000	LMS School Balances £000	Other Schools Balances £000	Other Earmarked Revenue Reserves £000	Earmarked Capital Reserves £000														
Balance at 1 April 2021	8, 9	(9,053)	(2,325)	(334)	(66,613)	(6,200)	(12,129)	(4,690)	(101,344)	(92,272)	(152,055)	15,358	298,881	7,150	110	1,645	(59)	545	79,303	(22,041)
Total Comprehensive Income and Expenditure	CIES	(17,050)	0	0	0	0	0	0	(17,050)	(9,166)	0	0	(41,551)	0	0	0	0	0	(50,717)	(67,767)
Adjustments between accounting basis & funding basis under regulations	7	2,688	0	0	0	0	(1,342)	(3,494)	(2,148)	9,976	(10,926)	(10,811)	8,657	6,297	50	(512)	6	(589)	2,148	0
Transfers between Usable Reserves	8.1	13,671	(676)	(53)	(11,826)	(1,116)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(Increase) / Decrease in 2021/22	8, 9	(691)	(676)	(53)	(11,826)	(1,116)	(1,342)	(3,494)	(19,198)	810	(10,926)	(10,811)	(32,894)	6,297	50	(512)	6	(589)	(48,569)	(67,767)
Balance at 31 March 2022 - carried forward	8, 9	(9,744)	(3,001)	(387)	(78,439)	(7,316)	(13,471)	(8,184)	(120,542)	(91,462)	(162,981)	4,547	265,987	13,447	160	1,133	(53)	(44)	30,734	(89,808)

Increases in General Fund Earmarked usable reserves largely relate to increased funding for Covid and social care projects that are yet to be applied, see Note 8. The decrease in Unusable Reserves overall debit balance relates to technical accounting adjustments, and cannot be used to fund services, see Note 9.

# Primary Financial Statements

## Movement in Reserves Statement

2020/21	Note	Usable Reserves									Unusable Reserves										TOTAL RESERVES
		General Fund Earmarked Reserves						Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Collection Fund Adjustment Account	Pensions Reserve	Dedicated Schools Grant Adjustment Account	Financial Instruments Adjustment Account	Accumulated Absences account	Deferred Capital Receipts Reserve	Pooled Investment Funds Adjustment Account	Total Unusable Reserves	
		General Fund Balance	LMS School Balances	Dedicated Schools Grant	Other Schools Balances	Other Earmarked Revenue Reserves	Earmarked Capital Reserves														
Balance at 1 April 2020	8, 9	(9,053)	(906)	3,847	(351)	(40,260)	(3,885)	(12,028)	(3,046)	(65,682)	(73,712)	(139,265)	439	268,236	0	405	1,276	(69)	950	58,260	(7,422)
Re-statement of opening balances		0	0	(3,847)	0	0	0	0	0	(3,847)	0	0	0	0	3,847	0	0	0	0	3,847	0
Re-stated balance at 1 April 2020		(9,053)	(906)	0	(351)	(40,260)	(3,885)	(12,028)	(3,046)	(69,529)	(73,712)	(139,265)	439	268,236	3,847	405	1,276	(69)	950	62,107	(7,422)
Total Comprehensive Income and Expenditure	CIES	(15,537)	0	0	0	0	0	0	0	(15,537)	(23,350)	0	0	24,268	0	0	0	0	0	918	(14,619)
Adjustments between accounting basis & funding basis under regulations	7	(14,533)	0	0	0	0	0	(101)	(1,644)	(16,278)	4,791	(12,791)	14,919	6,377	3,303	(295)	369	10	(405)	16,278	0
Transfers between Usable Reserves	8.1	30,070	(1,419)	0	17	(26,353)	(2,315)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(Increase) / Decrease in 2020/21	8, 9	0	(1,419)	0	17	(26,353)	(2,315)	(101)	(1,644)	(31,815)	(18,559)	(12,791)	14,919	30,645	3,303	(295)	369	10	(405)	17,196	(14,619)
Balance at 31 March 2021 - carried forward	8, 9	(9,053)	(2,325)	0	(334)	(66,613)	(6,200)	(12,129)	(4,690)	(101,344)	(92,271)	(152,056)	15,358	298,881	7,150	110	1,645	(59)	545	79,303	(22,041)

# Primary Financial Statements

## Comprehensive Income and Expenditure Statement

	Note	2020/2021 As re-stated			2021/2022		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£000	£000	£000	£000	£000	£000
Adult Social Services							
Adult Social Care		115,000	(41,116)	73,884	110,977	(50,467)	60,510
Housing Services		4,743	(3,650)	1,093	5,225	(4,378)	847
		119,743	(44,766)	74,977	116,202	(54,845)	61,357
Children's Services							
Children's Services		38,326	(5,550)	32,776	34,982	(8,139)	26,843
Schools Budgets & Grants		57,551	(56,737)	814	64,132	(52,216)	11,916
		95,877	(62,287)	33,590	99,114	(60,355)	38,759
Place		86,284	(34,846)	51,438	79,396	(26,775)	52,621
Corporate Services		71,125	(64,307)	6,818	81,153	(58,057)	23,096
Public Health & Regulatory services		11,741	(11,343)	398	14,601	(18,366)	(3,765)
Non Service		3,042	(2,700)	342	2,683	(2,682)	1
<b>Cost of Services</b>	10	<b>387,812</b>	<b>(220,249)</b>	<b>167,563</b>	<b>393,149</b>	<b>(221,080)</b>	<b>172,069</b>
Other Operating Expenditure	11	12,572	0	12,572	18,036	0	18,036
Financing and investment income and expenditure	12	12,995	(2,566)	10,429	12,927	(2,757)	10,170
Taxation and non-specific grant income	13	0	(206,101)	(206,101)	0	(217,325)	(217,325)
<b>(Surplus) / Deficit on Provision of Services</b>	10,16	<b>413,379</b>	<b>(428,916)</b>	<b>(15,537)</b>	<b>424,112</b>	<b>(441,162)</b>	<b>(17,050)</b>
(Surplus) / deficit on revaluation of non-current assets	9.2			(23,350)			(9,166)
Remeasurements of net defined benefit liability	9.5			24,268			(41,551)
<b>Other Comprehensive (Income) and Expenditure</b>				<b>918</b>			<b>(50,717)</b>
<b>Total Comprehensive (Income) and Expenditure</b>				<b>(14,619)</b>			<b>(67,767)</b>

Expenditure on Covid-19 related pressures is lower in 2021/22 than the previous year. Similarly Covid-related grant income received is also lower, notably in Adult Social Services and Place.

Increased income in Adult Social Services in 2021/22 relates to additional funding from the CCG from Section 256 agreements for integrated care (see Note 21).

In previous years the Council reallocated the cost of Corporate Services to other directorates, relative to their use of these central services. The Council has chosen not to reallocate service costs from 2021/22 to enable greater transparency of these costs.

The increase in Other Operating Expenditure is due to losses on disposal relating to schools transferring to academy status.

Changes in Other Comprehensive Income and Expenditure relate to material movements in the valuations of the Council's property assets and pensions liability.

# Primary Financial Statements

## Balance Sheet

	<b>Note</b>	31 March 2021 £000	31 March 2022 £000
Property, Plant and Equipment			
Other Land and Buildings	24.1	183,785	175,895
Infrastructure Assets	24.2	128,037	149,557
Community Assets	24.1	5,036	5,036
Vehicles, Plant, Furniture and Equipment	24.1	11,006	10,421
Assets Under Construction	24.1	54,703	49,762
Surplus assets	24.1	629	629
Intangible Assets	24.1	200	150
Heritage Assets		288	288
Investment Property	25	44,770	45,707
Long Term Investments	31.1	9,493	10,082
Long Term Debtors	31.1	4,797	4,612
<b>Long Term Assets</b>		<b>442,744</b>	<b>452,139</b>
Cash and Cash Equivalents	CFS	10,327	0
Short Term Investments	31.1	133,072	167,064
Inventories		1,596	1,569
Short Term Debtors	27	56,031	55,000
<b>Current Assets</b>		<b>201,026</b>	<b>223,633</b>
Cash and Cash Equivalents	CFS	0	(4,417)
Short Term Borrowing	31.1	(7,804)	(7,364)
Short Term Creditors	28	(67,159)	(74,113)
Short Term Provisions	29	(6,178)	(6,626)
Grants Received in Advance - Revenue	14	(11,791)	(4,296)
Grants & Contributions Received in Advance - Capital	14	(50,420)	(50,687)
<b>Current Liabilities</b>		<b>(143,352)</b>	<b>(147,503)</b>
Long Term Provisions	29	(1,550)	(1,911)
Long Term Borrowing	31.1	(143,215)	(136,697)
Long Term Borrowing - Ex Avon Debt	33	(12,252)	(11,761)
Pensions Liabilities	35.1	(298,881)	(265,987)
Other Long Term Liabilities	36.1	(22,479)	(22,105)
<b>Long Term Liabilities</b>		<b>(478,377)</b>	<b>(438,461)</b>
<b>Net Assets</b>		<b>22,041</b>	<b>89,808</b>
Usable Reserves	8.1	(101,344)	(120,542)
Unusable Reserves	9.1	79,303	30,734
<b>Total Reserves</b>		<b>(22,041)</b>	<b>(89,808)</b>

Movements in Cash and Cash Equivalents, Short term investments, Debtors, Creditors, Grants received in advance and Usable Reserves relate largely to the timing of Covid support grants.

# Primary Financial Statements

## Cash Flow Statement

	Note	2020/2021 £000	2021/2022 £000
Net surplus / (deficit) on the provision of services	CIES	15,537	17,050
Adjustments to the net surplus / (deficit) on the provision of services for non-cash movements	37.1	65,655	40,116
Adjustments for items included in the net surplus / (deficit) on provision of services that are investing or financing activities	37.2	(36,613)	(43,803)
<b>Net cash flows from Operating Activities</b>		<b>44,579</b>	<b>13,363</b>
<b>Investing Activities</b>			
Purchase of Property, Plant and Equipment, Investment property and Intangible Assets		(39,468)	(38,718)
Proceeds from sale of Property, Plant and Equipment, Investment property and Intangible Assets		2,521	3,433
		<b>(36,947)</b>	<b>(35,285)</b>
Purchase of short and long term investments		(1,807,000)	(571,500)
Proceeds from sale of short and long term investments		1,789,000	537,500
		<b>(18,000)</b>	<b>(34,000)</b>
Other payments for Investing Activities		(1,045)	(433)
Other receipts from Investing Activities		33,411	37,798
		<b>32,366</b>	<b>37,365</b>
<b>Net cash flows from Investing Activities</b>		<b>(22,581)</b>	<b>(31,920)</b>
<b>Financing Activities</b>			
Cash receipts from short and long term borrowing		2,012	298
Repayments of short and long term borrowing		(850)	(7,745)
		<b>1,162</b>	<b>(7,447)</b>
Finance lease repayments		(37)	(360)
Other net (payments) / receipts for Financing Activities		(15,391)	11,620
		<b>(15,428)</b>	<b>11,260</b>
<b>Net cash flows from Financing Activities</b>		<b>(14,266)</b>	<b>3,813</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>7,732</b>	<b>(14,744)</b>
Cash and cash equivalents at the beginning of the reporting period		2,595	10,327
<b>Cash and cash equivalents at the end of the reporting period comprising:</b>		<b>10,327</b>	<b>(4,417)</b>
Cash held by the Council	37.4	10,327	(4,417)
		<b>10,327</b>	<b>(4,417)</b>

The movement in the Council's Cash balance is due to cash flows arising from the Council's financial out-turn position, repayment of borrowing, and lower turnover of investments, which continue to be linked with the Covid grant funding received and applied during the year. The movement in the Council's other net payments and receipts for financing activities relates to changes in the Collection Fund out-turn position, which is again linked to Covid impacts.



# Notes to the accounts

# Technical Notes, Judgements and Assumptions

## 1. Critical judgements in applying accounting policies

In applying its accounting policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. Materiality has been applied in all judgements which significantly affect the financial statements. The critical judgements made in the Statement of Accounts are:

### Accounting treatment of Covid-19 response funding

The government continued to provide a number of additional funding streams and financial support packages for local government to help them respond to Covid-19 pressures across many of the services they deliver, with funding being given using powers under Section 31 of the Local Government Act 2003. Significant judgement has been made to each of these funding streams giving due consideration to whether; the Council is acting as the principal or the agent; are there any grant conditions outstanding and is the grant a specific or non-specific grant.

The Council has complied with section 2.3 of the Code and included a range of general and specific grants within its financial statements and excluded others on the grounds that it is acting as an Agent.

Items **excluded** from the financial statements and which could be deemed to have a material impact on the Council's accounts are mandatory grants administered on behalf of the Department for Business, Energy, and Industrial Strategy (BEIS), largely aimed at providing specific and targeted support to businesses, where the same grants were applied by all local authorities across the country.

Items **included** within the financial statements and which could be deemed to have a material impact on the Council's accounts are listed below.

- Discretionary grants funding provided by the Department for Business, Energy, and Industrial Strategy (BEIS), enabling the Council to implement support measures relevant to businesses within the local area
- Grants provided by the Department for Levelling Up, Housing and Communities (DLUHC) including Covid Support Grant, Sales Fees and Charges Compensation Scheme Grant
- Grants provided by the Department of Health and Social Care (DHSC) include Infection Control Funding, Workforce Capacity Fund, Rapid Testing Fund, Contain Outbreak Management Fund

In respect of 'recognition' of specific grants, consideration has been given to whether there are any grant conditions that have not been met or which remain to be satisfied, and whether the Council has reasonable assurance that it will meet these. Unspent grant allocations at the year-end where specific conditions have not been met have been recognised as receipts in advance; and unspent grant allocations at the year-end where restrictions have been noted have been transferred into earmarked reserves.

In the absence of reference to any such condition requiring repayment within the Determination by the government body, the Council has deemed incurring relevant expenditure as a conditional requirement, and where this has not been met, then unspent grant allocations have been recognised as receipts in advance.

### Impact of Covid 19 on the Council's financial standing

There continues to be uncertainty about the medium to longer-term impacts for the Council and its key stakeholders as a result of the Covid 19 emergency. These could potentially result in a wider risk



## Technical Notes, Judgements and Assumptions

to its broader financial standing and therefore subsequent impacts on the services that the Council provides into the future. Over the past year the Council has successfully developed a series of strategies and plans to effectively forecast and monitor the financial impacts of the pandemic, including a range of options on how it will continue to provide its services to residents within challenging periods in the future. The Council believes that it has demonstrated its strategic financial capabilities by delivering an underspend in its out-turn position in the face of adversity and has determined that the uncertainty over the Council's financial position is not sufficient to provide an indication that the Council's assets be further impaired as a result of a need to close facilities and reduce levels of services provision.

### Better Care Funding

The Section 75 agreement by which Better Care resources have been agreed between the Council and North Somerset CCG has been assessed against the appropriate standards, mainly IFRS 10 and IFRS11. Following consideration of the control and governance arrangements of the underlying transaction streams, officers have judged that the arrangement should be classified as a 'joint operation'. As such, the Council and CCG accounts for the assets, liabilities, revenues and expenses relating to their involvement in the joint operation. Further details are set out in Note 21.

### Accounting for schools' non-current assets

The Council recognises the local authority maintained schools land and buildings on its Balance Sheet where it directly owns the assets, and the building assets of schools where the owning entity has transferred rights to use the assets to the Council. The Council has completed a school by school assessment across the different types of schools it controls within the district. Judgements have been made in applying IAS16 Property, Plant and Equipment in determining the arrangements in place, and the subsequent accounting treatment of the land and building assets.

### Investment Property

Following consideration of guidance in the Code and relevant accounting standards (IAS40 and IPSAS 16), the Council has made a judgement that a number of its properties continue to be held solely to earn income or for the generation of capital growth under the Capital Strategy, and not for operational use through delivery of services or service objectives. The Council has therefore classified material assets as Investment property, rather than as operational Property, Plant and Equipment. See Note 25.

### Group accounting

The Council has interests in entities which fall within the group boundary of the Council on the grounds of control under the Code and relevant accounting standards (IFRS10 Subsidiaries, and IFRS11 Joint Ventures). Narrative disclosures regarding these relationships have been made in the related party transactions note (Note 23). The majority of these interests are judged not to significantly impact on the Council's overall net assets or the Comprehensive Income and Expenditure Statement. However, during 2021/22, the transactions of the Council's subsidiary, North Somerset Environment Company Ltd became material. When consolidated with the Council's single entity accounts, the analysis of income and expenditure on the face of the Group Comprehensive Income and Expenditure Statement, and movements in reserves on the Group Movements in Reserves Statement, are judged to differ materially from the single entity accounts, although the 'bottom line' of these statements are not materially affected. The Council has therefore made a judgement that consolidated group financial statements are now required.

## Technical Notes, Judgements and Assumptions

### 2. 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 certainty, actual results could be materially different from these estimates. Whilst Covid-19, Brexit, the war in Ukraine, and changes in the wider economic outlook, may have impacted on the value of these estimates, there have been no significant changes to the basis of these estimates compared to the previous year. The items in the Council's Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

#### Fair Value Measurements - Investment Property

Investment properties are measured at Fair Value in line with the Council's accounting policies. The value of these assets is determined using calculations and estimation techniques by the Council's valuers following Royal Institution of Chartered Surveyors (RICS) guidance. Asset values are influenced by market forces, income or cost related information, all of which may be subject to volatility and estimation uncertainties. In reaching their valuations, and in assessing whether asset values have been impaired, the Council's valuers have also considered Covid-19 factors such as reductions in property rental values and occupancy rates, although recognising that without being able to predict the longevity and severity of the impact of Covid-19 and wider economic factors on the economy, it has been difficult to value investment property assets.

Where possible, the inputs to these valuations are based on observable data. However, where unobservable inputs are required in establishing fair values, estimation techniques are used. These estimates typically include considerations such as uncertainty and risk. The significant unobservable inputs used in the fair value measurement of Investment Property include management assumptions regarding rent growth, vacancy levels and discount rates.

Significant changes in any of the unobservable inputs would result in a significant change in the fair value measurement for the properties. As noted in Note 25, the carrying value of Investment Property assets at the Balance Sheet date is £45.7m (2020/21 £44.8m). It is estimated that a 1% change in the Fair Values of Investment property would result in a change of approximately £0.5m in asset values (2020/21 £0.4m). Hence a change in valuation of the order of 14% (2020-21 14%) would be likely to be considered material to the Council's accounts.

Further information about the valuation techniques and inputs used in determining the fair value of the Council's investment property, and the impact of changes on the fair value are included in Note 25.

#### Property, Plant and Equipment – Valuation

Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets. The Council's external valuers provided valuations as at 1 January 2022 for a proportion of its operational portfolio. All operational properties were also reviewed to ensure values reflect current values. This was done by undertaking a desktop re-valuation of those assets, using national indices (notably IPD and BCIS), and consideration of other local factors. This review confirmed that the net book value of PPE assets in the accounts is materially in line with their current value.

## Technical Notes, Judgements and Assumptions

Any revaluation of assets either upward or downward would be reflected in the Council's asset base. An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.

As noted in Note 24, the carrying value of Property, Plant and Equipment assets at the Balance Sheet date is £391.5m (2020/21 £383.2m). It is estimated that a 1% change in net book asset values would result in a change of approximately £3.9m (2020/21 £3.8m). Hence a change in net book value of the order of 1.7% (2020/21 1.7%) would be likely to be considered material to the Council's accounts.

### 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. A firm of consulting actuaries is engaged by the Avon Pension Fund to provide the Council and other member bodies with expert advice about the assumptions to be applied.

As noted in Note 35, the carrying value of net liability arising from defined benefit pensions obligations at the Balance Sheet date is £266.0m (2020/21 £298.9m). The effects of changes in individual assumptions can have a significant impact on the value of the net pensions liability. These are summarised in Note 35.2. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension deficit of the Local Government Pension Scheme (LGPS) of £11.7m (2020/21 £11.6m), and a decrease of £0.2m (2020/21 £0.2m) of the Teachers Unfunded Discretionary Benefits.

### 3. Material items of income and expenditure

Covid grant funding - During the year material amounts of grant funding were received from central government to support Council functions, and for distribution to support local businesses. Where appropriate, these grants have been treated as income in the Comprehensive Income & Expenditure Statement, or included in the Balance Sheet as Capital and Revenue Receipts in Advance. The impact of these grants is summarised in Notes 13 and 14.

Loss on disposal on schools transferring to academy status - As in previous years, the Council has incurred a loss on disposal as schools transfer to academy status with nil sales proceeds. This loss totals £15.4m (2020/21 £6.4m). This amount is increased over the previous year due to the transfer of five primary schools to academy status in the current year, compared to two in 2020/21. The value of the Property, Plant and Equipment assets disposed of is set out in Note 24.3, and the loss is included in the Schools line in the Cost of Services, and in Note 11 - Other operating Income and Expenditure. The loss does not impact on the Council's usable reserves, as it is debited to the unusable Capital Adjustment Account in Note 9.3.

Funding received from Bristol, North Somerset, South Gloucestershire Clinical Commissioning Group (BNSSG CCG) - the Council entered into further s256 agreements with the CCG before the end of the financial year which enabled it to receive additional funding. These sums related to the s256 agreements for Integrated Care and Healthier Together matched funding, neither of which were included within the approved budget. The additional income totalled £8.29m, and was therefore considered material. The funding has been taken as income, as no conditions on the grant funding were judged to be outstanding, but has been carried forward in the Adults departmental earmarked

## Technical Notes, Judgements and Assumptions

reserves, and the Healthier Together matched funding reserve, to fund spending in future years. See Note 21 Joint arrangements and Note 8.2 Earmarked Usable Reserves.

### 4. Events after the reporting period

The draft Statement of Accounts were authorised for issue by the Chief Financial Officer on 7 July 2022. Events taking place after this date are not reflected in the financial statements or notes.

Where events taking place before this date provided information about conditions existing at 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the any such events.

### 5. Accounting standards that have been issued but not yet adopted

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) requires the Council to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

New or amended international accounting standards that have been issued and will be adopted by the Code in 2022/23 are:

- Annual improvements to IFRS standards 2018–2020:
  - IFRS 1 (First-time adoption)
  - IAS 37 (Onerous contracts)
  - IFRS 16 (Leases)
  - IAS 41 (Agriculture)
- Property, plant and equipment: proceeds before intended use (amendments to IAS 16)

None of these changes are expected to have a significant effect on the Council's Statement of Accounts from 1 April 2022.

The CIPFA/LASAAC Local Authority Accounting Code Board (CIPFA/LASAAC) has deferred the implementation of IFRS 16 - Leases for a further two years to the 2024/25 Code. IFRS16 will now be applied from 1 April 2024. An appendix to the 2021/22 Code sets out the expected changes by CIPFA/LASAAC in relation to the adoption of IFRS 16. The contents of this appendix do not have the authority of the Code. The Council has not undertaken early adoption of IFRS 16.

This change in accounting policy for leases will bring fundamental changes for the way the Council accounts for leases where it acts as lessee. Changes include:

- all leases as lessee will be included on the Balance sheet – except for:
  - leases of 12 months or less (short-term leases)
  - leases of low value assets
- the Lessee will recognise a right-of-use asset and a lease liability on the Balance sheet, and depreciation of leased assets and interest on lease liabilities through the I&E (essentially current 'finance lease' accounting).
- the lease definition will be expanded to include nil consideration arrangements.
- lessor accounting remains relatively unchanged.

The impact of implementation of IFRS 16 on the Council's financial statements is not currently known and is not reasonably estimable.

## Technical Notes, Judgements and Assumptions

### 6. Prior Period Adjustments

#### Highways network assets infrastructure

The disclosure and valuation of Infrastructure assets under the Code of Practice on Local Government Accounting is currently subject to consultation. Under draft guidance, disclosures include only the Net Book Value of infrastructure assets, rather than separate disclosure of accumulated cost and depreciation.

Hence Infrastructure assets have been excluded from the Property, Plant and Equipment disclosure in Note 24.1 above, which includes accumulated cost and depreciation, and included in a separate table in Note 24.2, which details movements in Net Book Value only.

The accounting policy for Property, Plant and Equipment has been updated to include clarification of the accounting treatment of Infrastructure assets. The Council judges that there has been no change in accounting policy, and hence the change in disclosure is not considered to be a prior period adjustment.

The change in disclosure has no impact on the Net Book Value of the Property, Plant and Equipment assets, including Infrastructure, included in the Balance Sheet.

#### Other re-statements:

##### Re-organisation of Council management structure

In 2020/21, the Council re-organised its managerial structure, to form two new Directorates, the Adult Social Services and Children's Services directorates, which were previously included in the People and Communities directorate.

The segmental reporting of the Council's financial performance to members was based on the previous directorate structure throughout 2020/21. However, reports to members used the revised directorate structure during the 2021/22 financial year.

To reflect the analysis reported to members, comparators to the analysis of income and expenditure provided in the Statement of Comprehensive Income and Expenditure, and the segmental analysis reported in Note 10, the Expenditure and Funding Analysis, and its supporting notes, have been re-stated to reflect the revised structures.

This re-classification has nil impact on the net cost of other services, and the overall net cost of services.

# Technical Notes, Judgements and Assumptions

## Restatement of CIES prior year comparators

	2020/2021 Original Presentation			2020/2021 As re-stated		
	Gross			Gross		
	Gross Exp £000	Income £000	Net Exp £000	Gross Exp £000	Income £000	Net Exp £000
People & Communities						
Adult Social Care	115,000	(41,116)	73,884	0	0	0
Housing Services	4,743	(3,650)	1,093	0	0	0
Children & Young People	38,326	(5,550)	32,776	0	0	0
Schools Budgets & Grants	57,551	(56,737)	814	0	0	0
<b>Total</b>	<b>215,620</b>	<b>(107,053)</b>	<b>108,567</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Restatement:</b>						
Adult Social Services						
Adult Social Care	0	0	0	115,000	(41,116)	<b>73,884</b>
Housing Services	0	0	0	4,743	(3,650)	<b>1,093</b>
	0	0	0	<b>119,743</b>	<b>(44,766)</b>	<b>74,977</b>
Children's Services						
Children's Services	0	0	0	38,326	(5,550)	<b>32,776</b>
Schools Budgets & Grants	0	0	0	57,551	(56,737)	<b>814</b>
	0	0	0	<b>95,877</b>	<b>(62,287)</b>	<b>33,590</b>
<b>Total</b>				<b>215,620</b>	<b>(107,053)</b>	<b>108,567</b>
<b>Overall impact on Cost of services</b>				<b>0</b>	<b>0</b>	<b>0</b>

## Restatement of Note 10 Expenditure and Funding Analysis prior year comparators

	2020/2021 Original Presentation					
	Net Out-turn Position Reported to Members	Transfers (To) / From Reserves	Reallocation of Overheads, Precepts & Cap Fin	Net Expenditure Chargeable to General Fund Balances	Adj Between Funding & Accounting Basis (Note 10.1)	Net Expenditure in the CI&ES
	£000	£000	£000	£000	£000	£000
People & Communities						
Adult Social Care	82,200	(1,511)	(7,365)	73,324	560	73,884
Housing Services	1,306	(390)	103	1,018	75	1,093
Children & Young People	31,843	(28)	306	32,122	654	32,776
Schools Budgets & Grants	0	(2,614)	0	(2,614)	3,428	814
<b>Total</b>	<b>115,349</b>	<b>(4,543)</b>	<b>(6,957)</b>	<b>103,850</b>	<b>4,717</b>	<b>108,567</b>
<b>Restatement:</b>						
	2020/2021 As restated					
	Net Out-turn Position Reported to Members	Transfers (To) / From Reserves	Reallocation of Overheads, Precepts & Cap Fin	Net Expenditure Chargeable to General Fund Balances	Adj Between Funding & Accounting Basis (Note 10.1)	Net Expenditure in the CI&ES
	£000	£000	£000	£000	£000	£000
Adult Social Services						
Adult Social Care	82,200	(1,511)	(7,365)	73,324	560	<b>73,884</b>
Housing Services	1,306	(390)	103	1,018	75	<b>1,093</b>
	<b>83,506</b>	<b>(1,901)</b>	<b>(7,262)</b>	<b>74,342</b>	<b>635</b>	<b>74,977</b>
Children's Services						
Children's Services	31,843	(28)	306	32,122	654	<b>32,776</b>
Schools Budgets & Grants	0	(2,614)	0	(2,614)	3,428	<b>814</b>
	<b>31,843</b>	<b>(2,642)</b>	<b>306</b>	<b>29,508</b>	<b>4,082</b>	<b>33,590</b>
<b>Total</b>	<b>115,349</b>	<b>(4,543)</b>	<b>(6,957)</b>	<b>103,850</b>	<b>4,717</b>	<b>108,567</b>
<b>Overall impact</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

# Technical Notes, Judgements and Assumptions

## Restatement of Note 10.1 to the Expenditure and Funding Analysis per prior comparators

	2020/2021 Original Presentation			
	Adjustment for Capital Purposes (Note 10.2.1) £000	Net Charge for the Pensions Adj (Note 10.2.2) £000	Other Statutory Adjustments (Note 10.2.3) £000	Total Statutory Adjustments (Note 10) £000
Adult Social Care				
Adult Social Care	75	426	59	560
Housing Services	4	61	10	75
Children & Young People	115	480	59	654
Schools Budgets & Grants	1,359	(1,335)	3,404	3,428
<b>Total</b>	<b>1,553</b>	<b>(368)</b>	<b>3,532</b>	<b>4,717</b>
<b>Restatement:</b>	<b>2020/2021 As re-stated</b>			
	Adjustment for Capital Purposes (Note 10.2.1) £000	Net Charge for the Pensions Adj (Note 10.2.2) £000	Other Statutory Adjustments (Note 10.2.3) £000	Total Statutory Adjustments (Note 10) £000
Adult Social Services				
Adult Social Care	75	426	59	560
Housing Services	4	61	10	75
	<b>79</b>	<b>487</b>	<b>69</b>	<b>635</b>
Childrens Services				
Children's Services	115	480	59	654
Schools Budgets & Grants	1,359	(1,335)	3,404	3,428
	<b>1,474</b>	<b>(855)</b>	<b>3,463</b>	<b>4,082</b>
<b>Total</b>	<b>1,553</b>	<b>(368)</b>	<b>3,532</b>	<b>4,717</b>
<b>Overall impact</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

# Notes to the Movement in Reserves Statement

## 7. Adjustments between accounting basis and funding basis under statutory provisions

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

2021/2022 ADJUSTMENTS	Note	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
<b>Adjustments to Revenue Resources</b>					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):					
Charges for depreciation of non-current assets	9.3	(12,600)	0	0	12,600
Charges for impairment of non-current assets	9.3	(6,331)			6,331
Revaluation losses on Property, Plant and Equipment	9.3	(1,122)	0	0	1,122
Movements in the fair value of Investment Properties	9.3	(410)	0	0	410
Revenue expenditure funded from capital under statute	9.3	(5,517)	0	0	5,517
Net gain or loss on sale or de-recognition of non-current assets and non-current assets held for sale	9.3	(19,584)	0	0	19,584
Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement	9.3	35,746	0	0	(35,746)
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	8.4	4,630	0	(4,630)	0
Financial instruments (transferred to the Financial Instruments	9.1	(50)	0	0	50
Council tax and NDR (transfers to or from Collection Fund Adjustment	9.4	10,812	0	0	(10,812)
Pensions costs (transferred to or from the Pensions Reserve)	9.5	(8,657)	0	0	8,657
Holiday pay (transferred to or from the Accumulated Absences Reserve)	9.1	512	0	0	(512)
Remeasurement of pooled Financial Instruments (transferred to the Pooled Investment Funds Adjustment Account)	9.1	588	0	0	(588)
Dedicated School Grant Deficit	9.6	(6,297)	0	0	6,297
<b>Total Adjustments to Revenue Resources</b>		<b>(8,280)</b>	<b>0</b>	<b>(4,630)</b>	<b>12,910</b>
<b>Adjustments between Revenue and Capital Resources</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	8.3	3,427	(3,427)	0	0
Payments to the Government housing capital receipts pool (funded by a transfer from the Capital Receipts Reserve)	8.3	(5)	5	0	0
Statutory provision for the repayment of debt (MRP) (transfer from the Capital Adjustment Account)	9.3	5,968	0	0	(5,968)
Capital expenditure financed from General Fund revenue balances (transfer from the Capital Adjustment Account)	9.3	1,576	0	0	(1,576)
<b>Total Adjustments between Revenue and Capital Resources</b>		<b>10,966</b>	<b>(3,422)</b>	<b>0</b>	<b>(7,544)</b>
<b>Adjustments to Capital Resources</b>					
Use of the Capital Receipts Reserve to finance capital expenditure	8.3, 9.3	0	2,109	0	(2,109)
Application of capital grants to finance capital expenditure	8.4, 9.3	0	0	1,136	(1,136)
Write down of long term debtor on receipt of loan principal	8.3, 9.3	0	(22)	0	22
Cash receipts in relation to deferred capital receipts	8.3, 9.1	0	(6)	0	6
<b>Total Adjustments to Capital Resources</b>		<b>0</b>	<b>2,081</b>	<b>1,136</b>	<b>(3,217)</b>
<b>TOTAL ADJUSTMENTS</b>		<b>2,686</b>	<b>(1,341)</b>	<b>(3,494)</b>	<b>2,149</b>



## Notes to the Movement in Reserves Statement

2020/2021 ADJUSTMENTS	Note	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
<b>Adjustments to Revenue Resources</b>					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory					
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):					
Charges for depreciation of non-current assets	9.3	(11,661)	0	0	11,661
Charges for impairment of non-current assets	9.3	(9,136)			9,136
Revaluation losses on Property, Plant and Equipment	9.3	(2,762)	0	0	2,762
Movements in the fair value of Investment Properties	9.3	(862)	0	0	862
Revenue expenditure funded from capital under statute	9.3	(4,575)	0	0	4,575
Net gain or loss on sale or de-recognition of non-current assets and non-current assets held for sale	9.3	(7,353)	0	0	7,353
Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement	9.3	32,317	0	0	(32,317)
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	8.4	1,785	0	(1,785)	0
Financial instruments (transferred to the Financial Instruments Adjustments Account)	9.1	295	0	0	(295)
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	9.4	(14,919)	0	0	14,919
Pensions costs (transferred to or from the Pensions Reserve)	9.5	(6,377)	0	0	6,377
Reserve)	9.1	(369)	0	0	369
Remeasurement of pooled Financial Instruments (transferred to the Pooled Investment Funds Adjustment Account)	9.1	405	0	0	(405)
Dedicated School Grant Deficit	9.6	(3,303)	0	0	3,303
<b>Total Adjustments to Revenue Resources</b>		<b>(26,515)</b>	<b>0</b>	<b>(1,785)</b>	<b>28,300</b>
<b>Adjustments between Revenue and Capital Resources</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve					
Payments to the Government housing capital receipts pool (funded by a transfer from the Capital Receipts Reserve)	8.3	2,511	(2,511)	0	0
Statutory provision for the repayment of debt (MRP) (transfer from the Capital Adjustment Account)	8.3	(7)	7	0	0
Capital expenditure financed from General Fund revenue balances (transfer from the Capital Adjustment Account)	9.3	5,764	0	0	(5,764)
	9.3	3,714	0	0	(3,714)
<b>Total Adjustments between Revenue and Capital Resources</b>		<b>11,982</b>	<b>(2,504)</b>	<b>0</b>	<b>(9,478)</b>
<b>Adjustments to Capital Resources</b>					
Use of the Capital Receipts Reserve to finance capital expenditure					
Application of capital grants to finance capital expenditure	9.3	0	2,433	0	(2,433)
Write down of long term debtor on receipt of loan principal	8.4,	0	0	141	(141)
Cash receipts in relation to deferred capital receipts	8.3,	0	(20)	0	20
	9.1	0	(10)	0	10
<b>Total Adjustments to Capital Resources</b>		<b>0</b>	<b>2,403</b>	<b>141</b>	<b>(2,544)</b>
<b>TOTAL ADJUSTMENTS</b>		<b>(14,533)</b>	<b>(101)</b>	<b>(1,644)</b>	<b>16,278</b>

# Notes to the Movement in Reserves Statement

## 8. Usable Reserves

### 8.1. Summary of Usable Reserves

Movements in the authority's usable reserves are detailed in the Movement in Reserves Statement. The Council's usable reserves are those which can be applied to fund expenditure or reduce local taxation, along with other ring-fenced reserves.

	Balance 1 April 2021 £000	Net Movement in Year £000	Balance 31 March 2022 £000	Further Details
General Fund Balance	(9,053)	(691)	<b>(9,744)</b>	
Earmarked Reserves - School Balances (re-stated)				
- LMS Schools	(2,325)	(676)	<b>(3,001)</b>	
- Other Schools Balances	(334)	(53)	<b>(387)</b>	
Other Earmarked Revenue and Capital Reserves	(72,813)	(12,942)	<b>(85,755)</b>	Note 8.2
<b>Total General Fund and Earmarked Reserves</b>	<b>(84,525)</b>	<b>(14,362)</b>	<b>(98,887)</b>	Note 10
Usable Capital Financing Reserves				
- Capital Receipts Reserve	(12,129)	(1,342)	<b>(13,471)</b>	Note 8.3
- Capital Grants Unapplied	(4,690)	(3,494)	<b>(8,184)</b>	Note 8.4
<b>Total Usable Capital Financing Reserves</b>	<b>(16,819)</b>	<b>(4,836)</b>	<b>(21,655)</b>	
<b>Total Usable Reserves</b>	<b>(101,344)</b>	<b>(19,198)</b>	<b>(120,542)</b>	

### General Fund Balance

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

### Earmarked Reserves – Schools Balances

School reserves relate to balances held by schools under the system of delegation of management responsibility and budgets to schools.

A deficit balance relating to Dedicated Schools Grant funding is carried forward in an Unusable reserve (see Note 9) under a statutory override until at least 2023/24. This deficit will be recovered from future DSG settlements, rather than from wider General Fund balances - see Note 15.

### 8.2. Other Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in non-schools earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure.

## Notes to the Movement in Reserves Statement

	Balance 31 March 2020 £000	Transfers between Reserves £000	Transfers Out £000	Transfers In £000	Balance 31 March 2021 £000	Transfers between Reserves £000	Transfers Out £000	Transfers In £000	Balance 31 March 2022 £000
<b>Earmarked Revenue Reserves (Non-schools)</b>									
Insurance Reserves	(2,897)	0	0	(11)	(2,908)	0	744	0	(2,164)
Severance Reserves	(1,250)	0	0	(5)	(1,255)	0	0	(34)	(1,289)
Transformation Reserves	(991)	236	80	(2,811)	(3,486)	1,147	0	0	(2,339)
Economic & Regeneration Reserve	(987)	(1)	75	(1,255)	(2,168)	(129)	1,020	(423)	(1,700)
City-Deal Smoothing Reserve	(4,332)	0	4,331	(5,327)	(5,328)	0	5,327	(5,891)	(5,892)
Financial Risk Reserve	(3,184)	570	1,429	(35)	(1,220)	194	0	(1,770)	(2,796)
Collection Fund Smoothing Reserve	(1,385)	0	2,283	(17,007)	(16,109)	0	15,048	(8,968)	(10,029)
Covid Response Funding Reserve	(5,911)	0	5,911	(860)	(860)	0	0	(3,644)	(4,504)
Healthier Together Matched Funding Grant	0	0	0	0	0	0	0	(2,472)	(2,472)
Other Corporate reserves	(250)	0	250	(540)	(540)	(50)	527	(430)	(493)
Departmental reserves:									
Adult Social Services	(1,113)	(129)	160	(2,014)	(3,096)	0	383	(6,271)	(8,984)
Children's Services	(1,868)	(140)	701	(734)	(2,041)	45	389	(1,276)	(2,883)
Public Health & Regulatory Services	(416)	(37)	1	(430)	(882)	(450)	5	(4,399)	(5,726)
Place	(3,588)	(892)	2,340	(10,908)	(13,048)	(1,139)	5,511	(4,415)	(13,091)
Corporate Services	(3,550)	393	387	(1,436)	(4,206)	381	450	(1,958)	(5,333)
Housing Property Funds	(900)	0	0	(72)	(972)	0	0	(88)	(1,060)
Earmarked Deposits & Contributions	(7,638)	0	1,497	(2,354)	(8,495)	733	811	(734)	(7,685)
<b>Total Non- Schools Earmarked Revenue Reserves</b>	<b>(40,260)</b>	<b>0</b>	<b>19,445</b>	<b>(45,799)</b>	<b>(66,614)</b>	<b>732</b>	<b>30,215</b>	<b>(42,773)</b>	<b>(78,440)</b>
<b>Earmarked Capital Reserves</b>									
General Capital Reserves	(2,730)	0	0	0	(2,730)	0	0	0	(2,730)
Earmarked Capital Reserves	(1,155)	0	300	(2,614)	(3,469)	(733)	282	(665)	(4,585)
<b>Total Earmarked Capital Reserves</b>	<b>(3,885)</b>	<b>0</b>	<b>300</b>	<b>(2,614)</b>	<b>(6,199)</b>	<b>(733)</b>	<b>282</b>	<b>(665)</b>	<b>(7,315)</b>
<b>Total Earmarked Revenue and Capital Reserves</b>	<b>(44,145)</b>	<b>0</b>	<b>19,745</b>	<b>(48,413)</b>	<b>(72,813)</b>	<b>(1)</b>	<b>30,497</b>	<b>(43,438)</b>	<b>(85,755)</b>

The purpose of each of the above reserves is as follows:

Reserve	Purpose
Insurance Reserve	Resources set-aside to fund uninsured risks and losses; movements in claim values; and claims which may have occurred but have not yet been reported to the Council.
Severance Reserve	To fund severance costs anticipated in future years.
Transformation Reserves	Resources set-aside to fund the one-off investment costs of Transformation programmes and initiatives which will improve service delivery and realise financial benefits in future years.
Economic & Regeneration Reserves	Resources identified to fund potential investment in areas which could stimulate, enhance or yield future economic and financial benefit for the area, together with funding set-aside for the Driving Growth Board programme.
City Deal Smoothing Reserve	Reserve to smooth the financial impact of transactions associated with the City Region Deal arrangement. Balances largely relate to cash contributed by the Council which is yet to be committed by the Pool.

## Notes to the Movement in Reserves Statement

Financial Risk Reserve	Resources set-aside to finance strategic risks and to fund one-off invest-to-save proposals or key priorities identified within the Corporate or Medium-Term Financial Plans.
Collection Fund Smoothing Reserve	Resources set-aside to smooth the impact on the Council's revenue budget for taxpayers.
Covid Response Funding Reserve	Funding received from Central Government relating to the emergency Covid-19 response before the year end, to be applied in the new financial year.
Healthier Together Matched Funding Grant	Monies received from the Clinical Commissioning Group to provide match funding against the Council's resource for projects aimed at improving the health of residents within North Somerset.
Adult Social Services	Resources set-aside to fund a range of additional project related costs within Adult Social Care, such as the Discharge to Assess programme and ongoing Covid-19 support to Social Care providers. Also includes funds set aside to improve services for the homeless and rough sleepers.
Children's Services	Includes funds set aside to achieve specific Improvement related outcomes following the implementation and delivery of a range of projects; for example, enhancements to systems, additional staffing resources within the Special Educational Needs and Disabilities team, family support and safeguarding, specialist provision and family well-being.
Public Health & Regulatory Services	Funds set aside to enable the Council to discharge its core public health statutory responsibilities as well as funding for regulatory services, which includes a replacement ICT system. Some legacy Covid funding is included within the year-end balance.
Place	Funds set aside to finance specific Council investment in service provision to benefit the community such as Highways and Community Reassurance programmes. Monies received from unconditional grants such as; LSTF Public Transport, Lead Local Flood, Local Development Orders and Damaged Road grants. Monies also set-aside for planned future costs including major planning appeals and strategic projects.
Corporate Services – Including Partnership Funds	Includes funds set aside to provide additional capacity or external resources across the directorate to deliver transformational change, as well as to fund future service improvements and mitigate a range of risks managed by the directorate.  Partnership funds are those held under the Council's role as an accountable body.
Housing Property Funds	Reflects monies held in sinking funds to be used for repairs on leasehold properties.
Earmarked Deposits and Contributions	Monies held by the Council to fund future costs arising from development activity.
General Capital Reserve	A general reserve available to finance approved capital expenditure.
Earmarked Capital Reserve	Specific capital reserves earmarked for use in delivery of approved capital investment projects.

## Notes to the Movement in Reserves Statement

### 8.3. 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 capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

	Note	2020/21 £000	2021/22 £000
Balance brought forward - 1 April		(12,029)	<b>(12,130)</b>
Transfer of cash sale proceeds credited as part of the gain/loss on disposal of non-current assets to the Comprehensive Income and Expenditure Statement	7	(2,511)	<b>(3,427)</b>
Financing payment to the Government Housing Capital Receipts Pool	7	7	<b>5</b>
Use of Capital Receipts to finance new capital expenditure	7, 9.3	2,433	<b>2,109</b>
Transfer from the Capital Adjustment Account to reflect repayment of long-term debtor	7, 9.3	(20)	<b>(22)</b>
Transfer from Deferred Capital Receipts Reserve	7, 9.1	(10)	<b>(6)</b>
<b>Balance carried forward - 31 March</b>		<b>(12,130)</b>	<b>(13,471)</b>

### 8.4. Capital Grants Unapplied

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

	Note	2020/21			2021/22		
		CIL £000	Other £000	Total £000	CIL £000	Other £000	Total £000
Balance brought forward - 1 April		(1,618)	(1,429)	(3,046)	(2,242)	(2,448)	<b>(4,690)</b>
Transfer to Capital Adjustment Account to finance capital spend	7, 9.3	114	27	141	250	886	<b>1,136</b>
Capital Grants and Contributions unapplied, credited to the Comprehensive Income and Expenditure	7	(738)	(1,047)	(1,785)	(2,874)	(1,756)	<b>(4,630)</b>
<b>Balance carried forward - 31 March</b>		<b>(2,242)</b>	<b>(2,448)</b>	<b>(4,690)</b>	<b>(4,866)</b>	<b>(3,318)</b>	<b>(8,184)</b>

## Notes to the Movement in Reserves Statement

### 9. Unusable Reserves

#### 9.1. Summary of Unusable Reserves

	Balance 1 April 2021 £000	Net Movement in Year £000	Balance 31 March 2022 £000	Note
Revaluation Reserve	(92,270)	809	<b>(91,461)</b>	9.2
Capital Adjustment Account	(152,057)	(10,925)	<b>(162,982)</b>	9.3
Collection Fund Adjustment Account	15,358	(10,811)	<b>4,547</b>	9.4
Pensions Reserve	298,881	(32,895)	<b>265,986</b>	9.5
Dedicated Schools Grant Adjustment Account	7,150	6,297	<b>13,447</b>	9.6
Financial Instruments Adjustment Account	110	50	<b>160</b>	
Accumulated Absences Account	1,645	(512)	<b>1,133</b>	
Deferred Capital Receipts Reserve	(59)	6	<b>(53)</b>	
Pooled Investment Funds Adjustment Account	545	(588)	<b>(43)</b>	
<b>Total Unusable Reserves</b>	<b>79,303</b>	<b>(48,569)</b>	<b>30,734</b>	

#### 9.2. Revaluation Reserve

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

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised

	2020/21 £000	2021/22 £000
Balance brought forward - 1 April	(73,712)	<b>(92,271)</b>
Upward revaluation of assets	(30,330)	<b>(11,749)</b>
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	6,980	<b>2,583</b>
<b>Surplus / deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	(23,350)	<b>(9,166)</b>
Difference between fair value depreciation and historical cost depreciation	2,094	<b>2,815</b>
Accumulated gains written out on assets sold or scrapped	2,697	<b>7,161</b>
<b>Amount written off to the Capital Adjustment Account (Note 9.3)</b>	4,791	<b>9,976</b>
<b>Balance carried forward - 31 March</b>	<b>(92,271)</b>	<b>(91,461)</b>

## Notes to the Movement in Reserves Statement

### 9.3. 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.

	<i>Note</i>	2020/21 £000	2021/22 £000
Balance brought forward - 1 April		(139,266)	<b>(152,057)</b>
<u>Reversal of Items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement</u>			
Charges for Depreciation of Non Current Assets	7	11,661	<b>12,600</b>
Charges for Impairment of Non Current Assets	7	9,136	<b>6,331</b>
Revaluations Losses on Property, Plant and Equipment	7	2,762	<b>1,122</b>
Movements in the Market Value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	7	862	<b>410</b>
Revenue Expenditure Financed by Capital Under Statute	7	4,575	<b>5,517</b>
Amounts of non-current assets written off on disposal or sale as part of the Gain or Loss on Disposal to the Comprehensive Income and Expenditure Statement	7	7,353	<b>19,584</b>
		<u>36,349</u>	<u><b>45,564</b></u>
<u>Amounts transferred from the Revaluation Reserve</u>			
Difference between fair value depreciation and historical cost depreciation	9.2	(2,094)	<b>(2,815)</b>
Accumulated gains written out on disposal or sale of non-current assets	9.2	(2,697)	<b>(7,161)</b>
		<u>(4,791)</u>	<u><b>(9,976)</b></u>
<b>Net amount written out of the cost of non-current assets consumed in the year</b>		<u>31,558</u>	<u><b>35,588</b></u>
<u>Amounts transferred to the Capital Receipts Reserve</u>			
Write down of long-term debtor	7, 8.3	20	<b>22</b>
		<u>20</u>	<u><b>22</b></u>
<u>Capital Financing Applied in the year</u>			
Capital Grants and Contributions credited to the Comprehensive Income and	7	(32,317)	<b>(35,746)</b>
Use of Capital Receipts Reserve to finance new capital expenditure	7, 8.3	(2,433)	<b>(2,109)</b>
Application of Grants and Contributions to capital financing from the Capital Grants Unapplied Account	7, 8.4	(141)	<b>(1,136)</b>
Statutory provision for the financing of capital investment charged against the General Fund Balance	7	(5,764)	<b>(5,968)</b>
Capital expenditure charged against the General Fund Balance	7	(3,714)	<b>(1,576)</b>
		<u>(44,369)</u>	<u><b>(46,535)</b></u>
<b>Balance carried forward - 31 March</b>		<u>(152,057)</u>	<u><b>(162,982)</b></u>

### 9.4. Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of the Council's share of both council tax and business rate income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	<i>Note</i>	2020/21 £000	2021/22 £000
Balance brought forward - 1 April		439	<b>15,358</b>
Amount by which income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements:			
- Council Tax		819	<b>(883)</b>
- Business Rates		13,516	<b>(9,739)</b>
- Business Rates: Disregarded Amount		584	<b>(189)</b>
	7	<u>14,919</u>	<u><b>(10,811)</b></u>
<b>Balance carried forward - 31 March</b>		<u>15,358</u>	<u><b>4,547</b></u>

## Notes to the Movement in Reserves Statement

### 9.5. 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 amounts shown below bring together adjustments for the Local Government Pension Scheme and Unfunded Teachers' Discretionary Benefits (Teacher's)(see Note 35.1).

	2020/21			2021/22		
	LGPS £000	Teachers' £000	Total £000	LGPS £000	Teachers' £000	Total £000
Balance brought forward - 1 April	246,833	21,402	268,235	<b>277,298</b>	<b>21,582</b>	<b>298,880</b>
Remeasurements of the net defined benefit liability:						
- Return on plan assets (Gains) / Losses	(62,143)	0	(62,143)	<b>(37,872)</b>	<b>0</b>	<b>(37,872)</b>
- Experience (Gains) / Losses	(14,901)	(337)	(15,238)	<b>2,098</b>	<b>60</b>	<b>2,158</b>
- (Gains) / Losses on financial assumptions	99,964	1,685	101,649	<b>(12)</b>	<b>186</b>	<b>174</b>
- (Gains) / Losses on demographic assumptions	0	0	0	<b>(5,806)</b>	<b>(205)</b>	<b>(6,011)</b>
Total Remeasurements of the net defined benefit liability	22,920	1,348	24,268	<b>(41,592)</b>	<b>41</b>	<b>(41,551)</b>
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	18,365	494	18,859	<b>21,032</b>	<b>437</b>	<b>21,469</b>
Employer's pensions contributions and direct payments to pensioners payable in the year	(10,820)	(1,662)	(12,482)	<b>(11,220)</b>	<b>(1,592)</b>	<b>(12,812)</b>
Amounts by which Pension costs charged to the Comprehensive Income Statement is different from that chargeable in accordance with statutory requirements	7,545	(1,168)	6,377	<b>9,812</b>	<b>(1,155)</b>	<b>8,657</b>
<b>Balance carried forward - 31 March</b>	<b>277,298</b>	<b>21,582</b>	<b>298,880</b>	<b>245,518</b>	<b>20,468</b>	<b>265,986</b>

### 9.6. Dedicated Schools Grant Adjustment Account

The Dedicated Schools Grant Adjustment Account holds movements on the accumulated DSG Deficit. Under statutory arrangements movements on the accumulated DSG Deficit are not charged against the General Fund.

	Note	2020/21 £000	2021/22 £000
Balance brought forward - 1 April		0	<b>7,150</b>
Re-statement of opening balance		3,847	<b>0</b>
Amount by which the Dedicated schools grant deficit for the year charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from deficit chargeable in the year in accordance with statutory requirements	7, 15	3,303	<b>6,297</b>
<b>Balance carried forward - 31 March</b>		<b>7,150</b>	<b>13,447</b>



# Notes to the Comprehensive Income and Expenditure Statement

## 10. Expenditure and Funding Analysis

	Note	2021/2022					
		Net Out-turn Position Reported to Members £000	Transfers (To) / From Reserves £000	Reallocation of Overheads, Precepts & Capital Financing £000	Net Expenditure Chargeable to General Fund Balances £000	Adj Between Funding & Accounting Basis (Note 10.1) £000	Net Expenditure in the CI&ES £000
Adult Social Services							
Adult Social Care		67,927	(8,320)	0	59,607	903	60,510
Housing Services		378	(253)	0	125	722	847
		<b>68,305</b>	<b>(8,573)</b>	<b>0</b>	<b>59,732</b>	<b>1,625</b>	<b>61,357</b>
Children's Services							
Children's Services		26,174	(920)	0	25,254	1,589	26,843
Schools Budgets & Grants		0	(887)	0	(887)	12,803	11,916
		<b>26,174</b>	<b>(1,807)</b>	<b>0</b>	<b>24,367</b>	<b>14,392</b>	<b>38,759</b>
Place		31,405	3,578	0	34,983	17,638	52,621
Corporate Services		24,177	175	0	24,352	(1,256)	23,096
Public Health & Regulatory services		871	(4,924)	0	(4,053)	288	(3,765)
Non Service		15,822	(9,382)	(6,399)	41	(40)	1
Capital Financing & Interest		10,669	(385)	(10,284)	0	0	0
<b>Net Cost of Services</b>	<i>CIES</i>	<b>177,423</b>	<b>(21,318)</b>	<b>(16,683)</b>	<b>139,422</b>	<b>32,647</b>	<b>172,069</b>
Other Income and Expenditure		(177,423)	6,955	16,683	(153,785)	(35,334)	(189,119)
<b>(Surplus) / Deficit on Provision of Services</b>	<i>CIES</i>	<b>(0)</b>	<b>(14,363)</b>	<b>0</b>	<b>(14,363)</b>	<b>(2,687)</b>	<b>(17,050)</b>

## Notes to the Comprehensive Income and Expenditure Statement

	Note	2020/2021 As re-stated					
		Net Out-turn Position	Transfers (To) / From	Reallocation of	Net Expenditure	Adj Between Funding	Net Expenditure in
		Reported to Members £000	Reserves £000	Overheads, Precepts & Capital Financing £000	Chargeable to General Fund Balances £000	& Accounting Basis (Note 10.1) £000	the CI&ES £000
Adults Services							
Adult Social Care		82,200	(1,511)	(7,365)	73,324	560	73,884
Housing Services		1,306	(390)	103	1,018	75	1,093
		83,506	(1,901)	(7,262)	74,342	635	74,977
Childrens Services							
Children & Young People		31,843	(28)	306	32,122	654	32,776
Schools Budgets & Grants		0	(2,614)	0	(2,614)	3,428	814
		31,843	(2,642)	306	29,508	4,082	33,590
Place		49,568	(7,230)	(8,879)	33,460	17,978	51,438
Corporate Services		8,766	85	(3,248)	5,603	1,215	6,818
Public Health & Regulatory services		1,626	(428)	(934)	263	135	398
Non Service		15,066	(8,396)	(6,328)	342	0	342
Capital Financing & Interest		10,320	(650)	(9,670)	0	0	0
<b>Net Cost of Services</b>	<i>CIES</i>	200,695	(21,162)	(36,016)	143,518	24,045	167,563
Other Income and Expenditure		(200,695)	(8,908)	36,016	(173,588)	(9,512)	(183,100)
<b>(Surplus) / Deficit on Provision of Services</b>	<i>CIES</i>	(0)	(30,070)	(0)	(30,070)	14,533	(15,537)

		2020/2021			2021/2022		
		General Fund	GF Earmarked	Total GF and	General Fund	GF Earmarked	Total GF and
		Reserves	Reserves	Earmarked	Reserves	Reserves	Earmarked
		£000	£000	£000	£000	£000	£000
Opening Balance at 1 April		(9,053)	(41,555)	(50,608)	(9,053)	(75,472)	(84,525)
Re-statement of DSG earmarked reserve		0	(3,847)	(3,847)	0	0	0
Revised Opening balance at 1 April		(9,053)	(45,402)	(54,455)	(9,053)	(75,472)	(84,525)
Net movement in year		0	(30,070)	(30,070)	(691)	(13,671)	(14,362)
<b>Closing Balance at 31 March</b>	<i>8.1</i>	(9,053)	(75,472)	(84,525)	(9,744)	(89,143)	(98,887)

## Notes to the Comprehensive Income and Expenditure Statement

### 10.1. Note to the Expenditure and Funding Analysis - Adjustments Between Funding and Accounting Basis

	Note	2020/2021 As re-stated				2021/2022			
		Adjustment for Capital Purposes (Note 10.2.1) £000	Net Charge for the Pensions Adj (Note 10.2.2) £000	Other Statutory Adjustments (Note 10.2.3) £000	Total Statutory Adjustments (Note 10) £000	Adjustment for Capital Purposes (Note 10.2.1) £000	Net Charge for the Pensions Adj (Note 10.2.2) £000	Other Statutory Adjustments (Note 10.2.3) £000	Total Statutory Adjustments (Note 10) £000
Adult Social Services									
Adult Social Care		75	426	59	560	(191)	1,176	(82)	903
Housing Services		4	61	10	75	569	167	(14)	722
		79	487	69	635	378	1,343	(96)	1,625
Children's Services									
Children's Services		115	480	59	654	265	1,413	(89)	1,589
Schools Budgets & Grants		1,359	(1,335)	3,404	3,428	7,354	(703)	6,152	12,803
		1,474	(855)	3,463	4,082	7,619	710	6,063	14,392
Place		17,476	458	44	17,978	16,034	1,646	(42)	17,638
Corporate Services		1,463	(309)	61	1,215	591	(1,724)	(123)	(1,256)
Public Health & Regulatory services		0	100	35	135	(15)	319	(16)	288
Non Service		0	0	0	0	(40)	0	0	(40)
<b>Net Cost of Services</b>		20,492	(119)	3,672	24,045	24,567	2,294	5,786	32,647
Other Income and Expenditure from		(30,227)	6,496	14,219	(9,512)	(30,347)	6,363	(11,350)	(35,334)
<b>Difference Between the General Fund (Surplus) / Deficit and the Comprehensive Income and Expenditure (Surplus) / Deficit on Provision of Services</b>	10	(9,735)	6,377	17,891	14,533	(5,780)	8,657	(5,564)	(2,687)

# Notes to the Comprehensive Income and Expenditure Statement

## 10.2. Other Expenditure and Funding Analysis Notes

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

### 10.2.1. 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. the 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.

### 10.2.2. Net Charge for the Pensions Adjustments

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

- **Cost of services** - this represents the removal of the employer pension contributions made by the authority as allowed by statute, and their replacement with current service costs and past service costs.
- **Other Income and Expenditure** - Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

### 10.2.3. Other Statutory Adjustments

Other statutory adjustments between amounts debited or credited to the Comprehensive Income and Expenditure Statement and amount payable or receivable to be recognised under statute:

- **Cost of services** - the 'Other Statutory Adjustments' column recognises adjustments to the General Fund for the timing differences re accumulated absences
- **Other income and expenditure**, including:
  - For Financing and investment income and expenditure, the 'Other Statutory Adjustments' column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
  - The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations

## Notes to the Comprehensive Income and Expenditure Statement

for council tax and NDR that was projected to be received at the start of the year, and the income recognised under generally accepted accounting practices in the Code. This is a timing difference, as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

### 11. Other Operating Expenditure

	2020/21 £000	2021/22 £000
Parish Council precepts	6,040	<b>6,105</b>
Other precepts and levies	288	<b>293</b>
(Gains) / losses on the disposal of non-current assets	4,842	<b>11,568</b>
Council Tax Support hardship expenditure	1,402	<b>70</b>
<b>Total</b>	<b>12,572</b>	<b>18,036</b>

### 12. Financing and Investment Income and Expenditure

	2020/21 £000	2021/22 £000
Interest payable and similar charges	5,649	<b>6,136</b>
Impairment losses re financial instruments	(11)	<b>19</b>
Net interest on net defined benefit pension liability & administration expense	6,496	<b>6,363</b>
Interest receivable and similar income	(2,567)	<b>(2,758)</b>
Changes in the fair value of investment property	862	<b>410</b>
<b>Total</b>	<b>10,429</b>	<b>10,170</b>

### 13. Taxation and Non-Specific Grant Income

	2020/21 £000	2021/22 £000
Council Tax Income	(117,088)	<b>(124,451)</b>
Business Rate Income	(17,095)	<b>(27,095)</b>
	<b>(134,183)</b>	<b>(151,546)</b>
Non-ringfenced government grants:		
Revenue Support Grant	(2,167)	<b>(2,179)</b>
New Homes Bonus Grant	(1,771)	<b>(1,382)</b>
Section 31 Grants re Business Rates and Council Tax	(24,513)	<b>(15,380)</b>
Adult Social Care Grants	(5,101)	<b>(5,807)</b>
Covid-19 Response Grant	(8,697)	<b>(4,975)</b>
	<b>(42,249)</b>	<b>(29,723)</b>
Capital grants and contributions	(29,668)	<b>(36,056)</b>
	<b>(71,917)</b>	<b>(65,779)</b>
<b>Total</b>	<b>(206,100)</b>	<b>(217,325)</b>

### 14. Grant Income

The following grants and contributions were credited to the Comprehensive Income and Expenditure Statement: Grants and contributions credited to services are not separately disclosed on the face of the Comprehensive Statement of Income and Expenditure (CIES), while Non-specific grants and Capital contributions are included in Note 13. The total of Note 13 is subsequently included on the face of the CIES.

## Notes to the Comprehensive Income and Expenditure Statement

	2020/21 Total Grants & Cont'ns £000	2021/22			
		Government Revenue Grants £000	Capital Grants £000	Other Grants & Cont'ns £000	Total Grants & Cont'ns £000
<b>Credited to Services</b>					
Adult Social Services					
NHS NS CCG Better Care Fund	(5,633)	0	0	(6,103)	<b>(6,103)</b>
NHS NS CCG Section 256 Agreement	0	0	0	(8,436)	<b>(8,436)</b>
Improved Better Care Fund	(5,857)	(6,780)	0	0	<b>(6,780)</b>
Covid-19 Infection Control Funding	(6,914)	(5,757)	0	0	<b>(5,757)</b>
Other Adult Social Care Services Grants & Contributions	(6,395)	(2,242)	(642)	(4,821)	<b>(7,705)</b>
Housing Services Grants & Contributions	(2,661)	(1,289)	(1,761)	(229)	<b>(3,279)</b>
Children's Services					
Other Children's & Education Services Grants & Contributions	(4,590)	(2,917)	0	(2,976)	<b>(5,893)</b>
Public Health Services Grants	(10,633)	(17,331)	0	(252)	<b>(17,583)</b>
Schools budgets and grants					
Dedicated Schools Grant	(49,052)	(47,973)	0	0	<b>(47,973)</b>
Pupil Premium Grant	(1,004)	(878)	0	0	<b>(878)</b>
Teachers Pay Grant	(848)	0	0	0	<b>0</b>
Universal Infant Free School Meals	(449)	(364)	0	0	<b>(364)</b>
Other Schools & Education Services Grants & Contributions	(4,568)	(818)	(520)	(734)	<b>(2,071)</b>
Corporate Services					
Housing Benefit Subsidy	(43,435)	(40,170)	0	0	<b>(40,170)</b>
Housing Benefit Subsidy Administration	(562)	(513)	0	0	<b>(513)</b>
Other Corporate Services Grants & Contributions	(3,159)	(2,254)	0	(653)	<b>(2,907)</b>
Place					
Covid-19 Discretionary Business Grants	(8,547)	(1,922)	0	0	<b>(1,922)</b>
Other Development & Environment Services Grants & Contributions	(7,302)	(2,170)	(1,398)	(4,771)	<b>(8,339)</b>
Non Service	(1,846)	(287)	0	(1,238)	<b>(1,525)</b>
<b>Total grants and contributions credited to Services</b>	<b>(163,453)</b>	<b>(133,662)</b>	<b>(4,320)</b>	<b>(30,213)</b>	<b>(168,195)</b>
<b>Non-specific Grants and Capital Contributions (Note 13)</b>					
Non-ringfenced grants and contributions	(42,249)	(29,723)	0	0	<b>(29,723)</b>
Capital grants and contributions	(29,668)	0	(36,056)	0	<b>(36,056)</b>
	<b>(71,918)</b>	<b>(29,723)</b>	<b>(36,056)</b>	<b>0</b>	<b>(65,779)</b>
<b>Total grants and contributions</b>	<b>(235,371)</b>	<b>(163,385)</b>	<b>(40,376)</b>	<b>(30,213)</b>	<b>(233,974)</b>

The Council has received capital grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the provider should those conditions not be met. The balances held as Capital grants and contributions Receipts in Advance at the year-end are as follows:

## Notes to the Comprehensive Income and Expenditure Statement

	2020/21 £000	2021/22 £000
Local Transport Plan Grant	(1,720)	<b>(1,533)</b>
Early Years Child Care Grant	(99)	<b>(99)</b>
Basic Need Education Grant	(25,251)	<b>(24,946)</b>
Capital Maintenance Education Grant	(797)	<b>(919)</b>
Other Grants	(11,720)	<b>(13,395)</b>
<b>Total Capital Grants Received in Advance</b>	<b>(39,587)</b>	<b>(40,892)</b>
MOD contribution re Winterstoke Bridge	(10,833)	<b>(9,795)</b>
<b>Total Capital Contributions Received in Advance</b>	<b>(10,833)</b>	<b>(9,795)</b>
<b>Total Capital Grants and Contributions Received in Advance</b>	<b>(50,420)</b>	<b>(50,687)</b>
NHS Section 256 Integrated Care Funding	(4,840)	<b>0</b>
Covid-19 Grant Funding	(1,613)	<b>0</b>
Covid-19 Contain Outbreak Management Funding	(4,723)	<b>0</b>
Other grants	(615)	<b>(4,296)</b>
<b>Total Revenue Grants Received in Advance</b>	<b>(11,791)</b>	<b>(4,296)</b>

### 15. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2018. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG for 2021/22 and the balances carried forward at the year-end are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2021/22 before academy and high needs recoupment			<b>(182,605)</b>
Academy and high needs figure recouped for 2021/22			<b>133,015</b>
<b>Total DSG after academy and high needs recoupment for 2021/22</b>			<b>(49,590)</b>
In year adjustments			<b>1,617</b>
<b>Agreed budgeted / Final budget distribution for 2021/22</b>	<b>(23,606)</b>	<b>(24,367)</b>	<b>(47,973)</b>
Actual central expenditure	30,378	0	<b>30,378</b>
Actual ISB deployed to schools	0	23,892	<b>23,892</b>
<b>(Surplus) / Deficit Carried Forward to 2022/23</b>	<b>6,772</b>	<b>(475)</b>	<b>6,297</b>
DSG unusable reserve at the end of 2020/21 (Surplus) / Deficit			<b>7,150</b>
Addition to DSG unusable reserve at the end of 2021/22 (Surplus) / Deficit			<b>6,297</b>
<b>Total of DSG unusable reserve at the end of 2021/22 (Surplus) / Deficit</b>			<b>13,447</b>
<b>Net DSG position at the end of 2021/22 (Surplus) / Deficit (Note 9.6)</b>			<b>13,447</b>

## Notes to the Comprehensive Income and Expenditure Statement

The Department for Levelling Up, Housing and Communities (DLUHC) has made regulations regarding the accounting treatment of DSG deficits, which affect the financial years beginning on 1 April 2020, 1 April 2021 and 1 April 2022.

In line with this guidance, the Council has not charged the on-going DSG deficit to the General Fund, and has instead charged the deficit to an unusable reserve, the Dedicated Schools Grant Adjustment Account, see Note 9.6.

The final DSG for 2021/22 before the academy recoupment figure includes a provision for the early years block. The final allocation for the 2021/22 early years block will be made in July 2022. The basis of this allocation is still under discussion. Any adjustments are to be treated as an 'in year adjustment' to the 2022/23 DSG allocation.

The deficit on the DSG has increased from £7.150m at 31 March 2021 to £13.447m at 31 March 2022 due to the continued and significant increased spending pressures in the High Needs Block, relating to children with Special Educational Needs and Disabilities (SEND). For example, the number of children with an Education and Health Care Plan (EHCP) has increased by around 108% between 2016 and 2021, and 23% increase in the last year. Increasing DSG deficits are a national issue. A national review of SEND is ongoing, with a Green Paper recently published.

Whilst the local Strategic Schools Forum (SSF) has continued to commit to contributing to the spending in the High Needs Block by transferring funding from the Schools Block of the DSG, government policy limits this amount. Movements from the Schools block to the High Needs block have been restricted to 0.5% (£675k) in 2021/22. As a result, and despite additional funding from Central Government, due to the unprecedented levels of demand for specialist provision the deficit is not yet decreasing. The Council has plans to address the deficit by providing more local specialist provision (rather than relying on more expensive out of area provision), increasing early intervention and prevention, and improving commissioning arrangements. This should have a material impact on the in-year deficit by 2023/24.

Officers discussed the Council's deficit management plan the Department for Education in July 2020, and again in September 2021. The Department raised no concerns about the Council's approach, although they are keen to monitor progress against the five key themes of our SEND Improvement Plan, which are as follows:

- Identifying SEND earlier
- Supporting increased inclusion in mainstream schools
- Early Help - right support, right time, right place
- Developing local provision
- Evaluating outcomes and improving the value of high-cost placements
- and for the Council to quantify the likely positive impact on the DSG deficit.

On 17 February 2022, the Council received notification that it is invited to take part in the "safety valve" intervention programme with the DfE in the second half of 2022/23. The aim of the programme is to agree a package of reforms to the high needs system to address the DSG deficit. The programme requires local authorities to develop substantial plans for reforms, with support and challenge from the DfE, to place the DSG and the high needs system as a whole on a sustainable footing. In return, it is likely that the DfE will make a significant contribution towards the historic deficit.



# Notes to the Comprehensive Income and Expenditure Statement

## 16. Income and expenditure

### 16.1. Expenditure and Income Analysed by Nature

	2020/21 £000	2021/22 £000
<b>Expenditure</b>		
Employee Benefits Expenses	78,484	<b>84,296</b>
Other Services Expenses	286,358	<b>281,613</b>
Depreciation, Amortisation and Impairment	24,015	<b>19,874</b>
Interest paid	7,420	<b>8,401</b>
Precepts and Levies	6,889	<b>6,974</b>
Payments to the Housing Capital Receipts Pool	0	<b>0</b>
(Gains) / losses on the disposal of non-current assets	4,832	<b>16,150</b>
Revenue Expenditure Financed by Capital Under Statute	4,575	<b>5,517</b>
	<u>412,573</u>	<u><b>422,825</b></u>
<b>Income</b>		
Fees, Charges and Other Service Income	(50,830)	<b>(50,542)</b>
Interest & Investment Income received	(918)	<b>(733)</b>
Income from Council Tax, Non-Domestic Rates	(134,184)	<b>(151,546)</b>
Government Grants & Contributions	(235,371)	<b>(233,974)</b>
Internal Recharges	(6,807)	<b>(3,080)</b>
	<u>(428,110)</u>	<u><b>(439,875)</b></u>
<b>(Surplus) / Deficit on Provision of Services</b>	<u>(15,537)</u>	<u><b>(17,050)</b></u>

### 16.2. Revenue from contracts with service recipients

The Council typically satisfies its performance obligations as services are rendered, or upon completion of a service. Hence no significant contract assets or liabilities have been recognised.

	2020/21 £000	2021/22 £000
Amounts included in the Comprehensive Income and Expenditure Statement for contracts with service recipients:		
Revenue from contracts with service recipients	(49,579)	<b>(45,295)</b>

The total of receivables relating to Revenue from contracts with service recipients which are included in Debtors (Note 27), are disclosed in the Financial Instruments note (Note 31).

## 17. Members' Allowances

	2020/21 £000	2021/22 £000
Basic Allowances	445	<b>460</b>
Special Responsibility Allowances	225	<b>243</b>
Travel expenses & subsistence	2	<b>1</b>
<b>Total Members' Allowances</b>	<u>672</u>	<u><b>704</b></u>

# Notes to the Comprehensive Income and Expenditure Statement

## 18. Officer Remuneration

### 18.1. Senior Officer Remuneration

The remuneration paid to the Council's senior employees is detailed below. A senior employee is an employee whose salary is more than £150,000 per year, or one whose salary is at least £50,000 and who is:

- the designated head of paid service, a statutory chief officer or a non-statutory chief officer of a relevant body, as defined under the Local Government and Housing Act 1989.
- 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, in particular activities involving the expenditure of money, whether solely or collectively with other persons.

At North Somerset Council the disclosures relate to the Chief Executive Officer and those officers that form the Council's Corporate Leadership Team who report to that post. No bonuses, compensation for loss of office or benefits in kind were paid to senior officers in either year.

Post	2021/2022				Total Remuneration incl. pension contributions £
	Salary (incl. fees and allowances) £	Payments made for NSC elections £	Compensation for Loss of Employment £	Pension Contributions £	
	Chief Executive - Jo Walker	162,757	0	0	
Director of Childrens' Services	135,515	0	0	33,743	<b>169,258</b>
Director of Adult Social Services	122,831	0	0	30,575	<b>153,406</b>
Director of Place	135,515	0	0	33,743	<b>169,258</b>
Director of Public Health and Regulatory Services	113,048	0	0	28,149	<b>141,197</b>
Director of Corporate Services (from 10/5/21)	105,826	0	0	26,344	<b>132,170</b>
Assistant Director & Monitoring Officer	92,710	467	0	23,085	<b>116,262</b>
	<b>868,202</b>	<b>467</b>	<b>0</b>	<b>216,166</b>	<b>1,084,835</b>

Post	2020/2021				Total Remuneration incl. pension contributions £
	Salary (incl. fees and allowances) £	Payments made for NSC elections £	Compensation for Loss of Employment £	Pension Contributions £	
	Chief Executive - Jo Walker	160,352	0	0	
Director of Childrens' Services (from 1/11/2020 - Director of People and Communities to 31/10/2020)	133,512	0	0	32,977	166,489
Director of Adult Social Services (from 1/11/2020)	48,665	0	0	12,020	60,685
Director of Place (from 1/11/2020) (Director of Development and Environment to 31/10/2020)	130,161	0	0	31,946	162,107
Director of Public Health and Regulatory Services	107,520	0	0	26,605	134,125
Interim Director of Finance and Resources (to 31/3/21)	106,078	0	0	26,201	132,279
Asst Director & Monitoring Officer (from 1/2/2021) (Head of Legal & Democratic Services to 31/1/2021)	91,340	0	0	22,561	113,901
Head of Performance Improvement and HR (to 3/11/2020)	54,043	0	89,097	13,349	156,489
	<b>831,671</b>	<b>0</b>	<b>89,097</b>	<b>205,266</b>	<b>1,126,034</b>

## Notes to the Comprehensive Income and Expenditure Statement

In some years the Chief and Deputy Returning Officers and other senior officers receive payments for election duties. Payments in respect of Parliamentary, Parish, Police and Crime Commissioner and European election expenses are not considered as remuneration for employment by North Somerset Council and are funded by other sources. Payments made in respect of District elections are considered to be remuneration for employment by the Council.

### 18.2. Officers' Remuneration

Council employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) are shown in the table below. The numbers below cover all Council activities, including teachers, and include those senior officers detailed in Note 18.1 above.

Remuneration Band	No. of Employees		Remuneration Band	No of Employees	
	2020/21	2021/22		2020/21	2021/22
£50,000 - £54,999	34	39	£100,000 - £104,999	1	0
£55,000 - £59,999	22	21	£105,000 - £109,999	2	1
£60,000 - £64,999	19	21	£110,000 - £114,999	0	1
£65,000 - £69,999	8	9	£115,000 - £119,999	1	0
£70,000 - £74,999	4	4	£120,000 - £124,999	0	2
£75,000 - £79,999	1	3	£130,000 - £134,999	2	0
£80,000 - £84,999	2	2	£135,000 - £139,999	0	2
£85,000 - £89,999	1	1	£140,000 - £144,999	2	0
£90,000 - £94,999	5	4	£160,000 - £164,999	1	1

### 19. Termination Benefits

The total exit packages agreed in the year, and charged to the Comprehensive Income and Expenditure Statement, were:

	2020/2021		2021/2022	
	No. of Packages	£000	No. of Packages	£000
Charged and Accrued for within the Comprehensive Income & Expenditure Statement				
- Severance Payments		198		127
- Pension Strain Costs		259		145
	9	<u>457</u>	5	<u>272</u>

The value of agreed exit packages, all of which were compulsory, are as follows:

	2020/2021		2021/2022	
	No of compulsory	£000	No of compulsory	£000
Up to £20,000	5	11	1	1
£20,001 to £40,000	0	0	1	28
£40,001 to £60,000	2	115	2	100
£100,001 to £150,000	2	331	1	143
	9	<u>457</u>	5	<u>272</u>

# Notes to the Comprehensive Income and Expenditure Statement

## 20. External Audit Costs

The Council has incurred the following costs in relation to external audit.

	2020/21 £000	2021/22 £000
Fees payable to Grant Thornton UK LLP with regard to the external audit and services carried out as the appointed auditor* **	156	214
Fees payable in respect of any other services provided by the appointed auditor - certification of other grant claims and returns:		
- Housing Benefit subsidy claim	16	26
- Teachers Pension claim	5	8
<b>Total external audit costs</b>	<b>177</b>	<b>248</b>

\* The fees recorded in 2020/21 include £4,000 in respect of additional fees that relate to 2019/20.

\*\* The fees recorded in 2021/22 include £12,000 in respect of additional fees that relate to 2019/20, £26,000 in respect of Value for Money work and £39,850 re fee variations, that relate to 2020/21.

The 2021/22 fees are estimates, as the 2021/22 Grant Thornton Audit Plan and PSAA agreement of additional fees were not finalised at the time that the accounts were closed.

## 21. Joint Funding Arrangements

The Better Care Fund is a high-profile policy initiative aimed at enabling health bodies and local authorities to work collaboratively together to address specific health and social care issues by joining resources and government funding allocations.

The Council has signed a Section 75 agreement with the Bristol, North Somerset and South Gloucestershire Clinical Commissioning Group (BNSSG CCG) in respect of Better Care Funding. Officers considered in detail both the nature of the contractual terms and the underlying substance and form of the commissioning practices when deciding upon the appropriate accounting treatment for the arrangement. This review concluded that a pooled budget was not in place, and that, as neither party had overall control of the pooled funds, the arrangement should be accounted for as a 'joint operation'. This means that each member will recognise their own assets, liabilities, income and expenditure within their accounts.

The following table summarises the following local authority and health agreements in respect of local authority and health functions:

## Notes to the Comprehensive Income and Expenditure Statement

	2020/21 £000	2021/22 £000
Section 75 Agreement - Funding for services commissioned by the Council and included within the Council's Comprehensive Income and Expenditure Statement:		
- Assistive Technologies and Equipment	443	476
- Care Act Related Duties	820	881
- Carers Services	663	712
- Community Based Schemes	311	334
- DFG Related Schemes	2,361	2,361
- Domiciliary Care	209	224
- Enablers for Integration	636	683
- HICM for Managing Transfer of Care	411	413
- Integrated Care Planning & Navigation	5,745	6,451
- Intermediate Care Services	453	487
- Personalised Care at Home	26	28
- Prevention/Early Intervention	854	904
- Residential Placements	275	295
- Improved Better Care Fund	4,554	6,780
- Additional Improved Better Care Fund	1,303	0
- Winter Pressure Grant	924	0
	19,986	21,030
Section 75 Agreement - Funding for services commissioned by the BNSSG CCG - not included within the Council's Comprehensive Income and Expenditure Statement:		
- Carers Services	131	0
- Community Based Schemes	4,794	5,894
- Enablers for Integration	247	126
- HICM for Managing Transfer of Care	29	0
- Integrated Care Planning & Navigation	430	0
- Personalised Budgeting & Commissioning	2,527	2,575
- Prevention/Early Intervention	1,453	1,455
	9,611	10,051
<b>Total funding identified within Section 75 Agreement</b>	<b>29,597</b>	<b>31,082</b>

The Section 75 agreement identifies the nominated lead commissioners in respect of the local authority and health functions, although the disclosure above has been adjusted to reflect the underlying substance of the commissioning transactions in accordance with proper accounting practice.

Section 256 agreements were in place during the 2021/22 financial year to enable the joint commissioning of services in respect of Funded Nursing and Continuing Health Care on behalf of the BNSSG CCG. Further integration care work will be enabled through two additional Section 256 agreements for Healthier Together Match Funding and Integrated Care Funding.

## Notes to the Comprehensive Income and Expenditure Statement

	2020/21 £000	2021/22 £000
Section 256 Agreements - included within the Council's Comprehensive Income and Expenditure Statement:		
- Integrated Care Funding allocation	0	6,423
- Healthier Together Match Funding allocation	0	2,472
	0	8,895
Section 256 Agreement - Funding for services commissioned on behalf of BNSSG CCG - not included within the Council's Comprehensive Income and Expenditure Statement:		
- Continuing Health Care (CHC) Commissioning	9,600	11,900
- Funded Nursing Care (FNC) Funding	5,500	5,500
	15,100	17,400
<b>Total funding identified within Section 256 Agreements</b>	15,100	26,295

Sources of funding in the agreements are as follows:

	2020/21 £000	2021/22 £000
Section 75 Agreement:		
- Funding from North Somerset Council	4,771	5,391
- Funding from Department for Levelling Up, Housing and Communities	9,142	9,142
- Funding from Department of Health	8,159	8,596
- Funding from Bristol, North Somerset and South Gloucestershire Clinical Commissioning Group	7,525	7,953
	29,597	31,082
Section 256 Agreements:		
- Funding from Bristol, North Somerset and South Gloucestershire Clinical Commissioning Group	15,100	26,295
<b>Total</b>	44,697	57,377

Expenditure included within the Council's Comprehensive Income and Expenditure Account includes £21.030m (2020/21 £19.986m) in respect of the direct costs incurred for social care activities, in areas such as staffing and contracted services, as well the indirect expenditure incurred on the provision of Disabled Facilities Grants initially charged through the capital programme.

Any additional costs incurred for health-related functions in excess of the £26.295m (2020/21 £15.100m) identified within the Section 256 agreements remain the liability of the North Somerset Clinical Commissioning Group, with any such balances being reflected within the Council's balance sheet. Similarly, any surplus balances remaining where expenditure has been lower than the estimated funding provision given, will be returned after the year-end.

### 22. Business Rate Arrangements – City Region Deal

Under the City Region Deal, Bristol City, Bath & North East Somerset, North Somerset and South Gloucestershire councils ("the Authorities") are part of a Business Rates Retention Scheme, introduced by the government in April 2013 which allowed authorities to retain a proportion of the business rates collected locally.

The Authorities are allowed to retain 100% of the growth in business rates raised in the City Region's network of Enterprise Areas over a 25 year period ending on 31/3/2039, to create an Economic

## Notes to the Comprehensive Income and Expenditure Statement

Development Fund for the West of England and to manage local demographic and service pressures arising from economic growth.

A 'baseline' level of rates for each Authority has been agreed with the government for the areas designated within the Non-Domestic Rating (Designated Areas) Regulations 2014. Rates collected up to this figure (the baseline) are subject to the national rates retention system. Rates collected in excess of this figure (the 'growth figure') are retained by the Authorities under the Non-Domestic Rates Designated Area Regulations 2013 and 2014 in a pooling arrangement. The governance of the distribution of retained pooled funds occurs through a City Deal Business Rates Pooling Board, constituted under the Business Rates Pooling Principles Agreement (BRPPA) signed by the four Authorities.

### Transactions

Each participating council pays an annual growth figure to South Gloucestershire Council, as the Accountable Body for the Business Rates Pool (BRP), representing business rates collected in the Enterprise Areas in excess of an agreed baseline figure. Retained funds will be distributed or invested annually in accordance with the 2014 Regulations and the BRPPA as:

- Tier 1: to ensure that no individual council is any worse off than it would have been under the national local government finance system,
- Tier 2: to an Economic Development Fund (EDF) for reinvestment within the designated areas through approved programmes,
- Tier 3: for the relief of demographic and service pressures associated with growth.

Cash receivable and disbursements payable by the BRP and the Council's share of these are reflected under "Cash Transactions" in the table below. The Expenditure and Revenue recognised in the Council's CIES is disclosed under "Expenditure & Revenue" in the table below:

	CASH TRANSACTIONS		REVENUE	
	Business Rates Pool Total £000	of which the Council's Share £000	Council Expenditure £000	Council Revenue £000
Funds held by BRP at 1 April	(54,353)	(5,326)	0	0
Adjustment to opening balance	(235)	(8)		
Analysed between:				
- Uncommitted cash (Tier 2 including contingency)	(14,009)	(1,295)		
- Committed cash not yet allocated	(40,579)	(4,039)		
Receipts into the Pool in-year:				
- Growth sums payable by councils to BRP in-year	(25,196)	(1,935)	1,377	0
Distributions out of the Pool in-year:				
- Tier 1 no worse off	8,767	954	0	(954)
- BRP management fee	35	9	0	0
- EDF management fee	65	16	0	0
- Tier 2 EDF funding	3,397	241	0	(138)
- Tier 3 demographic and service pressures	2,687	157	0	(274)
Total Distributions out of the Pool in-year	14,951	1,377		
<b>Funds held by BRP at 31 March</b>	<b>(64,833)</b>	<b>(5,892)</b>		
Analysed between:				
- Uncommitted cash (Tier 2 including contingency)	(2,535)	(149)	(1,146)	n/a
- Committed cash not yet allocated	(62,298)	(5,743)	1,704	n/a
	<b>(64,833)</b>	<b>(5,892)</b>		
<b>Expenditure / (Revenue) recognised</b>			<b>1,935</b>	<b>(1,366)</b>

## Notes to the Comprehensive Income and Expenditure Statement

Growth paid over to the BRP is recognised as expenditure by each council to the extent that the use of the funds by the BRP has been incurred. Any remaining cash is recognised by each council as a debtor.

The 2020/21 disclosure was based on an estimated outturn for one of the partner authorities. An adjustment to the opening balance is shown above, to bring North Somerset Council's 2020/21 closing balances into line with the final outturn position for all four authorities.

The BRP has made several payments totalling £3.397m on behalf of the EDF in 2021/22 (2020/21 £1.164m), of which the Council received £0.138m (2020/21 £0.142m).

The uncommitted and unallocated cash of £5.892m (2020/21 £5.327m) contributed by the Council and held by the BRP is recognised by the Council as a debtor and is held in an earmarked reserve to smooth the impact of City Region Deal transactions, and match the release of revenue support and charges for projects. The differences between the cash sums paid by the Council of £1.935m (2020/21 £2.230m) and the expenditure recognised of £1.377m (2020/21 £1.235m) is equivalent to the £0.558m (2020/21 £0.995m) increase in uncommitted and unallocated funds included in reserves

Under the terms of the EDF agreement, annual EDF payments from the business rates pool will only be made subject to there being sufficient cash held in the Fund in the relevant year, and will be pro-rated in the event of a shortfall. Until the EDF payments become physically due each year, the cash is retained in the business rates pool and held as "Committed Cash not yet allocated". These allocations will fluctuate significantly as overall levels of cash in the Fund change and as additional EDF-funded projects are approved. EDF income to the Council in respect of future year payments from the EDF is not considered sufficiently certain in terms of timing or amount to recognise a debtor at year end, and therefore is contingent. Based on the current cash held and status of approved schemes, the contingent future allocation of the committed cash to the Council is £5.743m (2020/21 £4.051m), of the total £62.298m (2020/21 £40.579m) committed pool balance.

The Council itself has recognised revenue income of £1.366m (2020/21: £1.418m) from the BRP and expenditure of £1.377m (2020/21 £1.235m) to the BRP for the year.

### 23. 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 Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

#### Central Government

Central Government has effective control over the general operations of North Somerset Council – it is responsible for providing the statutory framework within which the Council operates. It provides significant proportions of funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council tax bills and award of housing benefit).

Details of grants received from Government departments and carried in the Balance Sheet at 31 March 2021 are shown in Note 14. Short term debtor and creditor balances with Government bodies are shown in Notes 27 and 28.



# Notes to the Comprehensive Income and Expenditure Statement

## Members and senior officers

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2021/22 is shown in Note 17.

All Members, together with the Council's Corporate Management Team, are required to sign a declaration detailing any relevant transactions entered into by them or close members of their family during the financial year.

Two declarations had not been completed by members at the time that these accounts were approved. Of these, one member was too seriously ill to respond.

The Head of Finance, in conjunction with the Monitoring Officer, has reviewed the returned declarations to identify relationships where bodies or individuals might have the potential to control or influence the Council.

A North Somerset Council member was a member of the Board of Trustees of the Brandon Trust for part of 2021/22. During this period in 2021/22, £6,241,591 of payments were made to the Brandon Trust for social care. At the year end, creditor invoices totalling £25,702 were payable to the Brandon Trust, and debtor invoices totalling £50 were outstanding.

A further £108,017 of payments were made for services commissioned from three other companies in which a member, or a close member of their family, had an interest. No creditors or debtor balances were due from these companies at the year end.

No payments to companies in which a member, or a close member of their family, had an interest were made in 2020/21.

Contracts were entered into in full compliance with the Council's standing orders.

Details of Members interests are recorded in the Register of Members' Interest, open to public inspection by appointment at the Town Hall, and on the Council's website:

<https://www.n-somerset.gov.uk/council-democracy/councillors-committees/councillors/declarations-interest>

## Pension Funds

The details of the contributions made by the Council to the Avon Pension Fund are provided in Note 35, and Teachers' Pensions in Note 34.

## West of England Local Enterprise Partnership (LEP) and West of England Combined Authority

The West of England Local Enterprise Partnership (LEP) is a public private partnership that covers the four unitary authorities of Bath and North East Somerset, Bristol City Council, North Somerset, and South Gloucestershire. Its purpose is to influence, advise and support strategic activities which deliver or have a beneficial impact on inclusion economic growth, job creation and quality of life in the West of England region.

The membership of the LEP Board consists of up to fourteen business members, one of whom shall be the LEP Board Chair. Other members include a representative from Higher Education, as well as the Mayor of the West of England Combined Authority, the Mayor of Bristol City Council and the Leaders of Bath and North East Somerset Council, South Gloucestershire Council and North Somerset Council. ("Local Authority Members"). The LEP Board meet up to 6 times a year and consider, debate and shape key decisions and papers for the West of England Combined Authority and the West of England Joint Committee.

## Notes to the Comprehensive Income and Expenditure Statement

Grants received by the Council from the LEP include Economic Development Fund, Local Growth Fund, and Revolving Infrastructure Fund, the majority of which relate to capital projects. These are administered by the West of England Combined Authority (WECA).

The West of England Combined Authority (WECA) is made up of three of the local authorities in the region – Bath & North East Somerset, Bristol and South Gloucestershire. Its aim is to deliver economic growth for the region and address challenges, such as productivity and skills, housing and transport. WECA is chaired by the West of England Mayor. The Mayor and the Combined Authority have been given powers over spending, previously held by central government, on the region's transport, housing, adult education and skills.

The Council is not a member authority of WECA, and hence does not have control or significant influence over its decisions.

### Other Partnerships

The Council is a major partner in the West of England City Region Deal, details of which are disclosed in Note 22.

The authority has a Section 75 agreement in respect of Better Care Funding, and Section 256 agreements in respect of Free Nursing and Continuing Health Care, Healthier Together Match Funding and Integrated Care Funding, with the Bristol, North Somerset and South Gloucestershire Clinical Commissioning Group. Income and expenditure are detailed in Note 21.

### Other Public Bodies

Any significant transactions with other public bodies (e.g. parish precepts) are disclosed elsewhere within this Statement of Accounts.

### Entities controlled or significantly influenced by the Council

#### North Somerset Inspire Limited

The Council is the owner of a private limited company which was incorporated on 1 March 2019, with a share capital of 100 ordinary shares of £1 each. The primary aim of North Somerset Inspire Ltd is to deliver transformational projects and support services to other public sector bodies.

During the financial year the following Council officers held the following positions: Director – Stuart Anstead (Head of Support Services); Company Secretary – Mike Riggall (Information and ICT Security Manager). The company has not yet established a business plan, implemented the required operational arrangements or gained approval from full Council meaning that it has yet to commence trading. Therefore the Council had no transactions or balances outstanding with this company during the year.

#### Adoption West

Adoption West is a private company limited by guarantee, incorporated on 9 January 2018. It was set up by 6 local authorities (South Gloucestershire, Bath & North East Somerset, North Somerset, Bristol, Wiltshire and Gloucestershire Councils) to co-ordinate and facilitate adoptions across the region.

Each council has a 1/6th shareholding in the company and is required to fund costs in accordance with membership proportions agreed in the "Commissioning Agreement" between the parties. North Somerset Council's membership proportion is 12.41%. Decisions require the unanimous consent of the parties sharing control. The Council had no transactions or balances outstanding with

## Notes to the Comprehensive Income and Expenditure Statement

this company during the year. The Council's share of the company's net assets were not judged sufficiently material to warrant inclusion in the group accounts.

### North Somerset Environment Company Ltd

The Council is the 100% owner of a private limited company which was incorporated on 26 October 2020, with a share capital of 1 ordinary share of £1 each. The primary aim of North Somerset Environment Company Ltd (NSEC) is to deliver waste collection and recycling services to North Somerset Council. The company began delivering these services to the Council in March 2021.

During the year Council officers held the following positions with NSEC: Director – Sheila Smith (Director of Childrens' Services), Director – Gemma Dando (Assistant Director – Neighbourhoods and Transport).

The Council's transactions with this company during the year were material, as follows:

- Accounts payable invoices received and paid on the accounts payable system in 2021/22 totalled £11,412,939.
- The creditor balance outstanding on Accounts Payable system at 31 March 2022 was nil.
- Accounts receivable invoices raised in 2021-22 totalled £8,095,767.
- Receipts relating to debtor invoices in 2021-22 totalled £6,587,021.
- The debtor balance outstanding on the Accounts Receivable system at 31 March 2022 was £1,529,287.

As noted in Note 1, Critical judgements in applying accounting policies, the transactions of NSEC are now judged to be sufficiently material to require the preparation of group accounts.

## Notes to the Balance Sheet

### 24. Property, Plant and Equipment and Intangibles

#### 24.1. Movements on Balances

<b>Movements in 2021/2022</b>	Land & Buildings £000	Community Assets £000	Vehicles, Plant & Equipment £000	Assets Under Construction £000	Surplus £000	Total Property, Plant & Equipment, excl Infrastructure £000	Intangible Assets £000	<b>TOTAL £000</b>
<b>Cost or Valuation</b>								
At 1 April 2021	187,957	6,746	39,980	54,703	629	290,015	500	<b>290,515</b>
Additions	3,464	159	1,294	19,062	0	23,979	0	<b>23,979</b>
Revaluations - Revaluation Reserve	4,374	1	0	0	0	4,375	0	<b>4,375</b>
Revaluations - CI&ES	(1,122)	0	0	0	0	(1,122)	0	<b>(1,122)</b>
Derecognition - Disposals	(19,854)	0	(272)	0	0	(20,126)	0	<b>(20,126)</b>
Assets reclassified	5,822	0	0	(24,003)	0	(18,181)	0	<b>(18,181)</b>
<b>At 31 March 2022</b>	<b>180,641</b>	<b>6,906</b>	<b>41,002</b>	<b>49,762</b>	<b>629</b>	<b>278,940</b>	<b>500</b>	<b>279,440</b>
<b>Accumulated Depreciation &amp; Impairment</b>								
At 1 April 2021	(4,172)	(1,710)	(28,974)	0	0	(34,856)	(300)	<b>(35,156)</b>
Depreciation for the year	(5,601)	(59)	(1,815)	0	0	(7,475)	(50)	<b>(7,525)</b>
Depreciation written out - Revaluation Reserve	5,843	0	0	0	0	5,843	0	<b>5,843</b>
Impairment (Losses) / Reversals - Revaluation Reserve	(1,036)	(16)	0	0	0	(1,052)	0	<b>(1,052)</b>
Impairment (Losses) / Reversals - CI&ES	(93)	(85)	(20)	0	0	(198)	0	<b>(198)</b>
Derecognition - Disposals	313	0	229	0	0	542	0	<b>542</b>
<b>At 31 March 2022</b>	<b>(4,746)</b>	<b>(1,870)</b>	<b>(30,580)</b>	<b>0</b>	<b>0</b>	<b>(37,196)</b>	<b>(350)</b>	<b>(37,546)</b>
<b>Net Book Value at 1 April 2021</b>	<b>183,785</b>	<b>5,036</b>	<b>11,006</b>	<b>54,703</b>	<b>629</b>	<b>255,159</b>	<b>200</b>	<b>255,359</b>
<b>Net Book Value at 31 March 2022 - Current Value</b>	<b>175,895</b>	<b>5,036</b>	<b>10,422</b>	<b>49,762</b>	<b>629</b>	<b>241,744</b>	<b>150</b>	<b>241,894</b>

## Notes to the Balance Sheet

<b>Movements in 2020/2021</b>	Land & Buildings £000	Community Assets £000	Vehicles, Plant & Equipment £000	Assets Under Construction £000	Surplus £000	Total Property, Plant & Equipment, excl Infrastructure £000	Intangible Assets £000	<b>TOTAL £000</b>
<b>Cost or Valuation</b>								
At 1 April 2020	167,582	6,582	37,171	49,327	629	261,291	500	<b>261,791</b>
Additions	4,306	164	2,859	16,651	0	23,980	0	<b>23,980</b>
Revaluations - Revaluation Reserve	15,757	0	0	0	0	15,757	0	<b>15,757</b>
Revaluations - CI&ES	(2,762)	0	0	0	0	(2,762)	0	<b>(2,762)</b>
Derecognition - Disposals	(8,201)	0	(50)	0	0	(8,251)	0	<b>(8,251)</b>
Assets reclassified	11,275	0	0	(11,275)	0	0	0	<b>0</b>
<b>At 31 March 2021</b>	<b>187,957</b>	<b>6,746</b>	<b>39,980</b>	<b>54,703</b>	<b>629</b>	<b>290,015</b>	<b>500</b>	<b>290,515</b>
<b>Accumulated Depreciation &amp; Impairment</b>								
At 1 April 2020	(7,599)	(1,652)	(27,004)	0	0	(36,255)	(250)	<b>(36,505)</b>
Depreciation for the year	(4,868)	(58)	(1,637)	0	0	(6,563)	(50)	<b>(6,613)</b>
Depreciation written out - Revaluation Reserve	8,225	0	0	0	0	8,225	0	<b>8,225</b>
Impairment (Losses) / Reversals - Revaluation Reserve	(632)	0	0	0	0	(632)	0	<b>(632)</b>
Impairment (Losses) / Reversals - CI&ES	(152)	0	(377)	0	0	(529)	0	<b>(529)</b>
Derecognition - Disposals	854	0	44	0	0	898	0	<b>898</b>
<b>At 31 March 2021</b>	<b>(4,172)</b>	<b>(1,710)</b>	<b>(28,974)</b>	<b>0</b>	<b>0</b>	<b>(34,856)</b>	<b>(300)</b>	<b>(35,156)</b>
<b>Net Book Value at 1 April 2020</b>	<b>159,983</b>	<b>4,930</b>	<b>10,167</b>	<b>49,327</b>	<b>629</b>	<b>225,036</b>	<b>250</b>	<b>225,286</b>
<b>Net Book Value at 31 March 2021 - Current Value</b>	<b>183,785</b>	<b>5,036</b>	<b>11,006</b>	<b>54,703</b>	<b>629</b>	<b>255,159</b>	<b>200</b>	<b>255,359</b>

## Notes to the Balance Sheet

### 24.2. Infrastructure assets

As noted in Note 6, Infrastructure assets have been excluded from the Property, Plant and Equipment disclosure in Note 24.1 above, which includes accumulated cost and depreciation, and included in a separate table below, which details movements in Net Book Value only.

<b>Movements on Balances</b>	2020/21 £000	<b>2021/22 £000</b>
<b>Net Book Value (Modified Historical Cost):</b>		
<b>At 1 April</b>	128,467	<b>128,037</b>
Additions	13,225	<b>14,547</b>
Transfers from other categories of PPE	0	<b>18,181</b>
Depreciation	(5,048)	<b>(5,075)</b>
Impairment / Reversals - CIES	(8,607)	<b>(6,133)</b>
<b>At 31 March</b>	<b>128,037</b>	<b>149,557</b>

### 24.3. Revaluations

The Council carries out a rolling programme of valuations, with revaluations undertaken at least every 5 years, ensuring that all Property, Plant and Equipment required to be measured at current value is revalued sufficiently regularly to ensure that their carrying amount is not materially different from their carrying value at the year-end. This process also allows for any significant operational or accounting changes to be reflected in current valuations.

Similarly, Investment Property assets and any Assets Held for Sale are subject to a revaluation review on an annual basis to ensure that their carrying values are reflective of the latest market value conditions. The basis of the Council's valuations are set out in the Accounting Policies.

All valuations are carried out in accordance with the Royal Institution of Chartered Surveyors Red Book, and are arranged by the Council's Property Estates and Regeneration Manager, who is A.R.I.C.S. qualified. The revaluations undertaken in 2021/22 have been carried out by professionally qualified staff from within the Council's in-house team, except for two of our investment properties which, due to their specialist nature, were valued by an independent valuer. The PPE valuations were applied with a revaluation date of 1 January 2022, and 31 March 2022 for Investment Property. Valuations are accounting estimates, which include review of impairments and estimated remaining useful lives of the assets.

These valuation specialists continue to review the asset portfolio where revaluations have not been undertaken at the year end, considering the impact of valuation indices and cost factors relevant to the local area, and comparing these to the carrying values of assets held in the Asset Register. The table below reflects the current value of the assets valued in each of the five years, together with those assets carried at historic cost.

## Notes to the Balance Sheet

	Land & Buildings £000	Infra - structure Assets £000	Community Assets £000	Vehicles, Plant & Equipment £000	Assets Under Construction £000	Surplus Assets £000	Total Property, Plant & Equipment £000	Intangible Assets £000	Heritage Assets £000	Investment Properties £000
Valued at										
Historical Cost	0	149,557	3,071	10,421	49,762	0	212,811	150	0	0
Year of valuation										
2021/22	144,270	0	11	0	0	0	144,281	0	0	45,707
2019/20	15,781	0	1,325	0	0	0	17,105	0	0	0
2018/19	15,268	0	0	0	0	629	15,897	0	0	0
2017/18	406	0	0	0	0	0	406	0	0	0
2015/16	0	0	539	0	0	0	539	0	0	0
2014/15 or prior	170	0	90	0	0	0	260	0	288	0
<b>Total</b>	<b>175,895</b>	<b>149,557</b>	<b>5,036</b>	<b>10,421</b>	<b>49,762</b>	<b>629</b>	<b>391,300</b>	<b>150</b>	<b>288</b>	<b>45,707</b>

### 24.4. Disposal of Non-Current Assets

#### Academy Schools

During the year five primary schools transferred from the Council's control to Academy status.

These school assets are written out of the accounts and reflected as a disposal at nil consideration, resulting in a loss being charged to the Council's Comprehensive Income and Expenditure Statement.

	Date of Conversion	Net Book Value 1 April 2021 £000
Chestnut Park, Yatton	01 September 2021	5,822
Winscombe Primary School	01 December 2021	3,322
Sandford Primary School	01 December 2021	1,801
St Francis	01 March 2022	2,146
Corpus Christi	01 March 2022	2,268
		<b>15,360</b>

Other assets disposed of during the year were not material.

### 24.5. Capital Commitments

At 31 March 2022, the authority has entered into contracts for the construction or enhancement of property, plant and equipment in 2022/23 and future years. The major commitments were:

	2020/21 £000	2021/22 £000
North South Link	331	46
Locking Parklands - Utilities	343	29
Winterstoke Academy Expansion	423	205
Banwell Bypass	2,057	380
Winterstoke Road Bridge	906	60
Baytree Special School - new site	0	12,558
Locking Parklands - Health Centre	0	2,438
Tutshill	0	1,036
Other	1,647	2,648
<b>Total Commitments</b>	<b>5,707</b>	<b>19,400</b>

## Notes to the Balance Sheet

### 25. Investment Properties

The following items of income and expense have been accounted for in the Corporate Services line in the Comprehensive Income and Expenditure Statement:

	2020/21 £000	2021/22 £000
Rental income from investment property	(3,980)	(4,878)
Direct operating expenses arising from investment property	3,579	4,516
<b>Net (gain) / loss</b>	<b>(401)</b>	<b>(362)</b>

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

	Note	2020/21 £000	2021/22 £000
Balance at 1 April		45,517	44,770
Additions:			
- Subsequent expenditure	26	115	1,347
Net gains / (losses) from fair value adjustments	12	(862)	(410)
<b>Balance at 31 March</b>		<b>44,770</b>	<b>45,707</b>

### Fair value hierarchy

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

	Fair Value 31 March 2021			Fair Value 31 March 2022		
	Other significant observable inputs	Significant unobservable inputs	Total	Other significant observable inputs	Significant unobservable inputs	Total
	Level 2 £000	Level 3 £000	£000	Level 2 £000	Level 3 £000	£000
Smallholdings	7,682	0	7,682	7,972	0	7,972
Commercial Units	33,354	3,734	37,088	33,674	4,061	37,735
<b>Total</b>	<b>41,036</b>	<b>3,734</b>	<b>44,770</b>	<b>41,646</b>	<b>4,061</b>	<b>45,707</b>

Shown below is a reconciliation of the fair value measurements in respect of Level 3 valuations.

	2020/21 £000	2021/22 £000
Balance at 1 April	7,686	3,734
Net gains / losses from fair value adjustments (recognised in the Surplus or Deficit on the Provision of Services - Note 12)	(142)	327
Reclassification: Smallholdings previously Level 3 are now Level 2	(3,827)	0
Additions: Subsequent expenditure	17	0
<b>Balance at 31 March</b>	<b>3,734</b>	<b>4,061</b>



## Notes to the Balance Sheet

### Valuation Techniques used to Determine Level 2 and 3 Fair Values for Investment Properties

#### Significant Observable Inputs - Level 2 Fair Value Investment Property Assets

Six commercial properties and six smallholdings have been categorised as Level 2 in the fair value hierarchy, with their fair value being measured using a combination of the market approach and the income approach. The market approach uses comparable market evidence in arriving at values, whilst the income approach uses an all risk yield to capitalise the income, to arrive at the value. This yield is based on comparable market yields. These investment properties are categorised as Level 2 in the fair value hierarchy as the measurement technique uses inputs that are observable for the asset, either directly or indirectly, and there is no reasonably available information that indicates the market participants would use different assumptions.

#### Significant Unobservable Inputs - Level 3 Fair Value Investment Property Assets

Three commercial properties have been categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

Level 3 assets are measured using a combination of either the market approach or the income approach. The market approach uses comparable market evidence in arriving at values, whilst the income approach uses an all-risk yield to capitalise the income to arrive at the value. The yield is based on comparable market yields.

	Fair Value 31 March 2022 £000	Valuation Technique Used to Measure Fair Value	Unobservable Inputs	Range (weighted average)	Sensitivity
Commercial Units	4,061	Combination of income and market approach	Yield Rate % of MV attributable to Land Discount Rate	4.5% - 6.5% 85% - 100% 7% - 8%	Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets
<b>Total</b>	<b>4,061</b>				

#### Highest and Best Use of Investment Property Assets

In estimating the fair value of the Council's investment properties, the 'highest and best use' of the properties is not the current value in use for two of the smallholdings; Locking Head Cottage Farm and Locking Head Farm. Parts of both farms have been allocated for development as part of the Parklands Village development area. The highest and best value for these properties reflects this future development potential. However, these properties are not currently held at their highest and best use values, as they are subject to protected tenancies.

#### Valuation Techniques

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

#### Valuation Process

The fair value of the authority's investment properties is measured annually at each reporting date. All of the investment property valuations were carried out internally in accordance with the Royal Institution of Chartered Surveyors Red Book. The authority's valuation experts work closely with

## Notes to the Balance Sheet

finance officers reporting directly to the Chief Financial Officer on a regular basis regarding all valuation matters.

### 26. Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. The net movement in the Capital Financing Requirement illustrates the change in the underlying need for the Council to borrow during the year to fund capital investment which has not been funded immediately from resources such as grants, capital receipts and direct funding from revenue.

	2020/21 £000	2021/22 £000
<b>Opening Capital Financing Requirement</b>	187,356	<b>184,883</b>
<b>Capital Investment in Year</b>		
Property, Plant and Equipment	37,205	<b>38,526</b>
Investment Properties	115	<b>1,347</b>
Revenue Expenditure Funded from Capital Under Statute	4,575	<b>5,517</b>
	<u>41,895</u>	<u><b>45,390</b></u>
<b>Source of Finance</b>		
Capital Receipts and Reserves	(2,433)	<b>(2,109)</b>
Government Grants and Contributions	(32,458)	<b>(36,883)</b>
Revenue Provisions and Reserves	(3,714)	<b>(1,576)</b>
Minimum Revenue Provision	(5,763)	<b>(5,968)</b>
	<u>(44,368)</u>	<u><b>(46,536)</b></u>
<b>Net Increase / (Decrease) in Capital Financing Requirement</b>	(2,473)	<b>(1,146)</b>
<b>Closing Capital Financing Requirement</b>	<u>184,883</u>	<u><b>183,737</b></u>
<b>Explanation of movement in year:</b>		
Increase in underlying need to borrow unsupported by Government assistance	3,290	<b>4,822</b>
Minimum Revenue Provision	(5,763)	<b>(5,968)</b>
	<u>(2,473)</u>	<u><b>(1,146)</b></u>

The Minimum Revenue Provision shown above comprises:

	2020/21 £000	2021/22 £000
Supported Borrowing Minimum Revenue Provision	(900)	<b>(900)</b>
Prudential Borrowing Minimum Revenue Provision	(4,031)	<b>(4,241)</b>
Ex-Avon Loan Debt Minimum Revenue Provision	(510)	<b>(490)</b>
Finance Leases Minimum Revenue Provision	(322)	<b>(337)</b>
	<u>(5,763)</u>	<u><b>(5,968)</b></u>

# Notes to the Balance Sheet

## 27. Debtors

	2020/21 £000	2021/22 £000
Central Government Bodies	15,524	6,331
Other Local Authorities	5,064	7,832
NHS Bodies	4,975	5,219
Other Entities and Individuals	17,221	19,212
<b>Total Short Term Debtors</b>	<b>42,784</b>	<b>38,594</b>
Prepayments	13,248	16,406
<b>Total Short Term Debtors and Prepayments</b>	<b>56,032</b>	<b>55,000</b>

## 28. Creditors

	2020/21 £000	2021/22 £000
Central Government Bodies	(23,332)	(31,101)
Other Local Authorities	(1,678)	(2,728)
NHS Bodies	(936)	(163)
Public Corporations and Trading Funds	(36)	(165)
Other Entities and Individuals	(40,841)	(39,605)
<b>Total Short Term Creditors</b>	<b>(66,823)</b>	<b>(73,762)</b>
Finance lease obligations due within 12 months	(336)	(351)
<b>Total Short Term Creditors including finance lease obligations</b>	<b>(67,159)</b>	<b>(74,113)</b>

## 29. Provisions

Provisions are amounts set aside by the Council for an obligation which are likely to lead to a payment, but where the exact amount and timing of the payment is uncertain.

	Balance 31 March 2021 £000	Additional Provisions Made £000	Amounts reversed £000	Amounts Used £000	Balance 31 March 2022 £000
Insurance Provisions	(1,633)	(1,183)	165	431	(2,220)
NNDR Appeals Provision	(5,165)	(4,804)	5,165	0	(4,804)
Other	(930)	(720)	0	137	(1,513)
<b>Total Provisions</b>	<b>(7,728)</b>	<b>(6,707)</b>	<b>5,330</b>	<b>568</b>	<b>(8,537)</b>
<b>Expected future timing of associated outflows of economic benefit:</b>					
Less than 1 year	(6,178)				(6,626)
Over 1 year, less than 5 years	(1,285)				(1,520)
Over 5 years	(265)				(391)
	<u>(7,728)</u>				<u>(8,537)</u>

<b>Significant provisions</b>	<b>Description</b>
Insurance Provisions	To finance the estimated costs of known insurance claims, where uncertainties remain over the timing, outcomes or amounts of likely claim settlements.

## Notes to the Balance Sheet

### NNDR Appeals

To finance the estimated costs of known NNDR business rate appeals which have been lodged with the Valuation Office and the estimated costs of NNDR appeals which are not yet lodged, but are expected to be based on past experience. There is uncertainty over the timing or amounts of likely settlements, therefore the provision is based on the number of appeals received, plus an estimate of future appeals and an estimate of the likelihood of success of these appeals.

## 30. Contingent Liabilities

### National Non-Domestic Rating – Unlodged Appeals

The Council has made a provision for its best estimate of the cost of unlodged NNDR appeals made to the Valuation Office – see Provisions Note 29. However, there remains uncertainty over any obligation arising from future appeals not yet received, including the level of such appeals that may be made, how many appeals would be successful, the rateable value of the appealed property or the value of payments that would be made to successful appellants. The value of any such appeals not provided for is not considered likely to be material.

## 31. Financial Instruments

### 31.1. Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

2021/22	Non-Current		Current			Total £000
	Investments £000	Debtors £000	Investments £000	Debtors £000	Cash £000	
<b>Financial Assets</b>						
Fair value through profit or loss	10,082	0	0	0	0	10,082
Amortised cost	0	1,002	167,064	12,460	0	180,526
<b>Total financial assets</b>	<b>10,082</b>	<b>1,002</b>	<b>167,064</b>	<b>12,460</b>	<b>0</b>	<b>190,608</b>
<b>Non-financial Assets</b>						
Statutory & Government Debtors	0	3,610	0	26,135	0	29,745
Payments in advance	0	0	0	16,405	0	16,405
<b>Total non-financial assets</b>	<b>0</b>	<b>3,610</b>	<b>0</b>	<b>42,540</b>	<b>0</b>	<b>46,150</b>
<b>Total on Balance Sheet</b>	<b>10,082</b>	<b>4,612</b>	<b>167,064</b>	<b>55,000</b>	<b>0</b>	<b>236,758</b>
	Non-Current		Current			
	Borrowing £000	Creditors £000	Borrowing £000	Creditors £000	Overdraft £000	Total £000
<b>Financial Liabilities</b>						
Amortised cost	(136,697)	0	(7,364)	(17,928)	0	(161,989)
Cash and cash equivalents	0	0	0	0	(4,417)	(4,417)
<b>Total Financial Liabilities</b>	<b>(136,697)</b>	<b>0</b>	<b>(7,364)</b>	<b>(17,928)</b>	<b>(4,417)</b>	<b>(166,406)</b>
<b>Non-financial Liabilities</b>						
Statutory & Government Creditors	0	0	0	(24,019)	0	(24,019)
Receipts in Advance	0	(364)	0	(17,440)	0	(17,804)
Contributions and Deposits	0	0	0	(14,375)	0	(14,375)
Finance lease liabilities	0	(21,741)	0	(351)	0	(22,092)
<b>Total non-financial liabilities</b>	<b>0</b>	<b>(22,105)</b>	<b>0</b>	<b>(56,185)</b>	<b>0</b>	<b>(78,290)</b>
<b>Total on Balance Sheet</b>	<b>(136,697)</b>	<b>(22,105)</b>	<b>(7,364)</b>	<b>(74,113)</b>	<b>(4,417)</b>	<b>(244,696)</b>

## Notes to the Balance Sheet

2020/21	Non-Current		Current			Total £000
	Investments £000	Debtors £000	Investments £000	Debtors £000	Cash £000	
<b>Financial Assets</b>						
Fair value through profit or loss	9,493	0	0	0	0	9,493
Amortised cost	0	887	133,072	13,131	0	147,090
Cash and cash equivalents	0	0	0	0	10,327	10,327
<b>Total financial assets</b>	<b>9,493</b>	<b>887</b>	<b>133,072</b>	<b>13,131</b>	<b>10,327</b>	<b>166,910</b>
<b>Non-financial Assets</b>						
Statutory & Government Debtors	0	3,910	0	29,653	0	33,563
Payments in advance	0	0	0	13,247	0	13,247
<b>Total non-financial assets</b>	<b>0</b>	<b>3,910</b>	<b>0</b>	<b>42,900</b>	<b>0</b>	<b>46,810</b>
<b>Total on Balance Sheet</b>	<b>9,493</b>	<b>4,797</b>	<b>133,072</b>	<b>56,031</b>	<b>10,327</b>	<b>213,720</b>
	Non-Current		Current			Total £000
	Borrowing £000	Creditors £000	Borrowing £000	Creditors £000	Overdraft £000	
<b>Financial Liabilities</b>						
Amortised cost	(143,215)	0	(7,804)	(18,474)	0	(169,493)
<b>Total Financial Liabilities</b>	<b>(143,215)</b>	<b>0</b>	<b>(7,804)</b>	<b>(18,474)</b>	<b>0</b>	<b>(169,493)</b>
<b>Non-financial Liabilities</b>						
Statutory & Government Creditors	0	0	0	(27,767)	0	(27,767)
Receipts in Advance	0	(387)	0	(8,839)	0	(9,226)
Contributions and Deposits	0	0	0	(11,743)	0	(11,743)
Finance lease liabilities	0	(22,092)	0	(336)	0	(22,428)
<b>Total non-financial liabilities</b>	<b>0</b>	<b>(22,479)</b>	<b>0</b>	<b>(48,685)</b>	<b>0</b>	<b>(71,164)</b>
<b>Total on Balance Sheet</b>	<b>(143,215)</b>	<b>(22,479)</b>	<b>(7,804)</b>	<b>(67,159)</b>	<b>0</b>	<b>(240,657)</b>

### 31.2. Income, Expense, Gains and Losses

	2020/21		2021/22	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
<b>Net (gains) / losses on:</b>				
Financial assets measured at fair value through profit or loss	(405)	0	(589)	0
Financial assets measured at amortised cost	(11)	0	19	0
<b>Total net (gains) / losses</b>	<b>(416)</b>	<b>0</b>	<b>(570)</b>	<b>0</b>
<b>Interest income</b>				
Financial assets measures at amortised cost	(469)	0	(297)	0
Other investment income	(421)	0	(398)	0
<b>Interest receivable and investment income</b>	<b>(890)</b>	<b>0</b>	<b>(695)</b>	<b>0</b>
<b>Interest expense re borrowing</b>	<b>5,827</b>	<b>0</b>	<b>5,729</b>	<b>0</b>

## Notes to the Balance Sheet

### 31.3. Fair Values of Financial Assets and Liabilities

Some of the Council's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

	Input level in fair value hierarchy	Valuation technique used to measure fair value	31 March 2021 £000	31 March 2022 £000
<b><i>Fair Value through Profit or Loss</i></b>				
Property funds	1	Unadjusted quoted prices in active markets for identical units	4,687	5,510
Multi-Asset funds	1	Unadjusted quoted prices in active markets for identical units	4,806	4,572
<b>Total</b>			<b>9,493</b>	<b>10,082</b>

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. The fair value of pooled funds is taken from their market price.

The authority has an equity shareholding in North Somerset Environment Company Ltd. As allowed by the Code, this investment is held at historic cost of £1. The fair value of the investment is judged not to be materially different from this carrying value. As the shares in this company are not traded on an active market, the fair value assessment uses valuation techniques that are not based on observable market transactions or available market data. The valuation has been made on the basis of an analysis of the assets and liabilities in the company's latest audited accounts. As the company has only been trading for one year, it is not yet considered possible to make a reliable assessment of future trading prospects, and the expected return on the company's net assets.

There has been no change in the valuation techniques used during the year for the financial instruments.

### 31.4. The Fair Values of Financial Assets and Financial Liabilities that are not measured at fair value, but for which Fair Value disclosures are required

Except for the financial assets carried at fair value (described in the table above), all other financial assets and financial liabilities held by the Council are carried in the Balance Sheet at amortised cost. The fair values calculated are as follows:

	Fair Value Level	31 March 2021		31 March 2022	
		Carrying value £000	Fair Value £000	Carrying value £000	Fair Value £000
<b>Financial Assets</b>					
<i>Financial assets held at Amortised cost</i>					
Short term investments	2	133,071	133,071	167,064	167,064
Current debtors	2	13,131	13,131	12,460	12,460
Non-current debtors	2	887	887	1,002	1,002
Cash and cash equivalents	1	10,327	10,327	0	0
<b>Total Financial Assets</b>		<b>157,416</b>	<b>157,416</b>	<b>180,526</b>	<b>180,526</b>

These assets relate largely to short term assets, long term bank deposits and long-term debtors. Their fair value is calculated at cost, amortised at their effective interest rate. This is not materially different from their carrying value.

## Notes to the Balance Sheet

	Fair Value Level	31 March 2021		31 March 2022	
		Balance Sheet	Fair Value	Balance Sheet	Fair Value
		£000	£000	£000	£000
<b>Financial Liabilities</b>					
<i>Financial Liabilities held at amortised cost:</i>					
Long term borrowing from PWLB	2	(140,467)	(173,557)	<b>(134,384)</b>	<b>(150,055)</b>
Long term borrowing from Salix	2	(2,748)	(2,748)	<b>(2,313)</b>	<b>(2,313)</b>
Short term borrowing	2	(7,804)	(8,050)	<b>(7,364)</b>	<b>(7,420)</b>
Short term creditors	2	(18,474)	(18,474)	<b>(17,928)</b>	<b>(17,928)</b>
Bank overdraft	1	0	0	<b>(4,417)</b>	<b>(4,417)</b>
<b>Total Financial Liabilities</b>		<b>(169,493)</b>	<b>(202,829)</b>	<b>(166,406)</b>	<b>(182,133)</b>

Short term creditors are carried at cost as this is a fair approximation to their value.

Financial liabilities classified as held at amortised cost are carried in the Balance sheet at their amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at the year end.

PWLB borrowing has been valued by discounting the contractual cash flows over the whole life of the instrument, at an appropriate market rate for replacement local authority borrowing. The fair value of other borrowing, including non-financial liabilities, has been assessed as being not materially different from their carrying value.

The fair value of the Council's long term PWLB borrowing uses observed rates of return for comparable replacement liabilities. The fair value of this borrowing is higher than its carrying value in the accounts as the Council's portfolio of loans comprises fixed rate loans where the interest rate payable is lower than the rates available for similar loans in the market at the Balance Sheet date. All movements in borrowing and lease liabilities relate to financing cash flows.

Non-financial liabilities, including Finance lease liabilities, are carried in the Balance Sheet at amounts approximating to their fair value.

### 32. Nature and Extent of Risks Arising from Financial Instruments

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

- credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments as they fall due
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates, and stock market movements.

The Council's Treasury Management Strategy are updated each year and approved by elected members. The Strategy mitigates credit risk by requiring that deposits are only made with financial institutions that meet minimum credit scores, and by setting limits to restrict the total amounts invested with individual counterparties at any one time. Both the in-house treasury team and the Council's external cash managers have a range of counter-party limits which are linked to both the length of the investment placed and the organisational credit limits. The only exception to this principle relates to deposits made with the Government's Debt Management Office. No limit is applied, as it is deemed an extremely secure investment.

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the Council's customers.

## Notes to the Balance Sheet

### 32.1. Amounts arising from expected credit losses (ECL)

The changes in the loss allowance for financial assets held at amortised cost during the year are as follows:

	Short term Investments (12 month ECL) £000	Trade debtors (Simplified approach ECL) £000	Non-current debtors (Lifetime ECL) £000	<b>Total £000</b>
Opening balance as at 1 April 2021	(2)	(1,455)	(187)	<b>(1,644)</b>
New financial assets originated or purchased	(19)	(286)	103	<b>(202)</b>
<b>Closing balance as at 31 March 2022</b>	<b>(21)</b>	<b>(1,741)</b>	<b>(84)</b>	<b>(1,846)</b>

	Short term Investments (12 month ECL) £000	Trade debtors (Simplified approach ECL) £000	Non-current debtors (Lifetime ECL) £000	<b>Total £000</b>
Opening balance as at 1 April 2020	(13)	(967)	(84)	(1,064)
New financial assets originated or purchased	11	(488)	(103)	(580)
Closing balance as at 31 March 2021	(2)	(1,455)	(187)	(1,644)

### 32.2. Credit Risk: Treasury Investments

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

A limit is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in banks, building societies and companies, a smaller limit applies. The Council also sets limits on investments in certain sectors. No more than 50% of each counterparty limit can be invested for a period longer than one year.

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

Credit Rating	As at 31 March 2021		As at 31 March 2022	
	Non-current £000	Current £000	Non-current £000	Current £000
AA-	0	0	0	8,000
A	0	6,000	0	6,000
Unrated local authorities and Central Government	0	127,000	0	121,000
Unrated building societies	0	0	0	32,000
<b>Total subject to Credit rating</b>	<b>0</b>	<b>133,000</b>	<b>0</b>	<b>167,000</b>
Credit risk not applicable*	9,493	0	10,082	0
<b>Total investments</b>	<b>9,493</b>	<b>133,000</b>	<b>10,082</b>	<b>167,000</b>



## Notes to the Balance Sheet

\* Credit risk is not applicable to shareholdings and pooled funds where the Council has no contractual right to receive any sum of money.

### 32.3. Credit Risk: Trade Receivables and Contract Assets

The Council's credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract.

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

	Range of Loss Allowance	31 March 2021 £000	31 March 2022 £000
Neither past due nor impaired	1%	2,089	3,133
Past due 31 - 60 days	1%	526	1,722
Past due 61 - 90 days	1%	131	156
Past due 91 - 120 days	25%	171	403
Past due over 120 days	50% - 100%	4,190	4,028
<b>Total Receivables</b>		<b>7,107</b>	<b>9,442</b>

Loss allowances on trade and lease receivables and contract assets have been calculated by reference to the Council's historic experience of default adjusted for local intelligence such as progress through the council's recovery process, or for current and forecast economic conditions. Receivables are determined to have suffered a significant increase in credit risk where they are 31 or more days past due and they are determined to be credit-impaired where they are 91 or more days past due.

Receivables are collectively assessed for credit risk in the following groupings:

	Range of loss allowances	31 March 2021 Gross receivable £000	Loss allowance £000	31 March 2022 Gross receivable £000	Loss allowance £000
Central Government	0%	0	0	0	0
Other LA's	0%	0	0	0	0
NHS Bodies	0%	0	0	0	0
Other Entities	1%-100%	7,107	(1,455)	9,442	(1,741)
<b>Total</b>		<b>7,107</b>	<b>(1,455)</b>	<b>9,442</b>	<b>(1,741)</b>

Receivables are written off to the Surplus or Deficit on the Provision of Services where recovery action indicates there is no realistic chance of recovery.

### 32.4. Liquidity Risk

As the Council has ready access to borrowing from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial liabilities. Instead, the risk is that the Council may be bound to replenish its borrowings at a time of unfavourable interest rates. The Council's strategy is to ensure that no more than £8m of loans are due to mature within any one year through a combination of careful planning of the timing of new loans taken out, and (where it is economic to do so) making early repayments.

## Notes to the Balance Sheet

The maturity analysis of borrowing included in financial liabilities is as follows:

	2020/21			2021/22		
	PWLB £000	Other £000	Total £000	PWLB £000	Other £000	Total £000
Less than one year	(6,584)	(1,304)	(7,888)	<b>(6,001)</b>	<b>(1,363)</b>	<b>(7,365)</b>
Between one and two years	(6,000)	(753)	(6,753)	<b>(7,500)</b>	<b>(812)</b>	<b>(8,312)</b>
Between two and five years	(23,260)	(1,995)	(25,255)	<b>(20,760)</b>	<b>(1,502)</b>	<b>(22,262)</b>
Between five and ten years	(31,170)	0	(31,170)	<b>(31,170)</b>	<b>0</b>	<b>(31,170)</b>
More than ten years	(79,953)	0	(79,953)	<b>(74,953)</b>	<b>0</b>	<b>(74,953)</b>
<b>Total borrowing</b>	<b>(146,967)</b>	<b>(4,052)</b>	<b>(151,019)</b>	<b>(140,384)</b>	<b>(3,677)</b>	<b>(144,061)</b>

All trade and other payables are due to be paid in less than one year.

### 32.5. Market risk

#### Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments. The annual Treasury Management Strategy includes expectations of interest rate movements, and prudential indicators sets maximum limits for fixed and variable interest rate exposure. Movements in interest rates have a complex impact on the Council.

For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income will rise
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget, and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also inform whether new borrowing is taken out at fixed or 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:

- Increase in interest payable on variable rate borrowings of Nil (2020/21 Nil)
- Increase in interest receivable on variable rate investments of £1.02m (2020/21 £0.89m)
- Decrease in fair value of investments held at FVP&L of £0.05m (2020/21 £0.06m)
- Total impact on the Surplus or Deficit on the Provision of Services of £0.97m (2020/21 £0.83m)
- Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure) of £13.82m (2020/21 £17.13m)

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

## Notes to the Balance Sheet

### Price Risk

The market prices of the Council's units in pooled bond funds are governed by prevailing interest rates and the price risk associated with these instruments is managed alongside interest rate risk.

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property fund investments of £5m. A 5% fall in commercial property prices at 31st March 2022 would result in a £0.26m (2020/21: £0.23m) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

The Council's investment in a pooled equity funds is subject to the risk of falling share prices. This risk is limited by the Council's maximum exposure to equity investments of £5m. A 5% fall in share prices at 31st March 2022 would result in a £0.06m (2020/21: £0.08m) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

### 33. Ex-Avon County Council Debt (Long-Term Liabilities)

Following Local Government Reorganisation in 1996, the responsibility for administering Avon County Council's outstanding long-term debt was transferred to Bristol City Council. All the unitary authorities in the ex-Avon area make annual contributions equivalent to principal and interest towards the long-term debts.

	2020/21 £000	2021/22 £000
North Somerset Council share of Ex-Avon Loan Debt Outstanding	(12,252)	<b>(11,761)</b>
Interest Paid in Year	617	<b>592</b>
Debt Repayments - Minimum Revenue Provision	510	<b>490</b>

### 34. Pensions Schemes Accounted for as Defined Contribution Schemes - Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Teachers' Pensions on behalf of the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is a multi-employer defined benefit scheme. However, the Scheme is unfunded, and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years. The Council is not able to identify its share of the underlying financial position and the performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2021/22 the Council paid £1.99m to Teachers' Pensions in respect of teachers' retirement benefits (2020/21 £2.02m), representing 24.53% of pensionable pay (2020/21 24.42%). Contributions of £0.15m were payable at the year-end (2020/21 £0.17m). The expected contributions to the plan in 2022/23 are £1.49m (2020/21 £1.76m).

## Notes to the Balance Sheet

The Council is also responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 35.3.

The authority is not liable to the scheme for any other entities' obligations under the plan.

### 35. Defined Benefit Pension Schemes

#### 35.1. Participation in Schemes

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

The Council participates in two defined benefit pension schemes:

- the Local Government Pension Scheme, known as the Avon Pension Fund, administered by Bath & North-East Somerset Council. The Avon Pension Fund is a multi-employer arrangement, under which each employer is responsible for the pension costs, liabilities and funding risks relating to its own employees and former employees. This is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. Each employer's contributions to the Fund are calculated in accordance with the LGPS regulations, which require an actuarial valuation to be carried out every three years.
- arrangements for the award of discretionary post-retirement benefits to teachers upon early retirement. This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash must be generated to meet actual pensions payments as they eventually fall due.

#### Pensions assets and liabilities recognised in the Balance Sheet

The total net liability in the Balance Sheet in respect of defined benefit schemes is as follows:

	2020/21			2021/22		
	Funded £000	Unfunded £000	Total £000	Funded £000	Unfunded £000	Total £000
<b>Local Government Pension Scheme</b>						
Present value of the defined benefit obligation	(745,863)	(15,328)	(761,191)	<b>(753,031)</b>	<b>(14,565)</b>	<b>(767,596)</b>
Fair value of plan assets	483,893	0	483,893	<b>522,078</b>	<b>0</b>	<b>522,078</b>
Net liability arising from defined benefit obligation	(261,970)	(15,328)	(277,298)	<b>(230,953)</b>	<b>(14,565)</b>	<b>(245,518)</b>
<b>Unfunded Teachers' Discretionary Benefits</b>						
Present value of the defined benefit obligation	0	(21,582)	(21,582)	<b>0</b>	<b>(20,468)</b>	<b>(20,468)</b>
Net liability arising from defined benefit obligation	0	(21,582)	(21,582)	<b>0</b>	<b>(20,468)</b>	<b>(20,468)</b>
<b>Net liability arising from defined benefit obligation - Total</b>	<b>(261,970)</b>	<b>(36,910)</b>	<b>(298,880)</b>	<b>(230,953)</b>	<b>(35,033)</b>	<b>(265,986)</b>

## Notes to the Balance Sheet

### Transactions Relating to Post-Employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pension. 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 post-employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year for both the Local Government Pension Scheme (LGPS) and the Teachers Discretionary Benefits (Teachers):

	2020/21			2021/22		
	LGPS £000	Teachers £000	Total £000	LGPS £000	Teachers £000	Total £000
<b>Comprehensive Income and Expenditure Statement</b>						
<i>Cost of Services:</i>						
- Current Service Cost	13,124	0	13,124	<b>17,714</b>	<b>0</b>	<b>17,714</b>
- Past service cost (gain)	0	0	0	<b>0</b>	<b>0</b>	<b>0</b>
- (Gains) / Losses from Settlements & Curtailments	(761)	0	(761)	<b>(2,608)</b>	<b>0</b>	<b>(2,608)</b>
<i>Financing and Investment Income and Expenditure:</i>						
- Net Interest Cost	5,757	494	6,251	<b>5,666</b>	<b>437</b>	<b>6,103</b>
- Administration Expense	245	0	245	<b>260</b>	<b>0</b>	<b>260</b>
Net interest on net defined benefit pension liability & administration costs	6,002	494	6,496	<b>5,926</b>	<b>437</b>	<b>6,363</b>
<b>Net Charge to Surplus or Deficit on Provision of Services</b>	<b>18,365</b>	<b>494</b>	<b>18,859</b>	<b>21,032</b>	<b>437</b>	<b>21,469</b>
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:</i>						
- Return on Plan Assets (Gains) / Losses, excluding the amount included in the net interest expense	(62,143)	0	(62,143)	<b>(37,872)</b>	<b>0</b>	<b>(37,872)</b>
- Experience (Gains) / Losses	(14,901)	(337)	(15,238)	<b>2,098</b>	<b>60</b>	<b>2,158</b>
- Actuarial (Gains) / Losses arising on changes in financial assumptions	99,964	1,685	101,649	<b>(12)</b>	<b>186</b>	<b>174</b>
- Actuarial (Gains) / Losses arising on changes in demographic assumptions	0	0	0	<b>(5,806)</b>	<b>(205)</b>	<b>(6,011)</b>
Remeasurement of the net defined benefit liability	22,920	1,348	24,268	<b>(41,592)</b>	<b>41</b>	<b>(41,551)</b>
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>41,285</b>	<b>1,842</b>	<b>43,127</b>	<b>(20,560)</b>	<b>478</b>	<b>(20,082)</b>
<b>Movement in Reserves Statement</b>						
Reversal of Net charge made to the Surplus or Deficit on Provision of Services for post employment benefits in accordance with the Code	(18,365)	(494)	(18,859)	<b>(21,032)</b>	<b>(437)</b>	<b>(21,469)</b>
Actual amount charged against the General Fund Balance for pensions in the year: Employers' contributions payable to the scheme	10,820	1,662	12,482	<b>11,220</b>	<b>1,592</b>	<b>12,812</b>
Amount by which Pension costs charged to the Comprehensive Income Statement is different from that chargeable in accordance with statutory requirements	(7,545)	1,168	(6,377)	<b>(9,812)</b>	<b>1,155</b>	<b>(8,657)</b>

## Notes to the Balance Sheet

### 35.2. Local Government Pension Scheme

The Local Government Pension Scheme is a funded defined benefit scheme based on average pensionable salary. This means that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

#### Reconciliation of Movements in the Fair Value of Scheme (Plan) Assets

	2020/21 £000	2021/22 £000
Opening Fair Value of Scheme Assets	419,708	<b>483,893</b>
Interest Income	10,010	<b>10,096</b>
Administration Expenses	(245)	<b>(260)</b>
Remeasurement Gains / (Losses)		
- The return on plan assets, excluding any amount in the net interest expense	62,143	<b>37,872</b>
Employers' Contributions	10,820	<b>11,220</b>
Employee Contributions	2,737	<b>2,899</b>
Settlements	(575)	<b>(2,131)</b>
Benefits Paid	(20,705)	<b>(21,511)</b>
<b>Closing Balance at 31 March</b>	<b>483,893</b>	<b>522,078</b>

#### Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	2020/21			2021/22		
	Funded £000	Unfunded £000	Total £000	Funded £000	Unfunded £000	Total £000
Opening Balance at 1 April	(651,695)	(14,846)	(666,541)	<b>(745,863)</b>	<b>(15,328)</b>	<b>(761,191)</b>
Current Service Cost	(13,124)	0	(13,124)	<b>(17,714)</b>	0	<b>(17,714)</b>
Past service cost	0	0	0	0	0	0
Interest Cost	(15,422)	(345)	(15,767)	<b>(15,451)</b>	<b>(311)</b>	<b>(15,762)</b>
Contributions by Scheme participants	(2,737)	0	(2,737)	<b>(2,899)</b>	0	<b>(2,899)</b>
Remeasurement Gains / (Losses);						
- Experience Gains / (Losses)	14,550	351	14,901	<b>(2,056)</b>	<b>(42)</b>	<b>(2,098)</b>
- Gains / (Losses) on financial assumptions	(98,444)	(1,520)	(99,964)	12	0	12
- Gains / (Losses) on demographic	0	0	0	<b>5,699</b>	<b>107</b>	<b>5,806</b>
Benefits Paid	19,673	1,032	20,705	<b>20,502</b>	<b>1,009</b>	<b>21,511</b>
Settlements / Curtailments	1,336	0	1,336	<b>4,739</b>	0	<b>4,739</b>
<b>Closing Balance at 31 March</b>	<b>(745,863)</b>	<b>(15,328)</b>	<b>(761,191)</b>	<b>(753,031)</b>	<b>(14,565)</b>	<b>(767,596)</b>

The accounting effect of the transfers of staff to academies during the year is shown under the settlement figures above.

# Notes to the Balance Sheet

## Composition of Scheme Assets

	Quoted (Y/N)	2020/21 £000	2020/21 £000
<b>Cash and Cash Equivalents:</b>			
- Cash Accounts	Y	14,198	<b>8,271</b>
<b>Equity Instruments:</b>			
- Global	Y	155,290	<b>212,186</b>
- Emerging markets	Y	26,176	<b>0</b>
<b>Bonds:</b>			
- UK Government Indexed	Y	68,350	<b>64,707</b>
- Sterling Corporate Bonds	Y	40,928	<b>38,991</b>
<b>Property:</b>			
- Property Funds	Y	34,839	<b>34,732</b>
<b>Alternatives:</b>			
- Hedge Funds	Y	25,231	<b>15,058</b>
- Diversified Growth Funds	Y	45,763	<b>47,949</b>
- Infrastructure	Y	37,613	<b>45,696</b>
- Secured Income	Y	25,589	<b>41,601</b>
- Exchange Traded Funds	Y	9,916	<b>9,315</b>
- Private Funds	Y	0	<b>3,572</b>
<b>Closing Balance at 31 March</b>		<b>483,893</b>	<b>522,078</b>

## Basis for Estimating Assets and Liabilities

### Pensions Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions including, for example mortality rates and salary levels. Both the LGPS and discretionary teachers' benefits liabilities have been assessed by Mercer Limited, an independent firm of actuaries, providing estimates for the Avon Pension Fund based on the latest full valuation of the scheme as at 31 March 2019. The estimated duration of liabilities (at later of 31 March 2019 and admission date) is 15 years.

The significant assumptions used by the actuary in their calculations were:

	2020/21	2021/22
Rate of CPI inflation	2.7%	<b>3.4%</b>
Rate of increases in salaries	4.2%	<b>4.9%</b>
Rate of increases in pensions	2.8%	<b>3.5%</b>
Rate for discounting scheme liabilities	2.1%	<b>2.8%</b>
<b>Mortality Assumptions</b>		
Longevity at 65 for current pensioners	Years	<b>Years</b>
Men	23.3	<b>23.1</b>
Women	25.4	<b>25.3</b>
Longevity at 65 for future pensioners in 20 years time	Years	<b>Years</b>
Men	24.8	<b>24.6</b>
Women	27.4	<b>27.3</b>

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible

## Notes to the Balance Sheet

changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	2020/21	2021/22
	£000	£000
<b>Impact of the Defined Benefit Obligation in the Scheme:</b>		
Longevity - 1 year increase in life expectancy	23,068	<b>23,015</b>
Rate of inflation - 0.1% increase	11,807	<b>11,906</b>
Rate of increase in salaries - 0.1% pay growth	961	<b>830</b>
Rate for discounting Scheme Liabilities - 0.1% increase in discounting rate	(11,627)	<b>(11,725)</b>

### Governance and Risk Management

As the administering authority, Bath and North East Somerset Council (B&NES), has legal responsibility for the pension fund as set out in the Local Government Pension Scheme Regulations. B&NES delegates its responsibility to the Avon Pension Fund Committee, which is the formal decision-making body for the Fund. The Avon Pension Fund Committee is responsible for the Funds' investment, funding, administration and communication strategies. It also monitors the performance of the fund, and approves and monitors compliance of the statutory statements and policies required under the Regulations. The Committee is supported by an Investment Panel, which considers the investment strategy and investment performance in greater depth.

#### *Impact on the Council's Cash flows*

The Fund targets a pension paid throughout life. The amount of pensions depends on how long employees are active members of the scheme and their salary when they leave the scheme ("final salary scheme") for service up to 31 March 2014, and on revalued average salary ("career average scheme") for service from 1 April 2014.

Regulations governing the Fund require actuarial valuations to be carried out every three years. Contributions for each employer are set having regard to their individual circumstances. The Regulations require the contributions to be set with a view to targeting the Fund's solvency, and the detailed provisions are set out in the Fund's Funding Strategy Statement. The most recent valuation of the Avon Pension Fund as at 31 March 2019, showed a shortfall of assets against liabilities of £258 million, equivalent to a funding level of 95%.

The Council's contribution rate for 2021/22 was 17.8% (2020/21 17.8%) and, along with other employers in the Fund, is paying additional contributions (equivalent to 7.1% for 2021/22 (2020/21 6.9%) over a period of up to 11 years in order to meet the shortfall. The Council estimates its employer contributions to the Fund for 2021/22 will be £10.59m, including £2.45m (equivalent to 6.0% of pensionable pay) in respect of deficit recovery (Estimates in 2020/21 for 2021/22 were £10.48m, £2.39m, 6.9% respectively).

#### *Risks and Investment Strategy*

The Avon Pension Fund does not have an explicit asset and liability matching (ALM) strategy. The primary objective of its investment strategy is to generate positive real investment return above the



## Notes to the Balance Sheet

rate of inflation for a given level of risk to meet the liabilities as they fall due over time. When setting the investment strategy, the expected volatility of the assets relative to the value placed on the liabilities is measured and taken into account. The aim of the strategy and management structure is to minimise the risk of a reduction in the value of the assets and maximise the opportunity for asset gains across the Fund.

To achieve its investment objective the Fund invests across a diverse range of assets such as equities, bonds, property and other alternative instruments, and uses a number of investment managers. The risk management process identifies and mitigates the risks arising from the Fund's investment strategy and policies, which are reviewed regularly to reflect changes in market conditions. As a result of its investment strategy, the Fund is exposed to a variety of financial risks, including market risk (market price, interest rate and currency risk), credit risk and liquidity risk.

- Market Risk – the objective of the investment strategy is to manage and control market risk within acceptable parameters, while optimising the return. Volatility in market risk is managed through diversification across asset class and investment managers.
- Credit Risk – as the market values of investments reflect an assessment of creditworthiness in their pricing, the risk of loss is implicitly provided for in the carrying value of the assets and liabilities.
- Liquidity Risk – the investment strategy and cash management policy ensure that the pension fund has adequate cash to meet its working requirements. The Fund has immediate access to its cash holdings and a substantial portion of the Fund's investments consist of readily realisable securities, in particular equities and fixed income investments. The main liabilities of the Fund are the benefits payable as they fall due over a long period and the investment strategy reflects the long-term nature of these liabilities.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

### 35.3. Unfunded Teachers' Discretionary Benefits

The Council's is responsible for any additional discretionary pension benefits awarded to teachers upon early retirement outside of the terms of the teachers' pension scheme.

#### Pensions assets and liabilities recognised in the Balance Sheet

The present value of the defined benefit obligation in the Balance Sheet as at 31 March 2022 is £20.5m (31 March 2021 £21.6m). There are no assets associated with the scheme.

#### Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	2020/21 £000	2021/22 £000
Opening Balance at 1 April	(21,402)	<b>(21,582)</b>
Interest Cost	(494)	<b>(437)</b>
Remeasurement Gains / (Losses)	(1,348)	<b>(41)</b>
Benefits Paid / Transfers	1,662	<b>1,592</b>
<b>Closing Balance at 31 March</b>	<b>(21,582)</b>	<b>(20,468)</b>

## Notes to the Balance Sheet

### Basis for Estimating Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions include, for example, mortality rates and salary levels. The liabilities have been assessed by Mercer Limited, an independent firm of actuaries, providing estimates for the Avon Pension Fund, based on the latest full valuation of the scheme as at 31 March 2019. The estimated duration of liabilities (at later of 31 March 2019 and admission date) is 9 years.

The main assumptions used in their calculations have been:

	2020/21 £000	2020/21 £000
Rate of CPI inflation	2.7%	3.5%
Rate of increases in pensions	2.8%	3.6%
Rate for discounting scheme liabilities	2.1%	2.8%
Mortality Assumptions		
Longevity at 75 for current pensioners	Years	Years
Men	14.4	14.3
Women	16.2	16.1

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	2020/21 £000	2021/22 £000
<b>Impact of the Defined Benefit Obligation in the Scheme:</b>		
Longevity - 1 year increase in life expectancy	888	853
Rate of inflation - 0.1% increase	197	186
Rate for discounting Scheme Liabilities - 0.1% increase in discounting rate	(193)	(184)

### Governance and Risk Management

The Teachers' Pension Scheme arrangements are managed centrally by government departments / agencies, and there is no material involvement for the Council.

#### *Impact on the Council's Cash flows*

The Scheme targets a pension paid throughout life. The amount of pensions depends on how long employees are active members of the scheme and their salary when they leave the scheme ("final salary scheme") for service up to 31 March 2015, and on revalued average salary ("career average scheme") for service from 1 April 2015. The Council's involvement is limited to additional discretionary pension benefits to retired teachers which were awarded at the point of retirement.

## Notes to the Balance Sheet

### Risk Strategy

Given their unfunded nature, there are no investment risks in relation to this scheme. The greatest single risk is that the government could change the funding standards relating to the scheme, increasing the Council's contributions.

## 36. Leases

### 36.1. Authority as Lessee

#### Finance Leases

The Council has acquired property, vehicles and print room equipment under finance leases and sums included within the Balance Sheet are as follows:

	2020/21 £000	2021/22 £000
<u>Asset carrying values</u>		
Other land and buildings	1,131	1,099
Investment properties	3,599	4,972
<b>Total</b>	<b>4,730</b>	<b>6,071</b>
<u>Other long term liabilities</u>		
Finance lease liabilities	(22,091)	(21,740)
Lease premiums in advance	(388)	(388)
less lease premiums in advance included in Creditors	0	23
<b>Total Other long term liabilities</b>	<b>(22,479)</b>	<b>(22,105)</b>

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the assets acquired and finance costs that will be payable in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	2020/21 £000	2021/22 £000
Finance lease liabilities		
- Current	(336)	(351)
- non Current	(22,091)	(21,740)
Finance costs payable in future years	(21,522)	(20,685)
<b>Total Minimum Lease Payments</b>	<b>(43,949)</b>	<b>(42,776)</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000
Not later than one year	(1,173)	(1,180)	(336)	(351)
Later than one year and not later than five years	(4,765)	(4,795)	(1,492)	(1,554)
Later than five years	(38,011)	(36,801)	(20,598)	(20,186)
<b>Total</b>	<b>(43,949)</b>	<b>(42,776)</b>	<b>(22,426)</b>	<b>(22,091)</b>

## Notes to the Balance Sheet

### Operating Leases

The Council utilises a number of administrative buildings and its fleet of vehicles by entering into operating leases, with typical lives of 5 years for vehicles and equipment and 256 years for property. The future minimum lease payments due under non-cancellable leases in future years, and related charges to the Cost of Services in the Comprehensive Income and Expenditure Statement, are not material.

### 36.2. Authority as Lessor

#### Finance Leases

The Council has leased out 6 secondary schools and 38 primary schools to Academies on 125 year finance leases, all at peppercorn rents, which is a statutory requirement for Academies. The Council's gross investment in these leases, is made up as follows:

	2020/21 £000	2021/22 £000
Unguaranteed residual value of property	52,949	54,561
<b>Gross investment in the leases</b>	<b>52,949</b>	<b>54,561</b>

The gross investment in these leases is receivable in more than 100 years.

#### Operating Leases

The Council owns various commercial and investment property that it leases out with typical lives of 33 years under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses

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

	2020/21 £000	2021/22 £000
Not later than one year	6,192	5,756
Later than one year and not later than five years	10,520	7,708
Later than five years	7,037	8,733
<b>Total future Minimum lease payments receivable</b>	<b>23,749</b>	<b>22,197</b>

The gross value of assets which were held for use in operating leases was £44.098m, valued at 31st March 2022 (31st March 2021: £44.504m).

## Notes to the Cash Flow Statement

### 37. Notes to the Cash Flow Statement

#### 37.1. Adjustments to the net surplus / (deficit) on the provision of services for non-cash movements

	2020/21 £000	2021/22 £000
Depreciation and impairment	23,559	20,053
Increase / (decrease) in creditors	32,550	(4,234)
(Increase) / decrease in debtors	(4,287)	(5,272)
(Increase) / decrease in inventories	13	27
(Increase) / decrease in impairment for bad debts	103	590
Movement in Pension liability	6,377	8,657
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	7,353	19,584
Other non-cash items charged to the net surplus or deficit on the provision of services	(13)	711
<b>Net adjustments for non-cash movements</b>	<b>65,655</b>	<b>40,116</b>

#### 37.2. Adjustments for items included in the surplus / (deficit) on provision of services that are investing and financing activities

	2020/21 £000	2021/22 £000
Capital grants applied to the financing of capital expenditure	(34,102)	(40,376)
Proceeds from the sale of property, plant and equipment, investment property and intangible	(2,511)	(3,427)
<b>Net adjustments for investing and financing activities</b>	<b>(36,613)</b>	<b>(43,803)</b>

#### 37.3. Operating Activities

The cash flows for operating activities include the following:

	2020/21 £000	2021/22 £000
Interest received	890	713
Interest paid	(6,367)	(6,661)

## Notes to the Cash Flow Statement

### 37.4. Cash Offsetting Arrangements

Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to set off and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The table below shows those areas that have been offset in the balance sheet.

	2020/21 £000	2021/22 £000
Cash subject to netting arrangement	34,408	26,726
Overdraft subject to netting arrangement	(29,500)	(31,457)
<b>Net cash subject to netting arrangement</b>	<b>4,908</b>	<b>(4,731)</b>
Other cash and cash equivalents	5,419	314
<b>Cash and cash equivalents presented in the Balance Sheet</b>	<b>10,327</b>	<b>(4,417)</b>

### 37.5. Total liabilities from financing activities

	31 March 2021 £000	Financing cash flows £000	Non-cash changes		31 March 2022 £000
			Acquisition £000	Other £000	
Long term borrowings	(143,213)	(295)	0	6,812	(136,696)
Short term borrowings	(7,803)	7,252	0	(6,812)	(7,363)
Short term creditors	(17,753)	0	0	(175)	(17,928)
Finance lease liabilities	(336)	336	0	(350)	(350)
<b>Total liabilities from financing activities</b>	<b>(169,105)</b>	<b>7,293</b>	<b>0</b>	<b>(525)</b>	<b>(162,337)</b>

## Collection Fund

This account reflects the Council's statutory responsibility as a billing authority to maintain a separate Collection Fund, which shows the transactions in relation to council tax and business rates, and illustrates the way in which these have been distributed to preceptors and the General Fund.

	Note	2020/21			2021/22		
		Business Rates £000	Council Tax £000	Total £000	Business Rates £000	Council Tax £000	Total £000
<b>Income</b>							
Council Tax Receivable	CF1		(141,618)	(141,618)		(149,406)	(149,406)
Business Rates Receivable	CF2	(36,191)		(36,191)	(55,994)		(55,994)
<b>Total Income</b>		<b>(36,191)</b>	<b>(141,618)</b>	<b>(177,809)</b>	<b>(55,994)</b>	<b>(149,406)</b>	<b>(205,400)</b>
<b>Expenditure</b>							
<b>Apportionment of Previous Years' Surplus / (Deficit)</b>							
- Central Government		645		645	(13,968)		(13,968)
- North Somerset Council		632	(1,644)	(1,012)	(13,689)	(1,044)	(14,733)
- Police and Crime Comm. for Avon & Somerset			(248)	(248)		(158)	(158)
- Avon Fire Authority		13	(84)	(71)	(279)	(52)	(331)
		<b>1,290</b>	<b>(1,976)</b>	<b>(686)</b>	<b>(27,936)</b>	<b>(1,254)</b>	<b>(29,190)</b>
<b>Precepts, Demands and Shares</b>							
- Central Government		29,461		29,461	30,322		30,322
- North Somerset Council		28,872	119,551	148,423	29,716	124,611	154,327
- Police and Crime Comm. for Avon & Somerset			18,039	18,039		18,992	18,992
- Avon Fire Authority		589	5,934	6,523	607	6,018	6,625
		<b>58,922</b>	<b>143,524</b>	<b>202,446</b>	<b>60,645</b>	<b>149,621</b>	<b>210,266</b>
<b>Charges to Collection Fund</b>							
Write offs of uncollectable amounts		(598)	(1,500)	(2,098)	(500)	(1,595)	(2,095)
Increase / (Decrease) in Bad Debt Allowances		1,069	2,551	3,620	901	1,573	2,474
Increase / (Decrease) in Provision for Appeals		1,941		1,941	2,050		2,050
Cost of Collection		255		255	255		255
Disregarded Amounts	CF5	436		436	704		704
		<b>3,103</b>	<b>1,051</b>	<b>4,154</b>	<b>3,410</b>	<b>(22)</b>	<b>3,388</b>
<b>Total Expenditure</b>		<b>63,315</b>	<b>142,599</b>	<b>205,914</b>	<b>36,119</b>	<b>148,345</b>	<b>184,464</b>
<b>(Surplus) / Deficit arising during the year</b>		<b>27,124</b>	<b>981</b>	<b>28,105</b>	<b>(19,875)</b>	<b>(1,061)</b>	<b>(20,936)</b>
(Surplus) / Deficit b/fwd 1st April		(1,712)	2,022	310	25,412	3,003	28,415
<b>(Surplus) / Deficit c/fwd 31st March</b>	CF4	<b>25,412</b>	<b>3,003</b>	<b>28,415</b>	<b>5,537</b>	<b>1,942</b>	<b>7,479</b>

## Notes to the Collection Fund

### CF1 Council Tax

Under the council tax system, North Somerset Council must collect each year enough money from local residents to cover the cost of the services we provide, which are not funded by other sources such as government grants and fees and charges. We also collect North Somerset's share of the cost of services provided by Avon & Somerset Police, Avon Fire Authority and the Parish and Town Councils, and pass this back to them through a precept payment.

Council tax is payable on any dwelling which is not exempt. The amount of council tax that each household pays depends upon the valuation band in which the property is placed and the Parish or Town in which the dwelling is situated.

In order to set the council tax, we estimate the number of dwellings in each of eight valuation bands and convert these estimates into an "equivalent number of Band D dwellings". The table below shows the calculation for 2021/22:

Valuation Bands	Estimated number of taxable dwellings after effect of exemptions and discounts	Ratio	Equivalent number of Band D dwellings
A - up to £40,000	11,384	6/9	7,589.3
B - £40,001 to £52,000	18,798	7/9	14,620.8
C - £52,001 to £68,000	20,701	8/9	18,400.9
D - £68,001 to £88,000	15,985	9/9	15,985.0
E - £88,001 to £120,000	11,870	11/9	14,507.3
F - £120,001 to £160,000	6,077	13/9	8,777.4
G - £160,001 to £320,000	3,158	15/9	5,263.3
H - over £320,001	233	18/9	465.5
	<b>88,205</b>		<b>85,609.5</b>
Reduction for Council Tax Support Scheme			(6,295.2)
Reduction for Increased Discounts			(80.0)
Allowance for Losses on Collection			(1,198.5)
Allowance for New Properties			703.1
<b>Council Tax Base for 2021/22</b>			<b>78,738.9</b>

The total number of "equivalent Band D dwellings" is divided into the total cost of services to arrive at an "average Band D Tax" per dwelling. Dwellings in bands below "Band D" will pay proportionately less than this average and dwellings in bands above "Band D" will pay proportionately more than this average.

The above calculations resulted in an "average Band D Tax" of £1,900.21 per dwelling for 2021/22 (2020/21 - £1,812.52) after taking into account Parish variations and providing a 1.50% provision for unpaid bills (2020/21 - 0.80%), movement in council tax support claimants and new build properties not as planned.

The actual council tax income for 2021/22 was £149.406m; dividing this figure by the "average Band D Tax" results in an actual tax base of 78,626.0 dwellings. The difference between this and the total "equivalent Band D dwellings" of 78,738.9 reflects:

- Variations in the property market
- Changes in the number of exempt dwellings
- Changes in the number of dwellings qualifying for discounts



## Notes to the Collection Fund

### CF2 National Non-Domestic Rates

Under the Business Rates Retention Scheme, the Council acts as both principal and agent. It can retain 49% of the net standard business rates collected within the local area as income within its own budget, as well as 100% of net rates from new properties within designated areas and those relating to renewable energy schemes (Disregarded Amounts). The Council distributes the remaining net balance of standard business rate income to Central Government, who are allocated 50%, with the final 1% to the Fire Authority.

	2020/21	2021/22
Total Non-domestic Rateable Value at 31 March	£164,026,269.00	<b>£164,689,431.00</b>
National Non-domestic Rate Multiplier - Standard	0.512	<b>0.512</b>
National Non-domestic Rate Multiplier - Small Business	0.499	<b>0.499</b>

The Business Rates receivable amount on the face of the Collection Fund Account of £55.994m (2020/21 £36.191m), is significantly lower than the total of the Non-domestic Rateable Value multiplied by the Non-domestic Rate Multiplier due to the award of various reliefs. In particular in 2021/22, all Retail, Hospitality and Leisure businesses were granted 66% rates relief (2020/21 100%), totalling £11.538m (2020/21 £29.755m) as part of Government measures to address the impact of Covid-19.

### CF3 Taxpayers' arrears

	2020/2021 £000	2021/22 £000	
Council Tax Arrears	12,677	<b>11,984</b>	
Business Rate Arrears	7,546	<b>6,102</b>	
<b>Gross Tax Payers' Arrears at 31 March</b>	<b>20,223</b>	<b>18,086</b>	
Council Tax Prepayments	(6,140)	<b>(6,461)</b>	
Business Rates Prepayments	(2,075)	<b>(3,261)</b>	
<b>Gross Tax Payers' Prepayments at 31 March</b>	<b>(8,215)</b>	<b>(9,722)</b>	
<b>Net Tax Payers' Arrears as at 31 March</b>	<b>12,008</b>	<b>8,364</b>	
<u>Allowance for Bad Debts</u>	2020/21 £000	2021/22 £000	% of arrears at 31 March
Council Tax	7,400	<b>7,378</b>	<b>61.57%</b>
Business Rates	2,675	<b>3,076</b>	<b>50.41%</b>
<b>Total Tax Payers' Bad Debt Allowance</b>	<b>10,075</b>	<b>10,454</b>	

# Notes to the Collection Fund

## CF4 Balance Sheet items apportionment

<b>2021/22</b>	<b>Total</b>	<b>North Somerset</b>	<b>Police &amp; Crime</b>	<b>Central</b>	<b>Avon Fire</b>
	<b>£000</b>	<b>Council</b>	<b>Commissioner</b>	<b>Government</b>	<b>Authority</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Council Tax</b>					
Debtors	<b>11,984</b>	9,970	1,537	N/A	477
Bad Debt Allowance	<b>(7,378)</b>	(6,138)	(946)	N/A	(294)
Prepayments & Overpayments	<b>(6,461)</b>	(5,375)	(829)	N/A	(257)
(Surplus) / Deficit at 31 March	<b>1,942</b>	1,617	244	N/A	81
<b>Business Rates</b>					
Debtors	<b>6,102</b>	2,990	N/A	3,051	61
Bad Debt Allowance	<b>(3,076)</b>	(1,507)	N/A	(1,538)	(31)
Prepayments & Overpayments	<b>(3,261)</b>	(1,598)	N/A	(1,631)	(32)
Appeals Provision	<b>(9,804)</b>	(4,804)	N/A	(4,902)	(98)
(Surplus) / Deficit at 31 March	<b>5,537</b>	2,714	N/A	2,768	55

<b>2020/21</b>	<b>Total</b>	<b>North Somerset</b>	<b>Police &amp; Crime</b>	<b>Central</b>	<b>Avon Fire</b>
	<b>£000</b>	<b>Council</b>	<b>Commissioner</b>	<b>Government</b>	<b>Authority</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Council Tax</b>					
Debtors	<b>12,677</b>	10,558	1,609	N/A	510
Bad Debt Allowance	<b>(7,400)</b>	(6,163)	(939)	N/A	(298)
Prepayments & Overpayments	<b>(6,140)</b>	(5,114)	(779)	N/A	(247)
(Surplus) / Deficit at 31 March	<b>3,003</b>	2,502	376	N/A	125
<b>Business Rates</b>					
Debtors	<b>7,546</b>	3,698	N/A	3,773	75
Bad Debt Allowance	<b>(2,675)</b>	(1,311)	N/A	(1,337)	(27)
Prepayments & Overpayments	<b>(2,075)</b>	(1,017)	N/A	(1,037)	(21)
Appeals Provision	<b>(10,541)</b>	(5,165)	N/A	(5,271)	(105)
(Surplus) / Deficit at 31 March	<b>25,412</b>	12,452	N/A	12,706	254

## CF5 Business Rates – Disregarded amounts

From April 2013 the Council could retain 100% of the growth from the business rates associated with renewable energy sites, and from April 2014 the Council was also allowed to retain 100% of the growth in business rates in its Enterprise Area.

All such growth is transferred to the Council's General Fund, with the Enterprise Area growth then being pooled with other participating authorities in the City Region Deal (see Note 22 to the main financial statements for full details).

	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
Renewable Energy	136	<b>154</b>
Enterprise Area - transfer to City Region Deal	300	<b>550</b>
	<b>436</b>	<b>704</b>

## Accounting policies

### i. General Principles

The Statement of Accounts summarises the Council's transactions for the financial year 2021/22, and its position at the year-end of 31 March 2022. The Council is required to prepare an annual Statement of Accounts by the Accounts & Audit Regulations 2015. These regulations require the accounts to be prepared in accordance with proper accounting policies, which primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code), supported by International Financial Reporting Standards (IFRS).

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

The Statement of Accounts has been prepared on a 'going concern' basis.

### ii. Recognition of Income and Expenditure

The Council recognises its revenue and capital income and expenditure on an accruals basis. 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 of the contract, in line with IFRS 15 'Revenue from contracts with service recipients'.
- 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 those 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.
- Revenue relating to council tax and non-domestic rates is measured at the full amount receivable (net of any impairment losses).

### iii. Council Tax and Non-Domestic Rates

The Council is required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and NDR. The Council acts as agent, collecting Council Tax and Non-Domestic Rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principal, collecting Council Tax and NDR for itself.

The Council Tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in the Council'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.

## Accounting policies

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

Where debtor balances for the above are identified as impaired, the asset is written down and a charge made to the 'Taxation and Non-Specific grant income' line in the CIES.

### iv. Government Grants and Contributions

Government grants and third-party contributions are recognised when there is reasonable assurance that the Council will comply with the conditions attached to the payments, and that the grants or contributions will be received.

Where conditions attached to grants or contributions have not been satisfied, monies received to date are carried in the Balance Sheet as receipts in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (service specific revenue grants and contributions) or Taxation and Non-Specific Grant Income (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.

### v. Accounting for Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for council maintained schools lies with the Council.

The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the Council's financial statements (and not the Group Accounts). Therefore, maintained schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council (see Note 1 – Critical Judgements in applying accounting policies).

### vi. Charges to Revenue for Non-Current Assets

To record the cost of holding non-current assets during an accounting period, services, support services and trading accounts are debited with:

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

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

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting

## Accounting policies

transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### vii. Employee Benefits

#### Benefits Payable during Employment

Short-term employee benefits include such benefits as wages and salaries, paid annual leave and sick leave, and expenses, are paid on a monthly basis, and are recognised on an accruals basis as expenditure in the relevant service line within the Comprehensive Income and Expenditure Statement.

#### Termination Benefits

When the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy, these costs are charged on an accruals basis to the respective Service line in the Comprehensive Income and Expenditure Statement.

#### Post-Employment Benefits

The Council accounts for post-employment benefits when it is committed to give them, even if the actual giving will be many years into the future. In this way the accounts represent the employer's commitment to increase contributions to make up any shortfall in attributable net assets, or its ability to benefit (via reduced contributions) from a surplus in the scheme.

Employees of the Council are members of three different pension schemes:

- The Local Government Pension Scheme, administered by Bath & North East Somerset Council
- The Teachers' Pensions Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE)
- The NHS Superannuation Scheme

#### *The Local Government Pension Scheme*

The Local Government Pension Scheme (LGPS) is accounted for as a defined benefits scheme:

- Liabilities attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions including, for example, mortality rates, employee turnover rates, and projections of future earnings for current employees.
- Assets within the scheme attributable to the Council are included in the Balance Sheet at their fair value.

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

Service cost, comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Service Costs.

## Accounting policies

- Net Interest on the net defined benefit liability – i.e. net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time - charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Re-measurement of the net defined benefit liability, comprising:

- Return on plan assets – excluding amounts included in net interest expense on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Experience gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Actuarial gains and losses – changes in the net pensions liability that arise because the actuaries have updated their financial or demographic assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Statutory provisions require the General Fund balance to be charged only with the amount payable by the Council 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, transfers are made to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits, and to 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 therefore 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.

### *Teachers' Pension Scheme and NHS Superannuation Scheme*

The centralised arrangements for the Teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. These schemes are therefore accounted for as if they were defined contribution schemes, and no liability for future payments of benefits recognised in the Balance Sheet.

The Children and Young People line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' Pension Scheme. The Public Health line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pension Scheme in the year.

### *Discretionary Benefits*

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

## viii. *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.

## Accounting policies

### ix. Property, Plant and Equipment (PPE)

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 as a transaction at the end of each financial year, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. The Council usually recognises amounts in excess of £10,000 as Property, Plant and Equipment (PPE) expenditure.

#### School Assets

School PPE assets are consolidated into the single entity financial statements where:

- it is probable that the future economic benefits or service potential associated with the item will flow to the Council
- the cost of the item can be measured reliably.

Where legal title does not lie with the Council, but under the terms of the lease, trust deed or 'mere licence' the recognition tests are met, the asset is accounted for in the Council's single entity accounts

#### Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

- community assets and assets under construction – depreciated historical cost
- council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV) based on capitalisation of estimated market rent
- school buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost, which is used as an estimate of current value
- car parks – current value, based on capitalisation of actual or notional income as applicable
- community assets – depreciated historic cost, or may elect to value at a valuation which is considered to be appropriate and relevant
- surplus assets – the current value measurement base is fair value, estimated at the highest and best use from a market participant's perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

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

## Accounting policies

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

### Revaluation

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

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

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

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

The Section 151 Officer obtains an annual appraisal of trends in property values from the Council's Property Estates and Regeneration Manager in respect of the Council's assets. Based on this appraisal a judgement will be made as to whether any amendment to the Council's accounts is required or whether an adjustment is needed to its revaluation programme in respect of changes to asset values for assets not revalued in the year.

### 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, 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.

The Section 151 Officer is provided with an annual statement from the Property Estates & Regeneration Manager of any of the Council's assets that suffered an impairment loss during the year.

### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets over the useful lives. An exception is made for assets without a finite useful life (i.e. freehold land, and certain community assets) and assets that are not yet available for use (i.e. assets under construction).



## Accounting policies

Depreciation is calculated as at 1 April each year calculated on the following basis:

- buildings – straight-line allocation over the useful life of the property as estimated by the valuer (between 1 and 125 years)
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer (between 1 and 50 years)
- community assets – straight-line allocation over the useful life of the property as estimated by the valuer (between 1 and 50 years)
- surplus assets not held for sale – straight-line allocation over the useful life of the property as estimated by the valuer (between 1 and 60 years)

The remaining life of the Council's assets is determined by the Council's Property Estates & Regeneration Manager or other professional staff under his/her control when the asset is acquired or at the time of revaluation. If the existing use of an asset changes at any time or an asset becomes surplus to requirements, then its finite useful life will be re-assessed.

Where an item of Property, Plant and Equipment, excluding Infrastructure, has a value in excess of £3m, and has major components whose cost is greater than 20% of the total cost of the asset, the components are depreciated separately.

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

### Disposals

When an asset is disposed of the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

The net loss or gain on disposal 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. Disposals are reflected as transactions at the end of the financial year.

### x. Infrastructure Assets

Highways network infrastructure assets include carriageways, footways and cycle tracks, structures (eg bridges), street lighting, street furniture (eg illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

Similarly, sea defences take the form of a network of assets, where there are many different components working as a part of a continuous network of assets that is maintained in a relatively steady state.

### Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably.

## Accounting policies

### Measurement

infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost - opening balances for infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost.

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

### Depreciation

Depreciation is provided on the parts of the infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives.

Depreciation is calculated as at 1 April each year calculated on the following basis:

- Highways network Infrastructure assets are depreciated on a straight-line basis over a weighted average useful life, as estimated by officers with relevant experience and expertise, calculated at 23 years, except a small number of projects where a useful life of 20 years was applied.
- Sea defences infrastructure assets are depreciated on a straight-line allocation over the useful life of the property, as estimated by officers with relevant experience and expertise (60 years).
- Land held within infrastructure assets is judged to have an indefinite useful life, and so is not depreciated.

### Disposals and derecognition

When a component of the Network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal).

The written-off amounts 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 transferred to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Where a part of the network is replaced, an adaptation provided in a separate update to the Code assumes that from the introduction of the IFRS based Code when parts of an asset are replaced or restored the carrying amount of the derecognised part will be zero because parts of infrastructure assets are rarely replaced before the part has been fully consumed.

#### xi. Revenue Expenditure Funded from Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset 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 that there is no impact on the level of Council Tax.

## Accounting policies

### xii. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value.

As non-financial assets, investment properties' fair value 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. 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 Capital Receipts Reserve.

Net rental income received from investment properties is credited to the Financing and Investment Income and Expenditure line, and result in a gain for the General Fund balance.

### xiii. Financial Instruments

Under IFRS9 'Financial Instruments', Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics.

There are three main classes of financial assets measured at:

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

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

#### Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable is the amount receivable for the year in the loan agreement, which is assessed to not be materially different from interest calculated based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest).

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

## Accounting policies

### *Expected Credit Loss Model*

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

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

The Council's short-term investments relate to fixed term, fixed interest rate deposits. These are considered to remain low credit risk. Hence expected credit losses on these assets are assessed on a 12-month basis.

Where the authority does not have reasonable and supportable information that is available without undue cost or effort to support the measurement of lifetime expected losses on an individual instrument basis, it has assessed losses for the portfolio on a collective basis. Financial assets where this approach has been applied are:

- long term debtors relating to mortgages granted to home owners
- trade receivables relating to contracts

The authority considers that the presentation of impairments / credit losses in service segments, rather than in Financing and Investment Income and Expenditure as required by the Code, better reflects the economic reality of the transactions, whilst still providing a 'true and fair view', due to the non-material value of the losses.

### *Financial Assets Measured at Fair Value through Profit of Loss*

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

The fair value measurements of the financial assets are based on the following techniques:

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

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

### *Financial Liabilities*

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They are initially measured at fair value and are carried at their amortised cost.

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

## Accounting policies

### xiv. Fair Value Measurement

The Council measures some of its non-financial assets, such as investment properties, and some of its financial instruments, such as equity shareholdings, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

### xv. 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 30 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

### xvi. 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 a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the

## Accounting policies

obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

### Contingent Liabilities

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

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

### xvii. Leases

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

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

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

### The Council 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 Council 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 the acquisition of the interest in the property, plant or 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 is 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).

#### *Operating Leases*

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting 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).

## Accounting policies

### The Council as Lessor

#### *Finance Leases*

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. The carrying value of the asset in the Balance Sheet is written off to the Other Operating Expenditure line of the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

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*

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is recognised in the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement 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).

### xviii. Reserves

The Council sets aside specific amounts as usable reserves for future policy purposes or to cover contingencies. For each reserve established, the purpose, usage and the basis of transactions is clearly identified.

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 in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

'Unusable' reserves are kept to manage specific accounting processes for non-current assets, financial instruments, retirement and employee and post-employment benefits, and do not represent usable resources for the Council – these reserves are explained in the relevant notes.

### xix. Events After the Reporting Period

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

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

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

## Accounting policies

### xx. VAT

VAT payable is included as an expense only to the extent that it is not recoverable. VAT receivable is excluded from income.

### xxi. Allocation between Current and Non-Current

Except for employee entitlements, the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be turned over within the next 12 months, being the Council's operational cycle. For employee entitlements, all annual leave entitlement is classified as current.

### xxii. City Region Deal

The Council has applied the principles of IPSAS23 'Revenue from non-Exchange transactions' (taxes and transfers) in accounting for the transactions and balances relating to the City Region Deal.

City Region Deal business rates growth paid to the accountable body (South Gloucestershire Council) for the Business Rates Pool (BRP) is recognised by the Council as a debtor until such point that the funds are paid out by the BRP or committed and allocated by the Economic Development Fund (EDF) to fund EDF payments in respect of approved programmes.

- Income - Income receivable by the Council from the BRP is recognised as revenue in the year in which it is due. The Council recognises revenue and a debtor balance to the extent that EDF disbursements are to be received, have been committed to by the EDF, and sufficient cash remains in the BRP to fund the payments.
- Expenditure – Expenditure is recognised by the Council on payments being made by the BRP. Expenditure is recognised in proportion to the degree that the Council has contributed to the BRP through its growth figure, and is capped at the limit of the Council's payment of growth to the BRP in this period, and any previous growth figures paid over which have not been previously paid or committed by the BRP.

### xxiii. Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with the 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 Council, 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; and
- its expenses, including its share of any expenses incurred jointly.

### xxiv. Interests in companies and other entities

The Council has interests in two companies that have been classified as subsidiaries - North Somerset Inspire Ltd, and North Somerset Environment Company Ltd. North Somerset Inspire Limited has been dormant throughout the year.



## Accounting policies

As the impact of the North Somerset Environment Company Ltd subsidiary has been judged to be material to the potential group accounts, the Council has chosen to prepare group accounts including this subsidiary.

In the Council's single entity accounts, the interest is recorded as financial assets at cost less any provision for losses. This interest is not material to the single entity accounts and so has not been separately disclosed, other than in Note 23 – Related Party Transactions.

The Council has an interest in a further company that has been classified as a joint venture, Adoption West Limited. As the investment in the joint venture is judged not to be material to the Council's single entity accounts, or potential group accounts, the Council has not included this joint venture in group accounts.



# Group Accounts

## Group Accounts

### Introduction

In common with many other local authorities, North Somerset Council has created a separate company to further the goals of the Council. North Somerset Environment Company Ltd (NSEC) is a private company limited by shares, set up by North Somerset with the primary aim of delivering the Council's waste collection and recycling contract. The Council owns a £1 Ordinary share in the company, representing 100% of the company's share capital.

The use of this separate company means that the Council's single entity financial statements on their own do not fully reflect the income and expenditure associated with its activities. These group accounts more fully reflect the overall financial picture of the Council's activities.

This section presents the consolidated group accounts for North Somerset Council and NSEC for the period from 1 April 2021 to 31 March 2022. The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (The Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

These group accounts have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. No consolidation adjustments have been necessary to align accounting policies. Details of policies which related solely to the subsidiary, which cover elements of business the Council as a single entity does not cover, have been included in the group accounts.

The group accounts contain the core statements similar in presentation to the Council's single entity accounts but consolidating the figures of the Council with NSEC. Copies of NSEC's audited accounts are available from the Council or from Companies House.

The following pages include the:

- Group Movement in Reserves Statement,
- Group Comprehensive Income and Expenditure Statement,
- Group Balance Sheet,
- Group Cash Flow Statement,
- associated notes to the accounts, where there are significant differences between the Council's single entity accounts and the consolidated group, and
- Group accounting policies.

# Group Accounts

## Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the group, analysed into usable reserves and other reserves.

	Note	Usable Reserves							Unusable Reserves										TOTAL AUTHORITY RESERVES £000	Authority's share of reserves of Subsidiaries, Associates and Joint Ventures £000	TOTAL RESERVES, INCLUDING GROUP £000	
		General Fund Earmarked Reserves					Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Revaluation Reserve £000	Capital Adjustment Account £000	Collection Fund Adjustment Account £000	Pensions Reserve £000	Dedicated Schools Grant Adjustment Account £000	Financial Instruments Adjustment Account £000	Accumulated Absences account £000	Deferred Capital Receipts Reserve £000	Pooled Investment Funds Adjustment Account £000				Total Unusable Reserves £000
		General Fund Balance £000	LMS School Balances £000	Other Schools Balances £000	Other Earmarked Revenue Reserves £000	Earmarked Capital Reserves £000																
Balance at 1 April 2021	8, 9	(9,053)	(2,325)	(334)	(66,613)	(6,200)	(12,129)	(4,690)	(101,344)	(92,272)	(152,055)	15,358	298,881	7,150	110	1,645	(59)	545	79,303	(22,041)	0	(22,041)
Total Comprehensive Income and Expenditure	CIES	(24,830)	0	0	0	0	0	0	(24,830)	(9,166)	0	0	(41,551)	0	0	0	0	0	(50,717)	(75,547)	8,069	(67,478)
Adjustments between group accounts and authority accounts (Group a/cs) Net increase or decrease before transfers (Group a/cs)		7,780	0	0	0	0	0	0	7,780	0	0	0	0	0	0	0	0	0	0	7,780	(7,780)	0
Adjustments between accounting basis & funding basis under regulations	7	(17,050)	0	0	0	0	0	0	(17,050)	(9,166)	0	0	(41,551)	0	0	0	0	0	(50,717)	(67,767)	289	(67,478)
Transfers between Usable Reserves	8.1	13,671	(676)	(53)	(11,826)	(1,116)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(Increase) / Decrease in 2021/22	8, 9	(691)	(676)	(53)	(11,826)	(1,116)	(1,342)	(3,494)	(19,198)	810	(10,926)	(10,811)	(32,894)	6,297	50	(512)	6	(589)	(48,569)	(67,767)	289	(67,478)
Balance at 31 March 2022 - carried forward	8, 9	(9,744)	(3,001)	(387)	(78,439)	(7,316)	(13,471)	(8,184)	(120,542)	(91,462)	(162,981)	4,547	265,987	13,447	160	1,133	(53)	(44)	30,734	(89,808)	289	(89,519)

## Group accounts

### Group Comprehensive Income and Expenditure Statement

Income and expenditure relating to NSEC, but external to the Council, has been added as a separate line item in the Cost of Services section. No entries in NSEC's accounts related to other entries in the CIES.

	Note	2020/2021 As re-stated			2021/2022		
		Gross Expenditure	Gross Income	Net Expenditure	Group Gross Expenditure	Group Gross Income	Group Net Expenditure
		£000	£000	£000	£000	£000	£000
Adult Social Services							
Adult Social Care		115,000	(41,116)	73,884	110,977	(50,467)	60,510
Housing Services		4,743	(3,650)	1,093	5,225	(4,378)	847
		119,743	(44,766)	74,977	116,202	(54,845)	61,357
Childrens Services							
Childrens Services		38,326	(5,550)	32,776	34,982	(8,139)	26,843
Schools Budgets & Grants		57,551	(56,737)	814	64,132	(52,216)	11,916
		95,877	(62,287)	33,590	99,114	(60,355)	38,759
Place		86,284	(34,846)	51,438	68,781	(24,001)	44,780
Corporate Services		71,125	(64,307)	6,818	81,153	(57,916)	23,237
Public Health & Regulatory services		11,741	(11,343)	398	14,555	(18,366)	(3,811)
Non Service		3,042	(2,700)	342	2,649	(2,682)	(33)
North Somerset Environment Company (NSEC)		0	0	0	10,365	(2,296)	8,069
<b>Cost of Services</b>	10	<b>387,812</b>	<b>(220,249)</b>	<b>167,563</b>	<b>392,819</b>	<b>(220,461)</b>	<b>172,358</b>
Other Operating Expenditure	11	12,572	0	12,572	18,036	0	18,036
Financing and investment income and expenditure	12	12,995	(2,566)	10,429	12,927	(2,757)	10,170
Taxation and non-specific grant income	13	0	(206,101)	(206,101)	0	(217,325)	(217,325)
<b>(Surplus) / Deficit on Provision of Services</b>	10,16	<b>413,379</b>	<b>(428,916)</b>	<b>(15,537)</b>	<b>423,782</b>	<b>(440,543)</b>	<b>(16,761)</b>
(Surplus) / deficit on revaluation of non-current assets	9.2			(23,350)			(9,166)
Remeasurements of net defined benefit liability	9.6			24,268			(41,551)
<b>Other Comprehensive (Income) and Expenditure</b>				<b>918</b>			<b>(50,717)</b>
<b>Total Comprehensive (Income) and Expenditure</b>				<b>(14,619)</b>			<b>(67,478)</b>

## Group accounts

### Group Balance Sheet

The assets and liabilities of NSEC have been consolidated with those of the Council to present a combined balance sheet. However, this does not give rise to material changes to any of the balances over the Council's own balance sheet.

	<i>Note</i>	<b>31 March 2021</b> <b>£000</b>	<b>31 March 2022</b> <b>£000</b>
Property, Plant and Equipment			
Other Land and Buildings	24.1	183,785	<b>175,903</b>
Infrastructure Assets	24.1	128,037	<b>149,557</b>
Community Assets	24.1	5,036	<b>5,036</b>
Vehicles, Plant, Furniture and Equipment	24.1	11,006	<b>10,513</b>
Assets Under Construction	24.1	54,703	<b>49,762</b>
Surplus assets	24.1	629	<b>629</b>
Intangible Assets	24.1	200	<b>150</b>
Heritage Assets		288	<b>288</b>
Investment Property	25	44,770	<b>45,707</b>
Long Term Investments	31.1	9,493	<b>10,082</b>
Long Term Debtors	31.1	4,797	<b>4,612</b>
<b>Long Term Assets</b>		<b>442,744</b>	<b>452,239</b>
Cash and Cash Equivalents	<i>CFS, 31.1</i>	10,327	<b>2,076</b>
Short Term Investments	31.1	133,072	<b>167,064</b>
Inventories		1,596	<b>1,682</b>
Short Term Debtors	27, 31.1	56,031	<b>52,756</b>
<b>Current Assets</b>		<b>201,026</b>	<b>223,578</b>
Cash and Cash Equivalents	<i>CFS, 31.1</i>	0	<b>(4,417)</b>
Short Term Borrowing	31.1	(7,804)	<b>(7,364)</b>
Short Term Creditors	28, 31.1	(67,159)	<b>(74,497)</b>
Short Term Provisions	29	(6,178)	<b>(6,626)</b>
Grants Received in Advance - Revenue	14	(11,791)	<b>(4,296)</b>
Grants & Contributions Received in Advance - Capital	14	(50,420)	<b>(50,687)</b>
<b>Current Liabilities</b>		<b>(143,352)</b>	<b>(147,887)</b>
Long Term Provisions	29	(1,550)	<b>(1,911)</b>
Long Term Borrowing	31.1	(143,215)	<b>(136,697)</b>
Long Term Borrowing - Ex Avon Debt	33	(12,252)	<b>(11,761)</b>
Pensions Liabilities	35.1	(298,881)	<b>(265,987)</b>
Other Long Term Liabilities	31.1, 36.1	(22,479)	<b>(22,105)</b>
<b>Long Term Liabilities</b>		<b>(478,377)</b>	<b>(438,461)</b>
<b>Net Assets</b>		<b>22,041</b>	<b>89,469</b>
Usable Reserves	8.1	(101,344)	<b>(120,203)</b>
Unusable Reserves	9.1	79,303	<b>30,734</b>
<b>Total Reserves</b>		<b>(22,041)</b>	<b>(89,469)</b>

## Group accounts

### Group Cash Flow Statement

The Group Cash Flow Statement, and underlying notes, are not materially different from the Cash Flow Statement in the Council's single entity accounts.

	<i>Note</i>	<b>2020/2021 £000</b>	<b>2021/2022 £000</b>
Net surplus / (deficit) on the provision of services		15,537	16,761
Adjustments to the net surplus / (deficit) on the provision of services for non-cash movements		65,655	42,583
Adjustments for items included in the net surplus / (deficit) on provision of services that are investing or financing activities		(36,613)	(43,803)
<b>Net cash flows from Operating Activities</b>		<b>44,579</b>	<b>15,541</b>
<b>Investing Activities</b>			
Purchase of Property, Plant and equipment, Investment property and Intangible Assets		(39,468)	(38,820)
Proceeds from sale of Property, Plant and equipment, Investment property and Intangible Assets		2,521	3,433
		<b>(36,947)</b>	<b>(35,387)</b>
Purchase of short and long term investments		(1,807,000)	(571,500)
Proceeds from sale of short and long term investments		1,789,000	537,500
		<b>(18,000)</b>	<b>(34,000)</b>
Other payments for Investing Activities		(1,045)	(433)
Other receipts from Investing Activities		33,411	37,798
		32,366	37,365
<b>Net cash flows from Investing Activities</b>		<b>(22,581)</b>	<b>(32,022)</b>
<b>Financing Activities</b>			
Cash receipts from short and long term borrowing		2,012	298
Repayments of short and long term borrowing		(850)	(7,745)
		1,162	(7,447)
Finance lease repayments		(37)	(360)
Other net (payments) / receipts for Financing Activities		(15,391)	11,620
		(15,428)	11,260
<b>Net cash flows from Financing Activities</b>		<b>(14,266)</b>	<b>3,813</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>7,732</b>	<b>(12,668)</b>
Cash and cash equivalents at the beginning of the reporting period		2,595	10,327
<b>Cash and cash equivalents at the end of the reporting period comprising:</b>		<b>10,327</b>	<b>(2,341)</b>
Cash held by the Council		10,327	(2,341)
		<b>10,327</b>	<b>(2,341)</b>

## Group accounts

### Notes to the Group accounts

Where there are no material changes to the statements the notes to the group accounts are as per the Council's single entity accounts. Where consolidation has resulted in material changes, additional notes are set out below.

#### Analysis of Income and Expenditure by Nature

	2020/21 £000	2021/22 £000
<b>Expenditure</b>		
Employee Benefits Expenses	78,484	<b>90,819</b>
Other Services Expenses	286,358	<b>274,657</b>
Depreciation, Amortisation and Impairment	24,015	<b>19,884</b>
Interest paid	7,420	<b>8,403</b>
Precepts and Levies	6,889	<b>6,974</b>
Payments to the Housing Capital Receipts Pool	0	<b>0</b>
(Gains) / losses on the disposal of non-current assets	4,832	<b>16,150</b>
Revenue Expenditure Financed by Capital Under Statute	4,575	<b>5,517</b>
	<b>412,573</b>	<b>422,404</b>
<b>Income</b>		
Fees, Charges and Other Service Income	(50,830)	<b>(49,831)</b>
Interest & Investment Income received	(918)	<b>(733)</b>
Income from Council Tax, Non-Domestic Rates	(134,184)	<b>(151,546)</b>
Government Grants & Contributions	(235,371)	<b>(233,974)</b>
Internal Recharges	(6,807)	<b>(3,080)</b>
	<b>(428,110)</b>	<b>(439,164)</b>
<b>(Surplus) / Deficit on Provision of Services</b>	<b>(15,537)</b>	<b>(16,760)</b>

### Group Accounting policies

The group accounts summarise the Council's and its Group's transactions for the 2021/22 financial year. They have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, supported by International Financial Reporting Standards (IFRS).

Notes to the group accounts have been presented where the figures are materially different from those of the Council single entity accounts. Where there are no material differences, the notes to the Council's single entity accounts provide the required disclosures.

The accounting policies applied to the group accounts are consistent with those set out in the Council's single entity accounts, with additional policies specific to the group accounts set out below. Any statutory adjustments between accounting basis and funding basis included in the Council's accounting policies do not apply to the subsidiary companies.

#### Basis of Identification of the Group Boundary

Group accounts are prepared by aggregating the transactions and balances of the Council and all its material subsidiaries, associates and joint arrangements. In its preparation of these group accounts, the Council has considered its relationship with entities that fall into the following categories:

- Subsidiaries – where the Council exercises control and gains benefits or has exposures to risks arising from this control. These entities are included in the group.



## Group accounts

- Joint Arrangements (Joint Operations and Joint Ventures) – where the Council exercises joint control with one or more organisations. Where these are material, they are included in the group.
- Associates – where the Council is an investor and has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee (stopping short of control or joint control.) It is presumed that holding 20% of the voting power of an investee (either directly or indirectly) brings significant influence but this presumption can be rebutted.
- No group relationship – where the body is not an entity in its own right or the Council has an insufficient interest in the entity to justify inclusion in the group financial statements. These entities are not included in the group.

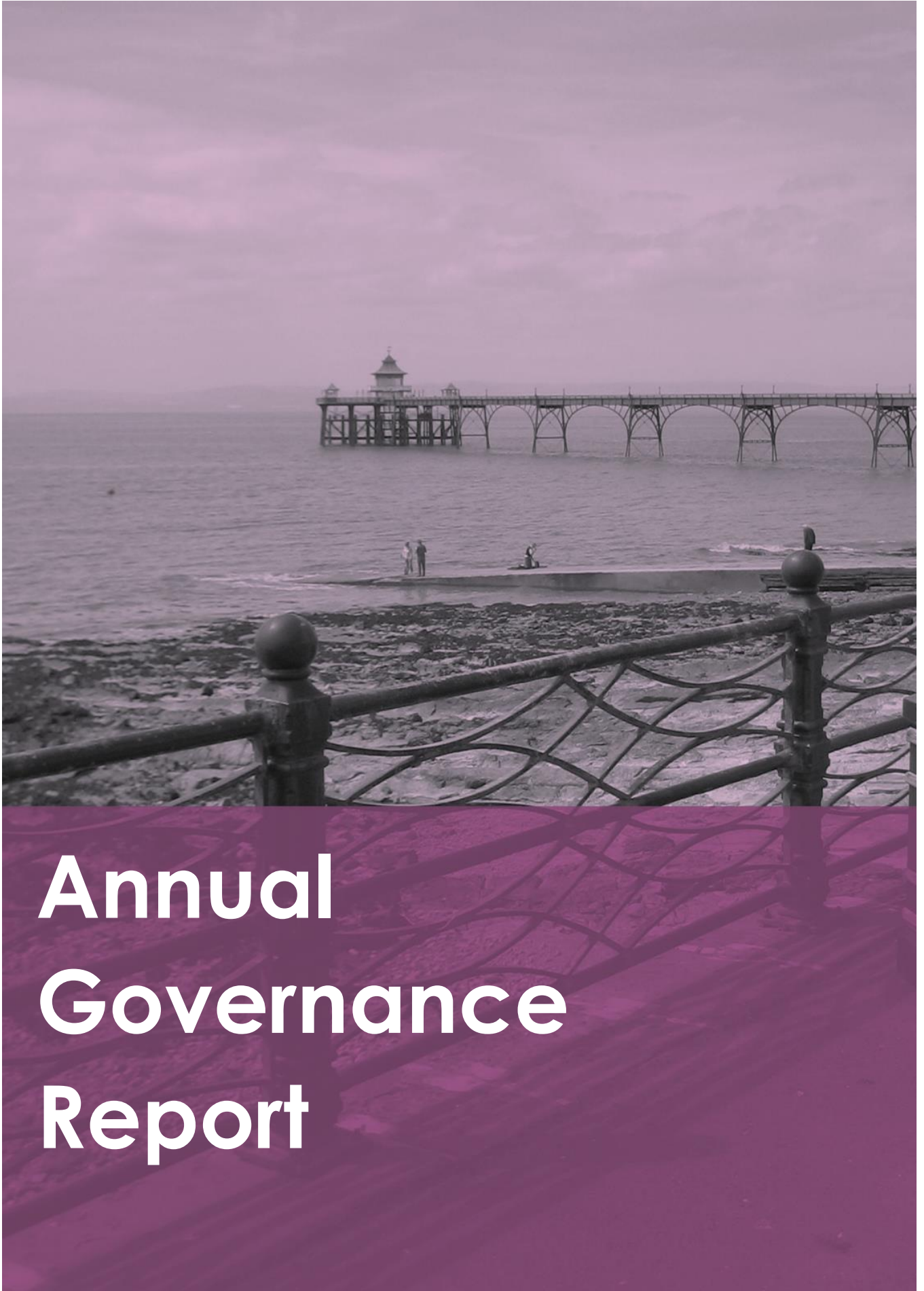
### Basis of Consolidation – Group Accounts

The Group Accounts have been prepared using the group accounts requirements of the 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 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.

Subsidiaries have been consolidated on a line by line basis, subject to the elimination of intra-group transactions from the statements, in accordance with the Code. Accounting policies have been aligned where applicable.

The Council has one material subsidiary company, North Somerset Environment Company Ltd (NSEC). NSEC is a wholly owned subsidiary of the Council, incorporated on 26th October 2020, with a share capital of 1 ordinary share of £1 each. The principal activity of the company is the provision of waste and recycling services for the Council.

The Council does not currently have any associates or joint venture arrangements which are sufficiently material to warrant inclusion in the group accounts. Further detail regarding the Council's relationship with these entities is given in Note 23 of the Council's statement of accounts.



# Annual Governance Report

# Annual Governance Statement

## 1. Executive summary

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, which includes ensuring a sound system of internal control and effective arrangements for the management of risk.

The Council has adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of our code is available from our website.

This Statement explains how North Somerset Council has complied with our Local Code of Corporate Governance and also meets the requirements of The Accounts and Audit (England) Regulations 2015, specifically Regulation 6 (1) in respect of the annual review of the effectiveness of its system of internal control and preparation and publication of an Annual Governance Statement.

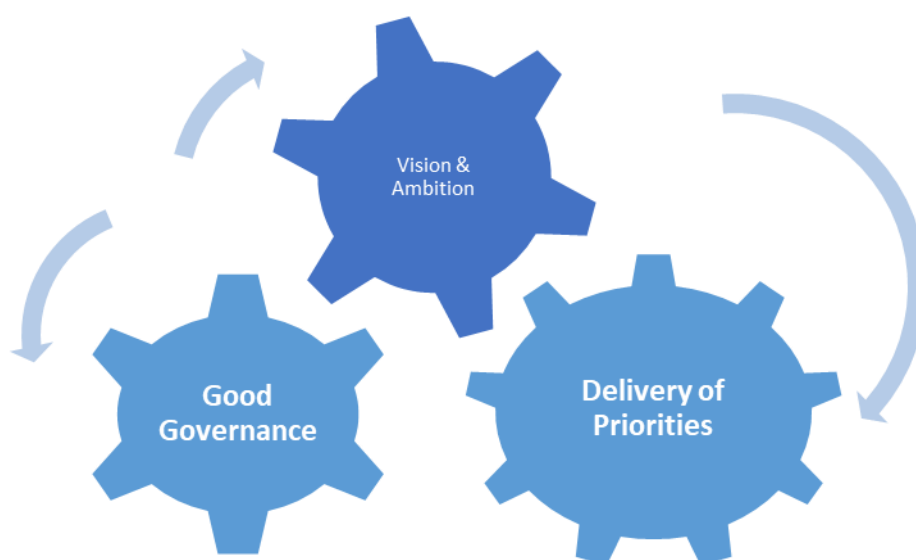
The governance framework described in this Statement has been in place at the Council for the year ended 31 March 2022, and up to the date of the approval of the statement of accounts.

As part of statutory requirements, the Head of Audit and Assurance is required to give an opinion on the internal control framework. His opinion, detailed in section 7 of this statement, is that, based on the planned work completed due to the circumstances of Covid-19, the Council's internal control framework and systems to manage risk are reasonable.

Significant issues identified through the preparation of this Statement, and the mitigating actions taken and planned to address them, are summarised in section 8.

## 2. The Purpose of the Governance Framework – Background & Overview for 2021/22

Good governance enables North Somerset Council to effectively achieve its intended outcomes, whilst acting in the public interest at all times and the following diagram illustrates how good governance is integral to supporting the delivery of the organisation's priorities.



## Annual Governance Statement

During the last year the governance framework was again tested by the ongoing Covid-19 pandemic and further changes to legislation by government. The Authority continued to respond accordingly to ensure it could continue function and make key decisions.

Through 2020/21 the Council quickly adapted to remote and virtual working, and this continued into 2021/22 with a slow and steady increase in the number of physical meetings. There were therefore no significant changes required to the processes underpinning key decision making, policy development and the Corporate Governance of the Authority.

The Constitution, which sets out how the Authority operates, is kept under constant review and updated as necessary through the year. It clearly defines the roles of councillors and officers and this clarity contributes to effective working relationships.

As part of this ongoing review, the Audit Committee members and Monitoring Officer have held several workshops to review parts of the Constitution. All directorates were asked to input into this review by the workshops and proposed changes were then circulated to all councillors for input.

The proposed changes included:

- a) Amended terms of reference for the Audit Committee
- b) Changes to the size of the Planning and Regulatory Committee and public participation arrangements
- c) Changes to parts of the Financial Regulations and Contract Standing Orders

The next stage in this process will be for the Audit Committee to formally review the proposed changes and then recommend them to Council.

A number of restructures were completed in the year with notable appointments including to Assistant Director roles in both Adult Social Services and Children's Services. This followed the separation of the previously combined People and Communities Directorate, as well as establishment of Public Health and Regulatory Services as a new Directorate. A further key staffing appointment was also made in May 2021 with the employment of a new permanent Director of Corporate Services (& s151 Officer). This followed an extended period of which there was as Interim Director of Finance and Property in place.

During 2021/22, the External Auditors commenced their review of VFM arrangements. A draft version of their report has been received and will be discussed between the Council's Section 151 Officer and Grant Thornton before it is agreed and finalised.

The Council's Local Code of Corporate Governance aims to ensure that in conducting its business the Council:

- operates in a lawful, open, inclusive and honest manner
- makes sure public money is safeguarded, properly accounted for and spent wisely
- has effective arrangements in place to manage and control risk
- secures continuous improvements in the way it operates.

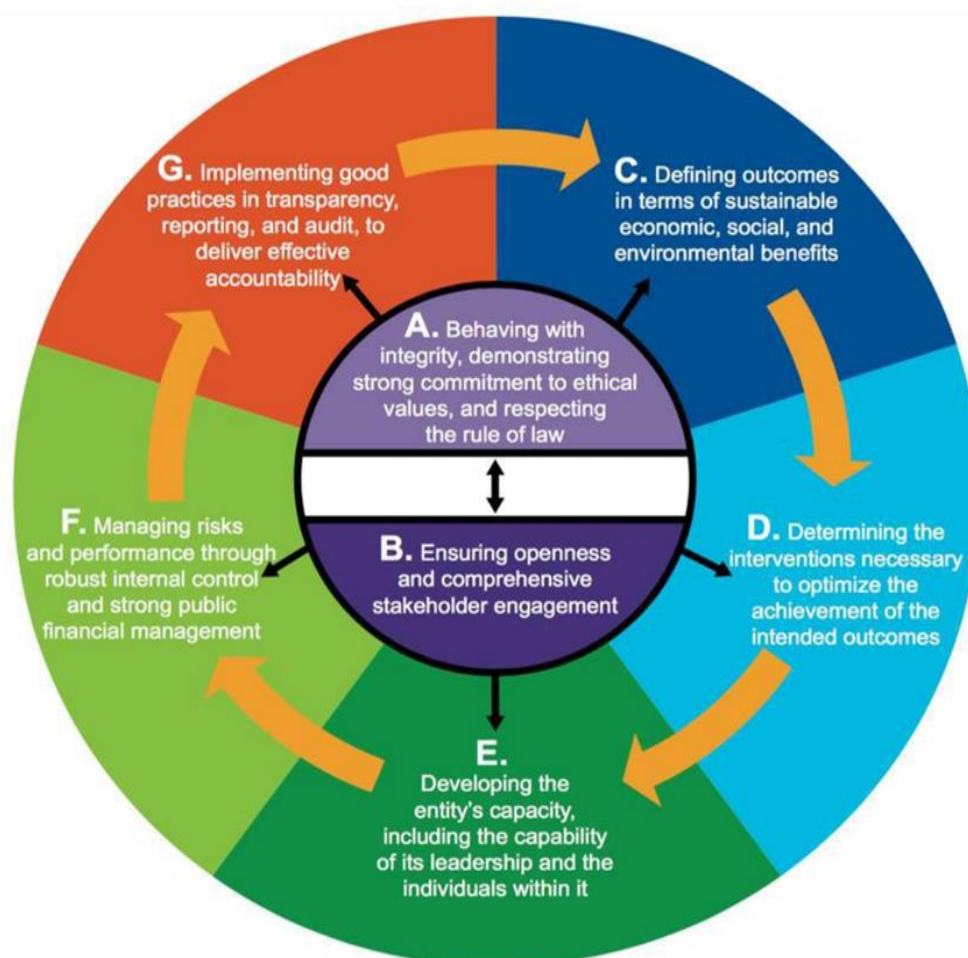
The Code comprises the systems and processes, culture and values and structures by which the Council is directed and controlled. The Code is the sum total of all of these things, and it includes those activities required to enable the Council to engage with, account to and lead the communities it serves. The Code enables the Council to set its strategic objectives and to manage the achievement of the objectives whilst ensuring delivery of appropriate, cost-effective services.

## Annual Governance Statement

The system of internal control is a significant part of that Code. It is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively, and economically.

The CIPFA/SOLACE framework envisages that the Code will be organised to ensure a continuous process of good governance based on seven principles.

The governance framework and an attendant Code has continued to be in place at North Somerset Council for the year ended 31 March 2022 and will be up to the date of approval of the statement of accounts.



Source: CIPFA/SOLACE

### 3. Key Elements of our Code of Corporate Governance – Our Framework

The council's Constitution is kept under constant review and updated as necessary through the year, and sets out how the Council operates. North Somerset Council has a history of strong democracy, and robust member involvement in decision-making. The key elements of the governance arrangements at the Council during the 2021/22 financial year were:

## Annual Governance Statement

<b>Council, Executive and Leader</b> ↓	<ul style="list-style-type: none"> <li>Provides leadership</li> <li>Develops and sets policy</li> </ul>	<b>Council Leadership Team</b> ↓	<ul style="list-style-type: none"> <li>The Chief Executive as Head of Paid Service leads the Council's Leadership Team.</li> <li>The Section 151 Officer is responsible for safeguarding the Council's financial position.</li> <li>The Monitoring Officer is responsible for ensuring legality and promoting high standards of public conduct.</li> </ul>
<b>Decision Making</b> ↓	<ul style="list-style-type: none"> <li>All decisions are recorded on Council Website</li> <li>Meetings are held in public as appropriate and key ones are webcast including virtual meetings during Covid-19</li> </ul>	<b>Performance and Risk Management</b> ↓	<ul style="list-style-type: none"> <li>Processes are in place for managing and reporting performance as well as identifying strategic and operational risks.</li> <li>Council performance and strategic risks are regularly reviewed by Council Leadership Team and reported to Executive and Audit Committee.</li> </ul>
<b>Scrutiny</b> ↓	<ul style="list-style-type: none"> <li>Scrutiny committees provide wider member input into the development of key policies, and review and challenge decisions.</li> </ul>	<b>External and Internal Audit</b>	<ul style="list-style-type: none"> <li>External audit provides an annual opinion on the Council's accounts and also provides commentary on the Council's value for money arrangements in their Annual Audit letter.</li> <li>Internal audit provides regular assurance on the governance, risk and internal control arrangements</li> </ul>
<b>Assurance</b>	<ul style="list-style-type: none"> <li>Provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards</li> <li>Independent audit is a critical source</li> </ul>		

### How we have fulfilled the principles of good governance

#### *Review of the Council's Code of Governance*

The Code comprises the systems and processes, culture and values and structures by which the Council is directed and controlled. The Code is the sum total of all of these things, and it includes those activities required to enable the Council to engage with, account to and lead the communities it serves. The Code enables the Council to set its strategic objectives and to manage the achievement of the objectives whilst ensuring delivery of appropriate, cost-effective services.

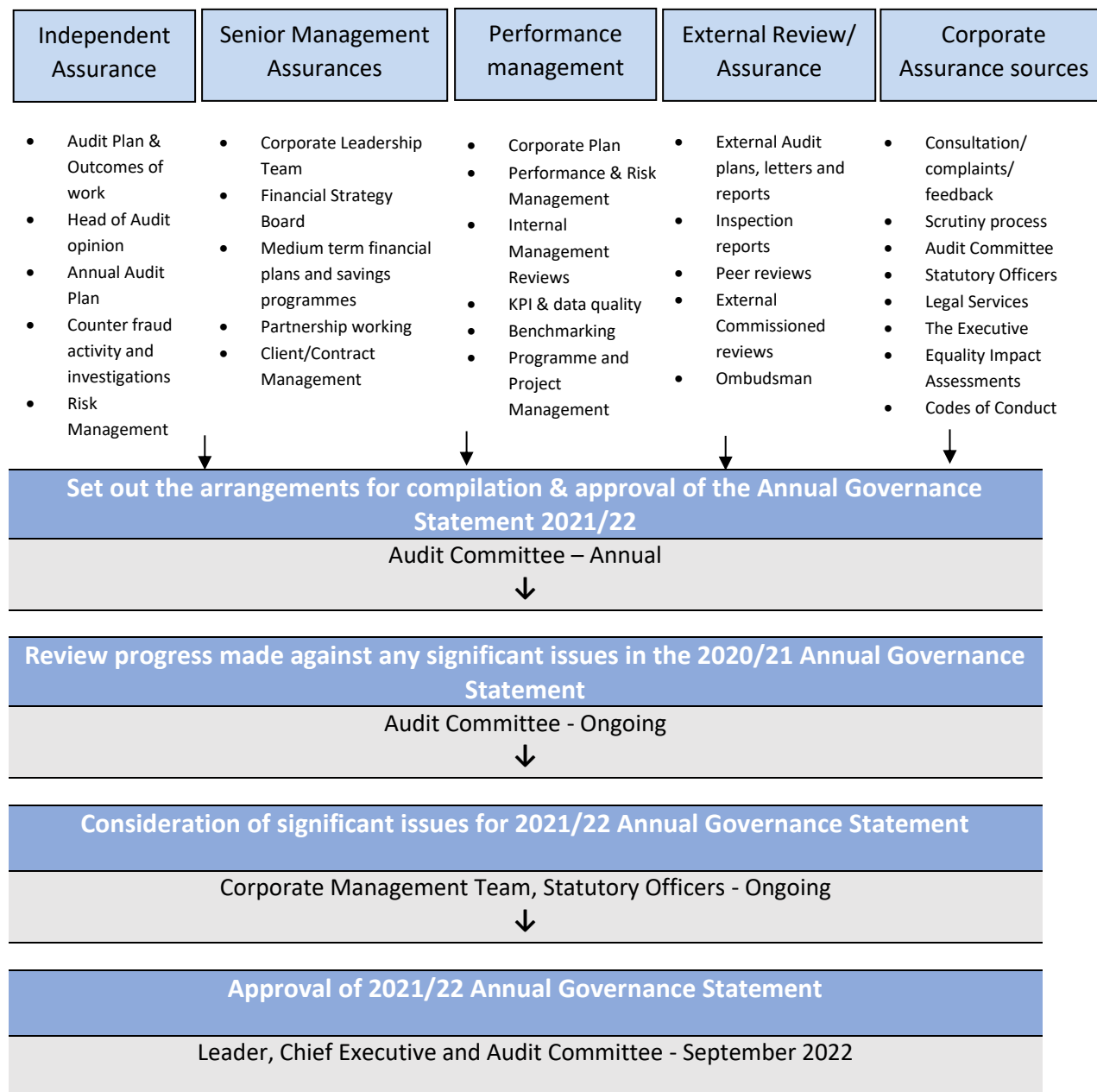
In preparing this Annual Governance Statement the Council has:

- reviewed the Council's existing governance arrangements against the revised CIPFA / SOLACE 'Delivering Good Governance in Local Government framework - 2016 Edition' good practice guidance, and
- assessed the effectiveness of the Council's Local Code of Corporate Governance.

# Annual Governance Statement

The remainder of this document sets out some key aspects of how the Council has complied with the principles set out in the Framework during 2021/22. However, it is not intended to be exhaustive.

## 4. Methodology for Preparing the Annual Governance Statement 2021/22



## 5. The Governance Framework

The Council is committed to meeting best practice standards for good governance. The Council has expressed commitment to CIPFA/SOLACE’s core principles of Corporate Governance, as outlined in the guidance document ‘Delivering Good Governance in Local Government: Framework’. The principles and a brief outline of our organisational context regarding these are described below:

The key elements of the Council’s governance framework are described below and a range of supporting documents are available on the Council’s website <http://www.n-somerset.gov.uk/>

## Annual Governance Statement

### 5.1. Principle 1 - Defining outcomes in terms of sustainable economic, social and environmental benefits & determining the interventions necessary to optimize the achievement of the intended outcomes

#### 5.1.1. Identifying and communicating the council's vision of its purpose and intended outcomes for the public and service users

The Corporate Plan was substantially updated and approved by Council during 2019/2020 reflecting the ambition of the newly elected members. It sets out the Council's aims and priorities with three key outcomes for the Community – to be a thriving and sustainable place, to be a Council which empowers and cares about people, and to be an open and enabling organisation. The Council plan was updated and approved by Council in February 2021, to reflect the impact of Covid on the Council's priorities. Progress in delivering these priorities for local people is reviewed as part of the ongoing democratic processes through the Executive reporting structures and scrutiny committees, as well as through the Council's normal communication channels ([Corporate Plan](#)).

#### 5.1.2. Reviewing the councils' vision and its implications for the council's governance arrangements.

The Council's vision as detailed in the updated Corporate Plan is to be 'An open, fairer, greener North Somerset'. The Corporate Plan underpins the work of the council and the priorities set out within the document play an important role in directing the resources including staff and money and thereby the governance arrangements. The approval of the refreshed Council plan in February 2021 aligned with the approval of the Medium-Term Financial Plan.

#### 5.1.3. Measuring the quality of services for users, ensuring they are delivered in accordance with the council's objectives and that they represent best use of resources.

A performance management framework describes how the council monitors and manages its performance to ensure the council delivers against its priorities for local people. The council has set clear targets and reports performance against targets. For high level corporate performance indicators, performance is reported quarterly to the Executive and to scrutiny committees. Directorates, services, teams, projects and individuals similarly work to and report performance against their own targets. These are designed to ensure quality, value for money services.

An example is provided below to show how the performance management framework (PMF) works in practice.

During the year, Ofsted Inspectors looked at the local authority's arrangements for children in need, including those who are subject to a child protection plan. Their report was issued in January 2022 and whilst including elements of praise, described how the Council's desire to improve since its previous inspection had yet to be embedded. A report to the Children and Young People's Services Policy and Scrutiny Panel was subsequently presented in March 2022. Here an up-to-date overview of the strengths, challenges and identified areas for development within the Family Support & Safeguarding Service was given, supported by a strategic plan based around Ofsted findings. This plan has been incorporated into the Council's PMF to enable oversight and scrutiny of plans and progress through a range of stakeholders and decision makers.



## Annual Governance Statement

### 5.2. Principle 2 - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

#### 5.2.1. Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.

The Constitution explains how the Council operates, how it makes decisions and the procedures followed to ensure the Council is efficient, transparent and accountable.

The Constitution includes descriptions of how the Council, Executive, Scrutiny and other groups operate and how they work with officers. It describes the rules for how meetings work and how decisions are made. The Constitution is reviewed annually and its outcomes reported back to Council.

#### 5.2.2. Incorporating good governance arrangements in respect of partnerships and other group working and reflecting these in the council's overall governance arrangements.

The Council works in partnership with a wide range of organisations and groups. Details relating to these partnerships are included throughout the Council's website although the main partners are as follows:

- North Somerset Partnership is the overarching partnership for North Somerset, bringing together public, private and voluntary and community sector organisations. The Partnership continues to work hard on new plans to drive further integration and joint working across the different agencies to deliver sustainable benefits for the whole community.
- A Community Safety Board has been established with partners to provide strong governance around community safety across North Somerset.
- There are two safeguarding boards, which include key partners; North Somerset Safeguarding Children Partnership and North Somerset Safeguarding Adults Board work, which are focused on reducing the risk of abuse and neglect for local people. Both the Children's and Adults Boards are governed by statute.
- Schools are important partners and at high level the Council works with local schools including Academy Schools and other providers through the Strategic Schools Forum (SSF) to support children to achieve their full potential.
- The Council works with its three local Unitary Authorities, the West of England Combined Authority and business partners in the West of England Local Enterprise Partnership. The partnership supports economic growth and works to attract new jobs and investment to the area. The partnership has long established local governance arrangements which were enhanced in response to agreeing the City Region Deal. Whilst the Council is not a constituent member of the West of England Mayoral Combined Authority, the Council continues to engage and work closely with partners to ensure North Somerset can maximise opportunities to work across the sub-region on infrastructure, skills, and employment wherever possible.
- The Council works closely with health partners across the health footprint of Bristol, North Somerset and South Gloucestershire (BNSSG), as a member of both the BNSSG Executive and Board.
- The Council has set up North Somerset Together to improve joint working with Town and Parish Councils, community groups and the voluntary sector in response to Covid.

## Annual Governance Statement

- The Council has a Strategic Partnership with Agilisys since 2010 (Agilisys and Liberata) and this partnership delivers much of the Council's support services such as ICT and the revenue and benefits service. Through the partnership the Council has increasingly used private sector expertise and innovation in its day-to-day business to drive value for money and deliver better services. Governance is through a Strategic Partnership Board which has Member representation and an Operations Board.
- The Council has also set up its own wholly Council-owned recycling and refuse collection service named NSEC (North Somerset Environment Company) and this has been in operation since April 2021. Governance arrangements have evolved since inception of the company, with a Memorandum of Understanding which describes the relationship between NSEC and the Council as its parent company. The Council has nominated The Executive Member for Corporate Services as its Shareholder. Shareholder boards are held at least quarterly.

### 5.2.3. Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and officers.

The Council's values are defined in the Corporate Plan. They influence the way the Council goes about its business through its strategies, plans and behaviours. The values form the Council's leadership standards. These are promoted to all officers and form part of the induction process.

The Council has previously adopted a Code of Conduct in response to the Localism Act and also established a Standards Sub Committee whose remit is to consider any allegations of breaches of the Code. Members are required to disclose any interests, and these are posted on the Council's website. Officers are also required to comply with a Code of Conduct and Customer Care Charter and Standards. On an annual basis officers are required to register any interests.

The Constitution includes a Members' and Officers' Codes of Conduct, and a member-officer protocol which defines how officers & members work together.

### 5.3. Principle 3 - Managing risks and performance through robust internal control and strong public financial management & implementing good practices in transparency, reporting and audit to deliver accountability

#### 5.3.1. Reviewing and updating standing orders, financial regulations, a scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls to manage risks.

The Council periodically updates its Constitution, Standing Orders and Financial Regulations. These incorporate the scheme of delegation and describe how decisions are taken.

The Medium-Term Financial Plan details how the Council intends to spend its financial resources over the short and medium term. The Procurement Strategy, rules and procedures have been recently refreshed, and Contract Management arrangements reviewed including an increase in training provided to officers. Whilst these actions have increased the robustness of control in this area, this will require continued effort in order to fully embed the principles of good contract management throughout the council. All contract opportunities are advertised on the website and through government recommended portals.

The Council's Risk Management Strategy describes the Council's approach to the management of risk. The effectiveness of the arrangements is effectively overseen by the Corporate Leadership Team through the decision-making process supported by the Audit Committee overseeing the framework. All formal decisions are accompanied by an assessment of the risks involved and the

## Annual Governance Statement

assessments are documented in reports and decision papers. Risk register updates are presented to the Audit Committee for each quarter by the Head of Business Insight, Policy and Partnerships.

### 5.3.2. Ensuring the authority's financial management arrangements conform with the governance requirements of the Cipfa statement on the role of the chief financial officer in local government

A new Director for Corporate Services & s151 Officer commenced employment in May 2021, following a period of which there was an Interim Director of Finance and Property in place. The s151 Officer is a member of the Corporate Leadership Team. They ensure all decisions are in accordance with the medium-term financial strategy and that public money is properly safeguarded. They are also required to ensure that the Council's finance function is adequately resourced, and officers have the necessary experience and qualifications to provide an effective financial management service.

As part of good governance, the Finance service has carried out an initial assessment against the CIPFA Financial Management Code 2019. A key goal of the Code is to improve the financial resilience of organisations by embedding enhanced standards of financial management. Organisational resilience is particularly important in light of the Covid-19 pandemic and the challenges this has brought. This is an ongoing process, and during 2022/23 any necessary actions or updates will be monitored through the Audit Committee

The Head of Finance, and Finance Business Partners support the S151 Officer and have regular Finance Management Team meetings. They also have a monthly finance review with the Council's Executive Member for Corporate Services. These meetings cover all financial matters, provide a forum for challenge and formulation of financial strategy and decisions. The group considers, for example, management of emerging risks, short and long-term budget plans, and the prioritisation of revenue and capital expenditure as well as the use of reserves.

### 5.3.3. Carrying out the core functions of an audit committee, as identified in CIPFA's audit committee – practical guidance for local authorities.

The Audit Committee comprises five elected Members. The Committee's responsibilities are described in its terms of reference which form part of the Council's constitution. The terms of reference have recently been reviewed and updated. The Committee meets formally and informally during the year and in addition received briefings around specific topics relevant to its terms of reference. The Committee reports annually to Council to detail the work undertaken and demonstrate that it is discharging its responsibilities effectively. The Committee chair has regular meetings with the S151.

### 5.3.4. Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

The Chief Executive, Monitoring Officer, S151 Officer and Head of Audit and Assurance (Audit West) meet as a Statutory Officers Group on a periodic basis to consider any significant statutory or legislative issues impacting upon delivery of the Council's priorities.

The Monitoring Officer and s151 officer approve any reports prior to their consideration by the Executive and Council. In this way the Council ensures it complies with the relevant legislation and guidance and decisions do not place the Council at unacceptable risk.

## Annual Governance Statement

### 5.3.5. Whistle blowing and receiving and investigating complaints from the public.

The Council's policies and procedures promote a culture of integrity and high standards. The Constitution includes Codes of Conduct for staff and members, and the Anti-Fraud and Corruption Policy Statement. The Council also maintains a Counter Fraud Strategy and an active programme of work aims to prevent and detect any fraud which might affect the Council. The strategy was refreshed during the year, as was the associated Anti-Bribery Policy, Whistle Blowing Policy, and Anti-Money Laundering Policy and Guidance.

The Internal Audit Service and Human Resources receive and consider anonymous referrals from officers or the public of suspected wrongdoing. They work with other council's services or partner organisations to investigate any allegations of improper behaviour and take action as necessary.

The Council's complaints process is advertised on its website and the public is able to make compliments, suggestions or complaints online, in person or by phone. The process describes what a member of the public can do if they are unhappy with the way their complaint has been handled.

### 5.4. Principle 4 - Developing the entity's capacity including the capability of its leadership and the individuals within it

#### 5.4.1. Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.

Every officer has an annual appraisal where their performance is reviewed and development needs identified. The appraisal is accompanied by a training and development plan and there is a suite of mandatory training for all staff, as well as additional mandatory training for managers. A range of mechanisms are in place to meet officer's individual training and development needs including a suite of e-learning activities.

The Council puts on a programme of training and development for Members which is accessible at any time whilst newly elected Members receive more intensive support. This includes a full induction process following local elections every four years as well as service and committee specific briefings on individual topics and policy initiatives.

### 5.5. Principle 5 - Ensuring openness and comprehensive stakeholder engagement

#### 5.5.1. Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

The Council has a Corporate Plan priority to 'engage with and empower our communities'. To help contribute to this priority, a commitment has been made to develop a Consultation and Research Strategy and action plan. The strategy has a vision to: Deliver high quality, inclusive consultation and research activity that empowers our residents and stakeholders to get involved.

The key principles for consultation and research activity across North Somerset Council are that:

- Consultation and research activity is essential to ensure we are an open and enabling council.
- Consultation and research activity is fundamental to ensuring that we make informed decisions which ensure efficient use of resources and ultimately improved service delivery.
- Consultation and research activity will always be carried out to a high standard and well-coordinated.

## Annual Governance Statement

- Consultation and research activity will be inclusive, ensuring we meet our equality objectives.

The action plan includes a commitment that all consultations are usually advertised on the website through eConsult, with posters included in our libraries listing active consultations, and that we will continue to grow our Citizen's Panel. The strategy also links in with our Empowering Communities Strategy to ensure that groups with particular needs or interests are empowered to engage with us.

Results from consultation exercises and resident's surveys have been used to inform the Council's future direction and priorities, and North Somerset Life has been an important mechanism for communication, both in digital and printed format. It is the vital role of ward Members however in listening to the views of the community which provides invaluable levels of feedback and engagement to help assist the Council shape its services appropriately.

The Council has a set of rules that all Council departments and services work to, rather than a specific policy on consultation as indicated in the Local Code of Governance.

During the year, Bristol Airport was given the go-ahead to expand after a lengthy planning inquiry. The Council originally rejected the airport's plans to expand, mainly on environmental grounds. However, the airport appealed and the decision was overturned by the government's planning inspectorate. This remains a matter of extreme public interest and campaigners are contesting the decision through a Planning Statutory Review. A hearing will subsequently take place in the High Court in 2022/23.

### 6. Review of Effectiveness

#### 6.1. Processes for maintenance and review of the effectiveness of the governance framework

The process for the Annual Governance Statement is a continuous process and Senior officers and Members consider emerging issues during the course of the year. This means that controls issues and risks can be addressed more quickly.

Publication of this Annual Governance Statement is the culmination of this work. The Council's Chief Executive signs the Statement as a summary of the effectiveness of the Council's governance framework.

#### 6.2. Other contributory review / assurance mechanisms

In evaluating the effectiveness of the Council's governance, information is available from a wide range of sources. These include the Internal Audit Service, the Information Governance Group, the external auditors, inspectorates such as the Care Quality Commission and directorates themselves.

The Head of Audit & Assurance (Audit West), in conjunction with Statutory Officers, reviews the effectiveness of the governance framework during the year and the draft Annual Governance Statement. The Statement is signed by the Chief Executive and Leader of Council, and formally reviewed by the Audit Committee as part of the Financial Statements.

Key risks have been kept under review during the year and will continue to form an ongoing focus for successful delivery of the Council's plans. The year has however obviously continued to be dominated by Covid-19 and significant focus was therefore on managing risk in relation to –

- Public Health
- Local Economy
- Financial Resilience

## Annual Governance Statement

- Organisational Resilience
- Local Democracy
- Safeguarding the most Vulnerable

This list is not exhaustive due to the scale of the issues created by the Covid-19 pandemic.

### 7. Head of Audit and Assurance Opinion

As part of statutory requirements, the Chief Audit Executive is required to give an opinion on the internal control framework. In forming this view, I have considered the work of the Audit & Assurance function as well as other assurances I can rely on and consideration of the wider governance framework and performance of the council.

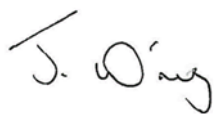
As highlighted during reports to the Audit Committee since the beginning of the pandemic, we reported the state of the internal control framework as satisfactory based on our audit opinions. However, during this period, our opinions have been tempered by remote working as we could not observe normal practices due to Covid-19 and government advice to work from home.

This continued to be the case throughout most of 2021-22 and coupled with unplanned work relating to Covid-19 Grant Funding, brought into consideration whether a limited or qualified opinion should be issued as result of changes to the plan. The Institute of Internal Auditors guidance in this respect is that if the Audit Committee has agreed to any amendments to the plan, then there is no need for a limited opinion; the opinion will reflect the work detailed as agreed.

There were small adjustments to the 2021-22 plan and it is therefore my opinion that, based on the work completed, the council's internal control framework and systems to manage risk are reasonable.

The ongoing financial challenge, especially within a year dominated by world events including Covid-19, the conflict in Ukraine and the cost-of-living crisis, also places further pressure locally on services to respond and manage risk in a proportionate way. A robust Internal Audit service is a vital component of the Council's governance systems and provides the third and final line of defence in relation to the internal control framework.

Signed:



Jeff Wring

Head of Audit and Assurance

23rd April 2022

# Annual Governance Statement

## 8. Significant Issues for 2020/21

Issue in 2020/21	Commentary & Mitigating actions for 2021/22	Update on Mitigating actions for 2021/22
<p><b>Coronavirus Pandemic (Covid-19)</b></p> <p>The impacts of Covid-19 both internationally, nationally and regionally have been unprecedented in both Health and Economic terms. Central Government has put in place emergency legislation which has led to a wide range of measures to manage risks, protect public health and support the economy. These measures have often changed at short notice as the pandemic impacts altered through the year and these have directly impacted on local authorities.</p> <p>At a local authority level this has affected every area of the Council as front facing and support services have had to adapt to the changing position. In risk and governance terms the most significant impacts are in the following areas –</p> <p>Public Health – Ensuring that the vast range of health mitigations and measures are implemented and communicated to the public so that they are clear, coherent and supportive;</p> <p>Local Economy – Ensuring that local businesses can access the extensive level of grant support which was directed to local authorities to administer and manage;</p>	<p>As detailed the Executive and Senior Management have overseen an extensive set of actions over the key risk areas to respond to the Pandemic.</p> <p>The focus was on three key pillars –</p> <ul style="list-style-type: none"> <li>• Response</li> <li>• Recovery</li> <li>• Renewal</li> </ul> <p>Actions throughout the pandemic were detailed and taken through the Council’s governance arrangements. The actions focused on response, recovery and renewal, whilst continuing to support ongoing delivery of the Council’s Corporate Plan, which was refreshed to reflect the impact of Covid.</p> <p>The budget report in February 2021 provided a further summary of the Council’s position and how future investment underpins Council’s priorities in relation to recovery and renewal and the out-turn report in June 2021 provides details which support the Council’s ongoing sustainability.</p> <p>It is recognised that the pandemic has already had a significant impact on North Somerset and the Council will continue to review the impact and adjust its priorities to respond to these challenges as</p>	<p>Throughout the pandemic, the Council has reacted extensively with a focus on themes of response, recovery, and renewal.</p> <p>The Council’s Corporate Plan 2020-2024 reflects the (then) present and future challenges presented by Covid and details how challenges can be overcome. In turn, Directorate Statements were published in April 2022 and these describe how each Directorate will help achieve the aims and priorities as set out in the Corporate Plan.</p> <p>Covid-related impacts, risk and budgetary forecasts were continually assessed and incorporated into the council’s monthly monitoring process throughout the year. A series of reports were considered by the Executive and included information on additional Covid funding/ government intervention received by the Council.</p> <p>The outturn position for 2021-22 was an underspend of £691,000, with the Covid impacts being fully funded through government grant. The Council has set aside the balance of the Covid grant to meet future on-going impacts of Covid, if needed.</p>

## Annual Governance Statement

Issue in 2020/21	Commentary & Mitigating actions for 2021/22	Update on Mitigating actions for 2021/22
<p>Financial Resilience – Ensuring that the organisation is both clear on the financial impacts of loss of income or increase in costs and plan for how these can be managed in year and for the medium term;</p> <p>Organisational Resilience – Ensuring that business continuity can be maintained in a fast-changing position as services were temporarily closed, altered or delivered differently and manage organisational effectiveness whilst working at home;</p> <p>Democracy – Ensuring that local decision making at a formal level can continue effectively at all levels whilst working at home and continuing to support public access;</p> <p>Safeguarding – Ensure that the Council can support those who are most vulnerable and provide appropriate measures to protect those most at risk.</p> <p>The Council and Executive formally considered its response to the pandemic at its June meeting setting out its current position and the range of actions it was taking to support its communities</p>	<p>the situation evolves and the full extent of the long-term implications become clear.</p> <p>The mitigations and updates listed above are relatable to this risk and are not repeated to avoid duplication.</p>	



# Annual Governance Statement

## 9. Significant Issues for 2021/22

Issue in 2021/22	Commentary & Mitigating actions for 2022/23
<p><b>Coronavirus Pandemic (Covid-19) - Recovery</b></p> <p>The impacts of Covid-19 continue to be significant and unprecedented in both Health and Economic terms.</p> <p>On a regional level this has significantly impacted on the public sector, including North Somerset Council.</p> <p>As per the previous year (see section 8), in risk and governance terms the most significant issues remain in the areas of public health, local economy, financial and organisational resilience, democracy, and safeguarding.</p> <p>Whilst health and safeguarding risks appear to have reduced, the full effect on the economy is now being realised. North Somerset Council achieved an excellent outcome by presenting a forecasted minor annual budget underspend at the end of 2021/22, but it still has a vital role to play in supporting its residents and communities as we emerge further out of the pandemic in 2022/23. Further careful management of budgets will therefore be required to support this, including identifying specific areas of recovery and investment to respond to the impacts of the pandemic which will continue over the coming months.</p> <p><b>Capital Governance</b></p> <p>During 2021/ 22, the Council’s Audit Committee expressed interest in the governance arrangements of the Council’s capital projects and a desire to enable greater transparency and oversight by officers and members.</p> <p>The Director of Corporate Services/ s151 Officer responded positively to this request and undertook their own review of Capital Governance within the Council. Whilst no significant governance failures had occurred, the review</p>	<p>Throughout the pandemic, the Council has reacted extensively with a focus on themes of response, recovery, and renewal.</p> <p>The Council’s Corporate Plan 2020-2024 reflects the (then) present and future challenges presented by Covid and details how challenges can be overcome. In turn, Directorate Statements were published in April 2022 and these describe how each Directorate will help achieve the aims and priorities as set out in the Corporate Plan.</p> <p>Covid-related impacts, risk and budgetary forecasts continue to be monitored by directorates and included in financial monitoring, with £4.5m of reserve funding carried forward in to 2022/23 for allocation against pressures arising.</p> <p>Given the macro-economic position and inflationary pressures, the Council may be required to take further action to deliver a balanced budget, which could involve decisions to reduce areas of non-essential spending, and potentially make changes to service provision. Robust monitoring processes are in place and processes are under review to ensure transparency and consistency of decision making throughout 2022/23.</p> <p>A new Governance framework has been developed and a Capital Programme, Planning and Delivery Board (CPPDB) was established in January 2022. The purpose of this board is to ensure quality, consistency of approach and co-ordination across the Capital Programme as part of the Council’s Capital Strategy. It will oversee the operational, risk and financial performance of capital projects, and will also bring programme</p>

## Annual Governance Statement

Issue in 2021/22	Commentary & Mitigating actions for 2022/23
<p>identified that the governance model in operation could be enhanced, with revised arrangements to be put in place to achieve an overall key objective of providing a clear, consistent and proportionate reporting mechanism.</p>	<p>planning, monitoring and delivery in to one place. The CPPDB will also monitor actions from the Capital Strategy Action Plan.</p> <p>Progress in this area will be independently evaluated by the Internal Audit Service and, in addition, the Director of Corporate Services/ s151 Officer is separately providing regular updates to the Council’s Audit Committee and PCOM Scrutiny Committee chairs.</p>

# Annual Governance Statement

## Conclusion - Certification

As laid out in the statement, North Somerset Council's governance arrangements have been reviewed and considered in line with the CIPFA/SOLACE code of practice. To the best of our knowledge the governance arrangements as defined have been effectively operating during the year 2021/22. Significant governance issues identified through the Annual Governance Statement Review process are recorded in Sections 8 and 9.

We propose to take actions to address the issues raised with the objective of enhancing our governance arrangements. The issues and related actions will be monitored as part of the annual governance review process.

## Chief Executive and Leader of the Council's Declaration

We have been advised on the results of the review of the effectiveness of the governance framework and certify the Annual Governance statement on behalf of the organisation.

Add signature

Steve Bridger

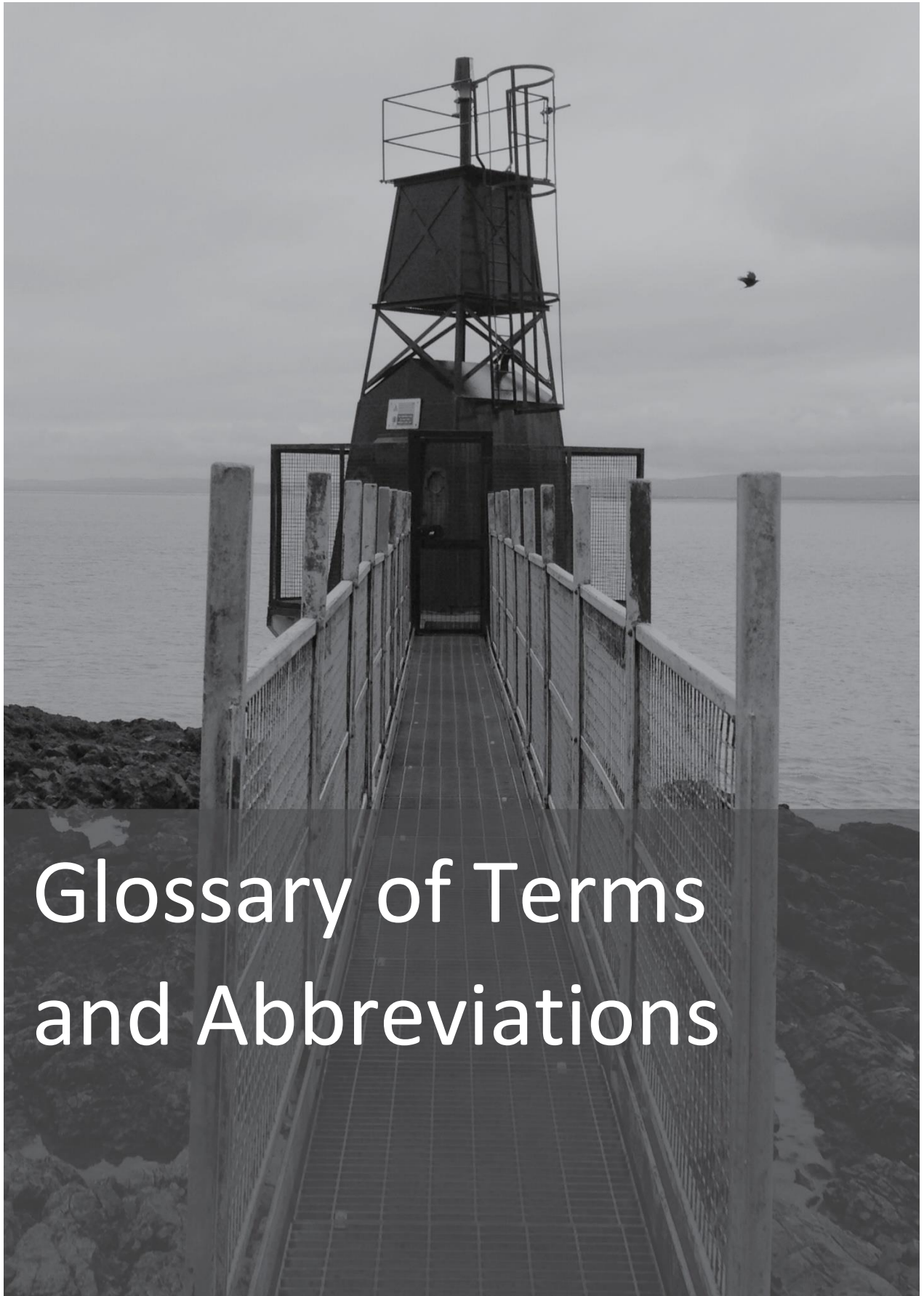
Leader of the Council

Add signature

Jo Walker

Chief Executive Officer

XX September 2022



# Glossary of Terms and Abbreviations

## Glossary of Terms and Abbreviations

### A

#### Accounting Period

The period covered by the accounts, normally 12 months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

#### Accounting Statements

The Council's Core Financial Statements and Supplementary Financial Statements.

#### Accruals

Sums included in the final accounts to cover income or expenditure attributable to the accounting period but for which no payment has yet been made or received at the Balance Sheet date.

#### Actuarial Gains and Losses (Pension Schemes)

Changes in the net pensions liability that arise because events have not matched assumptions at the last actuarial valuation or because actuarial assumptions have changed.

#### Amortisation

A term used to refer to the charging of the value of a transaction or asset (usually related to intangible assets or deferred charges) to the Income and Expenditure Account over a period of time, reflecting the value to the authority; similar to the depreciation charge for Non-Current Assets.

#### Appointed Auditors

The appointment of external auditors to local authorities is undertaken by Public Sector Audit Appointments Limited (PSAA), an independent company limited by guarantee and incorporated by the Local Government Association. Grant Thornton UK LLP have been appointed as the Council's external auditors.

#### Approved Institutions

Funds that are not immediately required may be invested but only with third parties meeting the credit rating criteria approved annually as part of the Council's Treasury Management Policies and Practices.

#### Asset

An asset is a resource controlled by the Council as a result of past events, and from which future economic benefits are expected to flow to the Council. An item having value in monetary terms. See also Current Assets, Non-Current Assets and Financial Asset.

#### Audit of Accounts

An independent examination of the Council's financial affairs.

### B

#### Billing Authority

A local authority responsible for billing and collecting Council Tax and National Non-Domestic Rates.

#### Budget

The forecast of net revenue and capital expenditure over an accounting period.

## Glossary of Terms and Abbreviations

### C

#### Capital Expenditure

Expenditure for the acquisition, provision or improvement of non-current assets, which will be of long-term value to the Council, providing services beyond the current accounting period.

#### Capital Financing

The raising of money to pay for capital expenditure through borrowing, usable capital receipts, capital grants and contributions or use of reserves.

#### Capital Financing Requirement (CFR)

The underlying need for the Council to borrow to fund capital investment which has not been funded immediately from resources such as grants, capital receipts and direct funding from revenue.

#### Capital Programme

The capital schemes the Council intends to carry out over a specified time period.

#### Capital Receipts

Money received from the disposal of non-current assets or the repayment of grants and loans, which is available for financing future capital expenditure.

#### Collection Fund

A statutory fund maintained by a billing authority, which is used to record local taxes and Non-Domestic Rates collected by the authority, along with payments to precepting authorities, the national pool of Non-Domestic Rates and the billing authority's General Fund

#### Community Assets

Assets which the Council intends to hold in perpetuity, that have no determinable finite useful life, and that may have restrictions on their disposal, e.g. parks, historical buildings. See also Non-Current Assets.

#### Consistency

The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same

#### Contingency

Money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income.

#### Contingent Asset

A possible asset that arises from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

#### Contingent Liability

A contingent liability is either:

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or
- a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount cannot be measured with sufficient reliability.

## Glossary of Terms and Abbreviations

### Council Tax

The main source of local taxation for local authorities. Council Tax is levied on households within its area by the billing authority. The proceeds are paid into the Collection Fund for distribution to precepting authorities and the Council's General Fund.

### Creditors

Amounts owed by the Council for works completed, goods received, or services rendered before the end of the accounting period but for which payments have not been made.

### Current Assets

Assets which can be expected to be consumed or realised during the next accounting period.

### Current Liabilities

Amounts which will become due or could be called upon during the next accounting period.

### Current Service Cost (Pensions)

The increase in the present value of a defined benefit scheme's liabilities as a result of employee service earned in the current period.

### Curtailement (Pensions)

An event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

## D

### Debtors

Amounts due to the Council for works completed, goods received, or services rendered before the end of the accounting period but for which payments have not been received.

### Demographic assumptions (Pensions)

Assumptions re the longevity of current and future pensioners used by the actuary in assessing pension scheme liabilities.

### Depreciation

The estimated benefit of an asset consumed during the accounting period, owing to age, wear and tear, deterioration or obsolescence.

## E

### Equity

The value of the Council's total assets less total liabilities.

### Equity Instrument (Financial instruments)

A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

### Events After the Reporting Period

Those events, both favourable and unfavourable, of such materiality that either their disclosure, or amendment to the accounts, is required for the fair presentation of the Statement of Accounts, which occur between the Balance Sheet date and the date on which the Accounts are signed by the responsible financial officer.

## Glossary of Terms and Abbreviations

### Expected credit losses (Financial instruments)

The weighted average of credit losses with the respective risks of a default occurring as the weights. 12-month expected credit losses is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

### Experience gain (Pension schemes)

The actuarial gains and losses element arising where actual events have not coincided with the actuarial assumptions made at the last assessment.

### External Audit

The independent examination of the activities and accounts of local authorities in order to give an opinion as to whether the Statement of Accounts have been prepared in accordance with legislative requirements and proper practices, and to ensure the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

## F

### Fair Value (FV)

The price an asset could be exchanged for in an orderly transaction between market participants at the measurement date.

### Fees and Charges

Income raised by charging users of services, e.g. leisure centres, planning fees, trade refuse, etc.

### Finance Lease

A lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee. Accounting guidance requires that it should be presumed that such transfer of risks and rewards occurs if at the inception of a lease the present value of the minimum lease payments including any initial payment, amounts to substantially all (normally 90% or more) of the fair value of the leased asset. The present value is calculated using the interest rate implicit in the lease.

### Financial Asset

A right to future economic benefits controlled by the Council that is represented by:

- cash
- an equity instrument of another entity
- a contractual right to receive cash (or another financial asset) from another entity
- a contractual right to exchange financial assets/liabilities with another entity under conditions that are potentially favourable to the Council.

### Financial assumptions (Pensions)

Finance related assumptions used by the actuary in assessing pension scheme liabilities (e.g. rates of inflation)

### Financial Instruments

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.



## Glossary of Terms and Abbreviations

### Financial Liability

An obligation to transfer economic benefits controlled by the Council that is either:

- a contractual obligation to deliver cash (or another financial asset) to another entity, or
- a contractual obligation to exchange financial assets/liabilities with another entity under conditions that are potentially unfavourable to the Council.

## G

### General Fund (GF)

The main revenue reserve of a billing Council, used to meet day-to-day spending.

### Government Grants

Grants made by the Government towards either revenue or capital expenditure to support the cost of provision of the Council's services. Some grants may have conditions or be restricted to be used towards the cost of particular capital schemes or revenue expenditure of the Council.

### Gross Expenditure

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

### Growth

Any increase in spending from one year to another which enables the Council to pay for more services rather than to meet higher costs.

## H

### Housing Benefit (Rent Allowances)

An allowance to persons on low (or no) income to meet, in whole or part, their rent. Benefit is paid by local authorities, but central government provides grant funding of part of the cost of the benefit provided and of the running costs of the service.

## I

### Impairment

A permanent reduction in the value of an asset, below its carrying amount on the Balance Sheet.

### Income

Amounts that the Council receives or expects to receive from any source, including fees and charges, sales and grants.

### Individual Schools Budget

That part of the local schools' budget which must be delegated to schools via the school's funding formula.

### Infrastructure Assets

Non-current assets belonging to the Council which do not necessarily have a resale value, expenditure on which is only recoverable by continued use of the asset created e.g. highways.

### Intangible Assets

Non-financial assets which do not have physical substance but are identified and controlled by the Council through legal rights e.g. IT Software.

## Glossary of Terms and Abbreviations

### Interest Receivable

The money earned from the investment of surplus cash.

### Inventories

Items of raw materials and stores the Council has procured to use on a continuing basis and which it has not yet used.

### Investment Property

Land and Buildings non-current assets held solely to earn rentals or for capital appreciation, or both.

## J

### Joint Arrangement

An arrangement under which the participants engage in joint activities but do not create a legal entity.

### Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. It is usually a business arrangement in which two or more parties agree to pool their resources for the purpose of accomplishing a specific task.

## L

### Liability

A liability is where the Council owes payment to an individual or another organisation. See also Contingent Liability, Current Liabilities and Financial Liability.

### Local Council Tax Support Scheme

Assistance provided by billing authorities to adults on low incomes to help pay their Council Tax bill. The cost is borne by the Council.

### Local Management in Schools (LMS)

A system of delegation of management responsibility and budgets to schools, which has applied since 1990/91.

### Long-Term Assets

Non-current and other assets which can be expected to be of use or benefit the Council in providing its service for more than one year.

### Long-Term Liabilities

Amounts which will become due or could be called upon beyond the next accounting period.

## M

### Materiality

The concept that the Statement of Accounts should include all amounts which, if omitted, or misstated, could be expected to influence the decisions of the user of the financial statements.

### Minimum Revenue Provision (MRP)

The minimum amount which must be charged to a Council's revenue account each year and set aside as provision for repayment of debt, as required by the Local Government Act 2003.

## Glossary of Terms and Abbreviations

### N

National Non-Domestic Rates (NNDR / 'Business rates')

A levy on businesses, based on a national rate in the pound set by the Government, multiplied by the rateable value of the premises they occupy.

Net Book Value (NBV)

The amount at which non-current assets are held after deducting any accumulated depreciation and impairment losses.

Net Debt

The Council's total borrowings less cash investments.

Net Expenditure

Gross expenditure less specific service income.

Net Interest on the Net Defined Benefit Liability (Pensions)

The net interest expense - the change during the period in the net benefit liability that arises from the passage of time.

Non-Current Assets

Property, plant and equipment and other assets that bring longer term benefit or service potential to the Council.

Non-Operational Assets

Assets held by the Council but not directly occupied, used or consumed in the direct delivery of services, e.g. assets in the course of construction and surplus assets.

### O

Operating Lease

A lease other than a Finance Lease (see above). The future obligations relating to operating leases are disclosed to provide the reader with an estimate of the outstanding un-discharged obligations in relation to such leases.

Operational Assets

Non-current assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has a statutory or discretionary responsibility.

Out-turn

Actual income and expenditure in a financial year (accounting period).

### P

Past Service Costs (Pensions)

The increase in the present value of the defined benefit scheme liabilities, related to employee service in prior periods, arising as a result of, or improvement to, retirement benefits.

Pension Fund

An employees' pension fund maintained by an authority, or group of authorities, in order to make pension payments on the retirement of its participants. It is financed from contributions from the employing authority, the employee and from investment income.

## Glossary of Terms and Abbreviations

### Pension Strain

Pension strain costs occur when there is a shortfall in the assumed level of funding needed to provide a particular pension benefit. This may occur when a member draws their benefits earlier than expected.

### Precept

A levy made by one statutory body (the Precepting authority) on another to meet the net cost of its services.

### Precepting Authorities

Those authorities raising a precept that are not Billing authorities; i.e. do not collect the Council Tax and National Non-Domestic Rates. Police authorities are 'major' precepting authorities and town and parish councils are 'local' precepting authorities.

### Prior Period Adjustments

Adjustments made to prior years comparator figures arising from changes in accounting policies or from the correction of material errors.

### Provisions

Amounts set aside for the purposes of providing for any liability or loss which is likely or certain to be incurred but is uncertain as to the amount or the date on which it will arise, e.g. bad debts.

### Prudence

The concept that income should only be anticipated to the extent that it will be received, as cash or other assets, with reasonable certainty and full and proper allowance should be made for all known and foreseeable losses and liabilities.

### Prudential Code

The CIPFA Prudential Code for Capital Finance in Local Authorities – the guidance applicable from April 2004 for the greater freedom for authorities to borrow to fund capital investment (under the Local Government Act 2003). This Code requires the Council to set and monitor a suite of Prudential Indicators, including its Affordable Borrowing Limit, and establish its policy for using the new freedoms.

### Public Works Loan Board (PWLB)

A central government agency which provides long and medium-term loans to local authorities at interest rates only slightly higher than those at which the Government itself can borrow. The Council is able to borrow a proportion of their requirements to finance capital expenditure from this source.

## R

### Rateable Value

The annual assumed rental value of a property that is used for NNDR purposes.

### RCCO

Revenue Contributions to Capital Outlay - Resources provided from the Council's revenue budget to finance the cost of capital projects.

### Revenue Expenditure Funded by Capital Under Statue (REFCUS)

Expenditure of a capital nature but which gives rise to no tangible asset held by the Council, e.g. renovation grants

## Glossary of Terms and Abbreviations

### Related Parties

Two or more parties are related parties when at any time during the financial period:

- One party has direct or indirect control of the other party; or
- The parties are subject to common control from the same source; or
- 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 at all times its own separate interests; or
- 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 separate interest.

Examples of related parties to an authority include central government, local authorities and other bodies precepting or levying demands on the Council Tax, its members, its Chief Officers and its pension fund.

For individuals identified as related parties, it is also presumed that members of the close family, or the same household, or any partnerships, companies in which the individual or a member of their close family, or the same household has a controlling interest, are deemed to be related parties.

### Related Party Transactions

The transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. The materiality of related party transactions is judged not only in terms of their significance to the Council, but also in relation to its related party.

### Reserves

Amounts set aside in the accounts for the purpose of meeting general, future expenditure. Reserves may also be used to smooth the cost of certain activities over a number of years. A distinction is drawn between reserves and provisions (see above), which are set up to meet known liabilities.

### Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

### Return on Plan Assets (Pensions)

Changes during the period in the net benefit liability that arises from the passage of time, excluding amounts included in Net Interest on the Net Defined Benefit Liability.

### Revenue Expenditure

Spending on day-to-day items including employees' pay, premises and transport costs and supplies and services.

### Revenue Reversion

Revenue reversion may occur if a capital project is discontinued before the asset is constructed – any previously incurred costs, having produced no asset, cannot be capitalised, and need to be charged to revenue i.e. reverted to revenue.

### Revenue Support Grant

A general grant paid by the Government to Council's contributing towards the costs of its services.

## Glossary of Terms and Abbreviations

### S

#### Settlements (Pension schemes)

A gain or loss on settlement arises when an authority enters into a transaction that eliminates all further obligation for the benefits provided under a defined benefit plan. Settlements have the effect of extinguishing a portion of the plan liabilities, usually by transferring plan assets to or on behalf of plan members to their new employer.

#### Specific grants

The term used to describe all government grants to local authorities, including revenue and capital grants, where the use of the grant is specified by central government.

#### Subsidiary

Subsidiaries are entities over which the Council has control. The Council controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity.

#### Supported Borrowing

The amount of Council borrowing towards which the Government provides financial support through the annual Revenue Support Grant.

### T

#### Temporary Borrowing

Money borrowed for a period of less than one year.

#### Total Cost

The actual cost of services reflecting all of the direct, indirect and overhead costs that have been incurred in providing the service, even where the expenditure is not under the control of the service's chief officer.

### U

#### Unsupported (or Prudential) Borrowing

Any borrowing the Council undertakes that is above and beyond the level of Supported Borrowing (which the Government helps to fund), and which therefore the Council has to fund from its own resources.

## Glossary of Terms and Abbreviations

### Abbreviations used in the Statement of Accounts

B&NES	Bath & North East Somerset Council
BCF	Better Care Fund
CCG	Clinical Commissioning Group
CIPFA	Chartered Institute of Public Finance and Accountancy
DFE	Department for Education
DFT	Department for Transport
DEFRA	Department for Environment, Food & Rural Affairs
DLUHC	Department for Levelling Up, Housing and Communities (DLUHC) (previously MHCLG - Ministry of Housing, Communities and Local Government)
IFRS	International Financial Reporting Standard
LAAP	CIPFA's Local Authority Accounting Panel
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LEP	Local Enterprise Partnership
LMS	Local Management in Schools
LSTF	Local Sustainable Transport Fund
MRP	Minimum Revenue Provision
NBV	Net Book Value
NNDR	National Non-Domestic Rates
NSEC	North Somerset Environment Company Limited (a subsidiary of the Council)
PWLB	Public Works Loans Board
REFCUS	Revenue Expenditure Funded by Capital Under Statute
SERCOP	Service Expenditure Reporting Code of Practice

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