



**North Somerset Council  
Financial Report  
2022/2023**

# 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

## Executive summary

Balancing the books gets harder each year, especially at a time when we have seen global inflation impacting on the costs of the day-to-day goods and services that we all buy and use. Looking back on the year gone by we can see that the economic situation provided the backdrop for how the Council managed its financial affairs over the past year.

Rising energy costs, spiralling inflation and the ongoing increase in interest rates were notable talking points for many people and these issues also impacted on the Council's own budget. Now we face a cost-of-living crisis, which in turn has increased demand for our services as more people turned to the Council for help.

Despite financial and workforce challenges, the Council continued to deliver essential services to the public and also provided further support through new initiatives sponsored by the Cost of Living working group, such as creating warm living spaces and distributing financial support through the Household Support Fund.

The Council recognises that managing its finances is a huge challenge to overcome especially as it follows on from more than a decade of increased demand for services and reduced funding from central government.

But we have 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. The Council has also been successful in managing our assets, understanding financial risk and adopting a resilient reserves strategy all of which should stand us in good stead for the future.

So whilst this has been a year of continued change and uncertainty, we can see that the Council has not only achieved a balanced budget, but delivered an underspend, thereby increasing its General Fund reserve balance.

The Council is acutely aware that uncertainty will continue into the future, but remain positive and focused on delivering against the strategic vision and Corporate Plan aims which will improve the lives of residents in the local communities that we serve.



Amy Webb

Director of Corporate Services and s151 officer

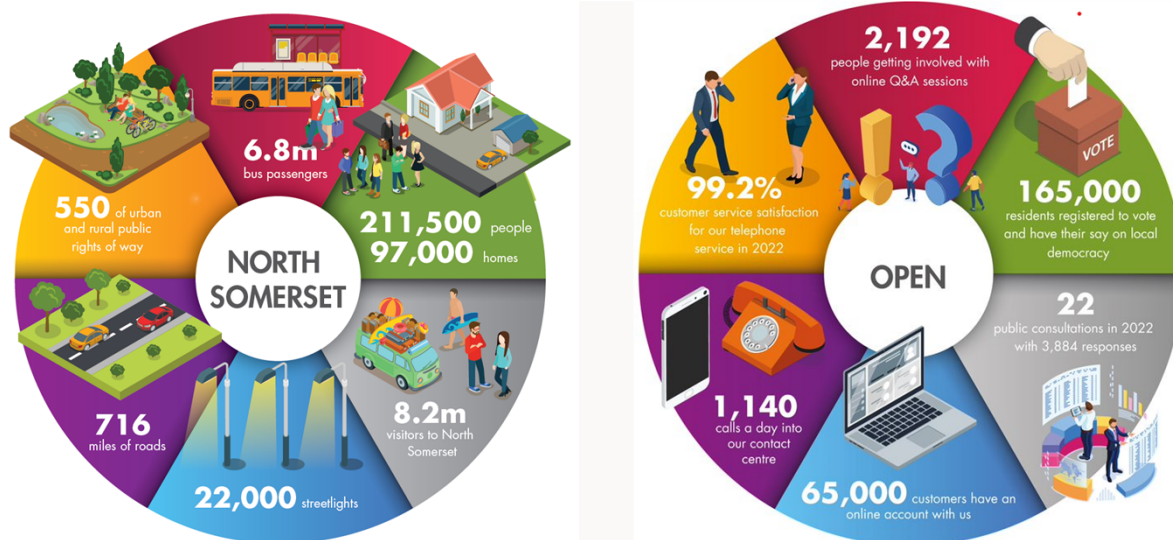
31 May 2023

# Narrative Report

## 1. An Overview of North Somerset

### *Our services*

The Council provides a wide range of statutory and discretionary services to the people of North Somerset. The graphics below provide a snapshot of some of the things that we do as well as the scale.



### *Our Constitution*

The Council's Constitution 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 can be found on the Council's website at [Constitution](#).

### *Our Leadership and Workforce*

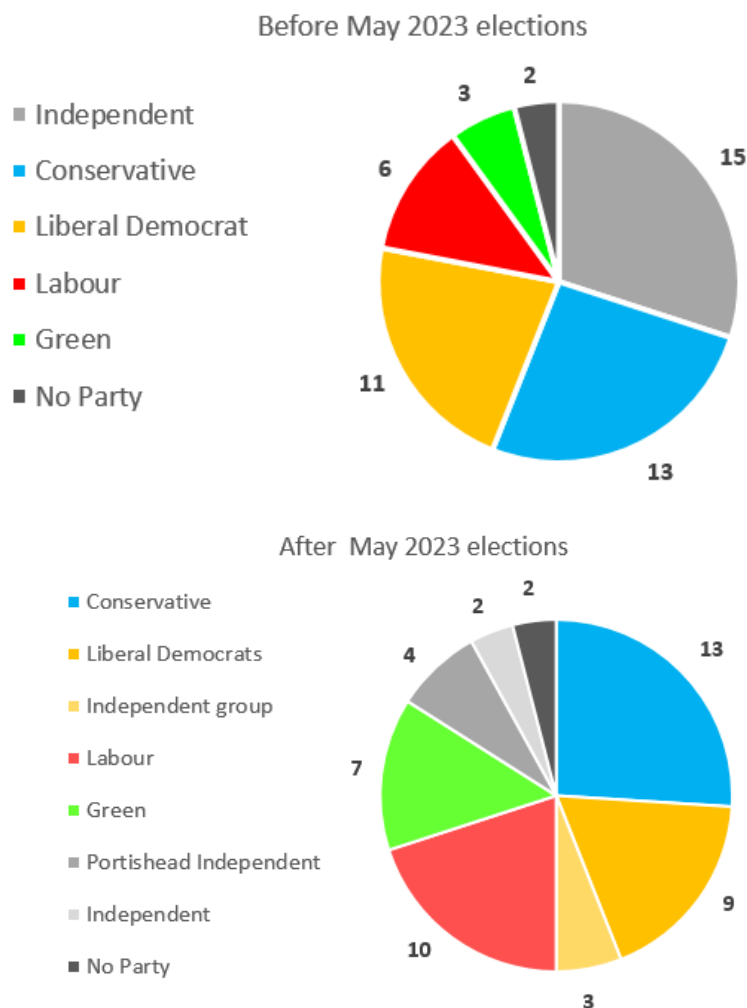
Our 50 elected Councillors represent the people of North Somerset. They set the overall policy of the Council.

Since the local elections in May 2019, no single political party or group has had overall control although over the past four years, an alliance of Independent, Liberal Democrat, Labour and Green Party councillors worked closely together to deliver key outcomes.



## Narrative Report

Following Local Government elections in May 2023, after the year-end, the numbers of members controlling the Council has subsequently changed, as follows:



The Leader of the Council is responsible for appointing members of the Executive, the allocation of portfolios, and the delegation of executive functions. 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, and the adequacy of the Council's Annual Governance Statement.

The Chief Executive and Directors form our Corporate Leadership Team (CLT). CLT works closely with executive members to ensure a joined up approach to delivering the Council's vision, aims and objectives.

The Council employs around 1,600 full time equivalent staff, approximately 200 of these staff work in our maintained schools.

The presentation of the Council's budget monitoring reports and statutory accounts are based on its directorate structures.

# Narrative Report

## Our Corporate Plan and Vision

The **Corporate Plan** is the business plan for our organisation. It explains what we are doing, and why we are doing it. It sets our **Vision** for North Somerset, and **Values**, and identifies our **Priorities**.

The latest Plan, which covers the period 2020-2024 can be found at [Corporate Plan](#). Progress against the plan is monitored quarterly.

**OUR VISION** An open, fairer, greener North Somerset

**Open**  
We will provide strong community leadership and work transparently with our residents, businesses and partners to deliver our ambition for North Somerset.

**Fair**  
We aim to reduce inequalities and promote fairness and opportunity for everyone.

**Green**  
We will lead our communities to protect and enhance our environment, tackle the climate emergency and drive sustainable development.

**Our priorities**

**A thriving and sustainable place**

- A great place for people to live, work and visit
- Welcoming, safe and clean neighbourhoods
- To be a carbon neutral council and area by 2030
- A transport network which promotes active, accessible and low carbon travel
- An attractive and vibrant place for business investment and sustainable growth
- A broad range of new homes to meet our growing need, with an emphasis on quality and affordability

**A council which empowers and cares about people**

- A commitment to protect the most vulnerable people in our communities
- An approach which enables young people and adults to lead independent and fulfilling lives
- A focus on tackling inequalities and improving outcomes
- Partnerships which enhance skills, learning and employment opportunities
- A collaborative way of working with partners and families to support children achieve their full potential

**An open and enabling organisation**

- Engage with and empower our communities
- Empower our staff and encourage continuous improvement and innovation
- Manage our resources and invest wisely
- Embrace new and emerging technology
- Make the best use of our data and information
- Provide professional, efficient and effective services
- Collaborate with partners to deliver the best outcomes

**Our values**

- We act with **INTEGRITY**
- We **RESPECT** each other
- We **INNOVATE**
- We **CARE**
- We **COLLABORATE**

The Corporate Plan will be subject to review and update following the outcome of the Local Government elections and appointment of the new Administration in May 2023. Everything we do as a Council links back to this plan. It guides our work, and explains why we focus on specific areas.

We have reached a tipping point in tackling climate change. As part of its commitment to addressing Climate Change, the Council has declared a climate emergency, and developed an action plan. Whilst technology is transforming how we live and work, we 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.

# Narrative Report

## 2. Our Performance and Risk Management framework

Our performance management framework allows us to monitor progress against the priorities set out in the Corporate Plan, by reviewing whether we have done the things we said we would in our departmental business plans (our ‘commitments’). Updates are given quarterly and considered by Directorate and Corporate Leadership teams, and Executive members.

We publish summaries of risks and mitigating actions in the Corporate Risk Register, and progress against our commitments and key performance measures, on our website – see [Council performance](#).

### Risk management

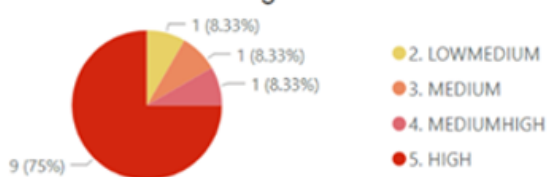
Risk monitoring and reporting is embedded in the Business Planning and Performance Management cycle, through our Risk Management Strategy, which was reviewed and updated during 2022/23 at the request of the Audit Committee. This ensures a clear link between how we identify, manage and report risks which might impact on achievement of the commitments set out in the Corporate Plan.

The Corporate Risk Register, and the underlying departmental risk registers, play an integral role in the management of the Council, and are subject to review throughout the year by the Directorate and Corporate Leadership Teams, Executive members, and the Audit Committee. Risks and mitigating actions are agreed and monitored on a quarterly basis.

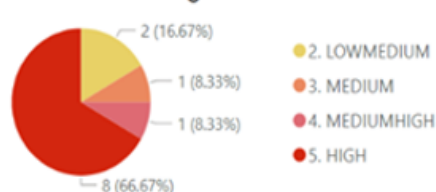
The High risks identified at quarter 4 include:

- the climate emergency and achieving a net zero by 2030
- cyber-attack on the Council’s critical services
- delivery of capital projects within approved budgets
- not meeting the medium-term financial challenge and delivering a balanced budget
- not delivering sustainable change in Children’s Services
- not managing demand for adults and children’s social care within available budgets
- delays in the Local Plan exposing the Council to speculative development and unplanned growth through appeal
- the deteriorating condition of some of our assets

75% of all strategic risks were HIGH at inherent scoring



67% of all strategic risks were HIGH at residual scoring



### Performance in 2022/23

The following graphics show the Council’s progress, as at 31st March 2023, with a direction of travel compared to the prior year for its Aims, Priorities and Key Performance Indicators:

# Narrative Report

## High level summary progress against our aims

Summary of progress against the commitments we made to help achieve our aims of being empowered and caring, open and enabling, and a thriving and sustainable place

AIM	COMPLETED/ GREEN	GREEN/ AMBER	AMBER	AMBER/ RED	RED	202122 COMPLETED, GREEN and GREEN/AMBER	202223 COMPLETED, GREEN and GREEN/AMBER
Empowered and Caring	26	20	19	4	1	72%	66%
Open and Enabling	35	20	16	2	3	75%	72%
Thriving and Sustainable	25	13	9	3	0	83%	76%

**71%**  
of all commitments were COMPLETED, GREEN or GREEN/AMBER by end year



**63%**  
of the reportable and targeted KCPIs aligned to our commitments were GREEN by end year



**RAG**  
● 1. GREEN  
● 2. AMBER  
● 3. RED

**52%**  
of the reportable and targeted KCPIs have a stable or positive direction of travel compared to the previous year

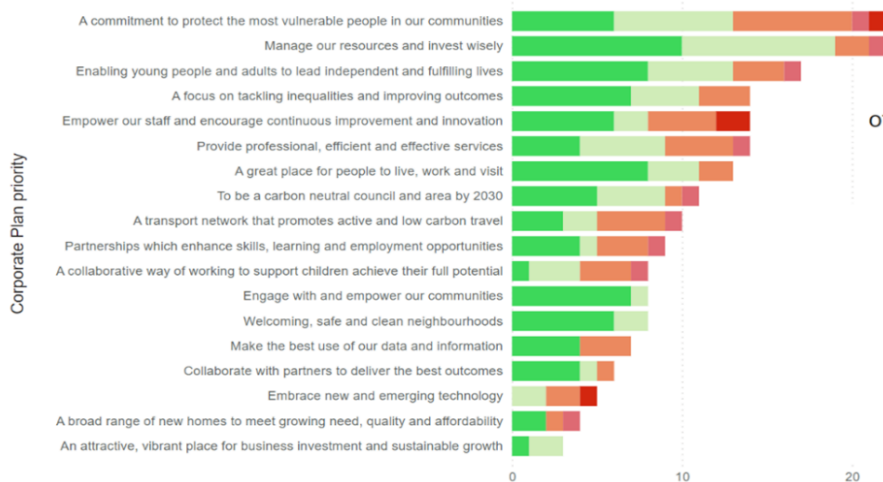


**DOT**  
● 1. POSITIVE  
● 2. STABLE  
● 3. NEGATIVE

## High level summary progress against our priorities

Summary of progress against the commitments we made to help achieve our priorities for each of our aims

● 1. COMPLETED/GREEN ● 2. GREEN/AMBER ● 3. AMBER ● 4. AMBER/RED ● 5. RED



**72%**  
of our priorities have a POSITIVE or STABLE direction of travel compared to the previous year

● 1. POSITIVE ● 2. STABLE ● 3. NEGATIVE



## High level summary progress against our KCPIs

**63%**  
of the reportable and targeted KCPIs aligned to our commitments were GREEN by end year



**RAG**  
● 1. GREEN  
● 2. AMBER  
● 3. RED

**52%**  
of the reportable and targeted KCPIs have a stable or positive direction of travel compared to the previous year



**DOT**  
● 1. POSITIVE  
● 2. STABLE  
● 3. NEGATIVE

## Narrative Report

### 3. Where your money goes - Financial performance in 2022/23

As a public authority, the council is responsible for ensuring its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and it is used economically, efficiently, and effectively.

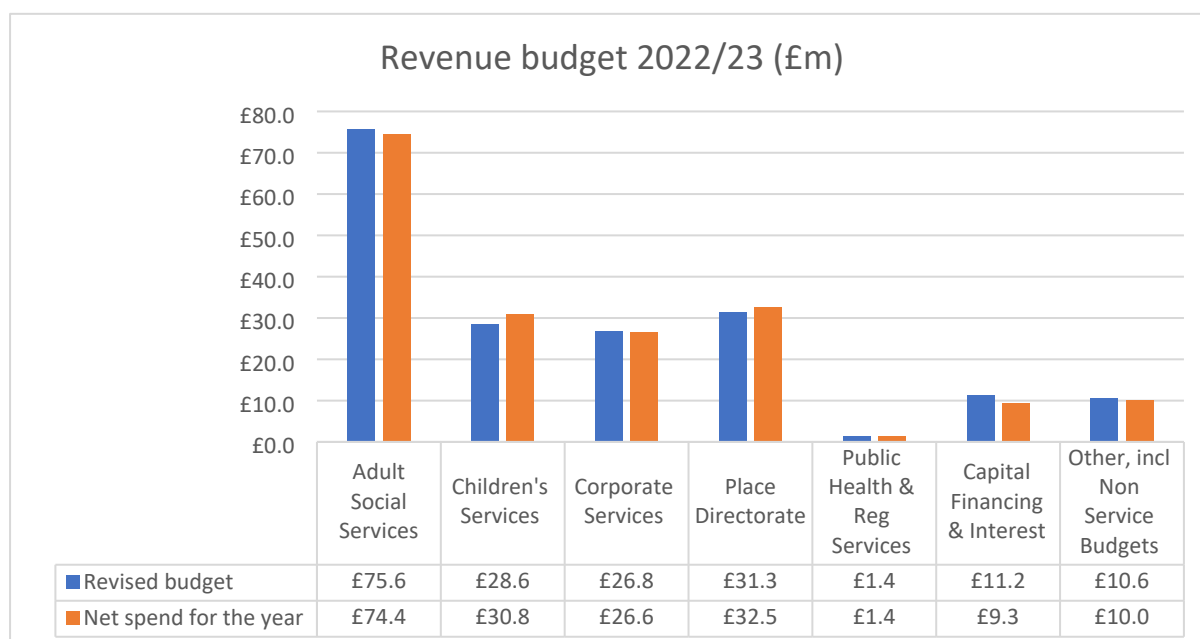
We set our annual revenue and capital budgets in the February before the start of each financial year, but financial planning is a continuous process throughout the year. The budget is set to deliver priorities decided by members and identified in our Corporate Plan.

The statement of accounts is a complex financial document. Here is a summary of the Council's financial performance for 2022/23.

#### Revenue out-turn against budget 2022/23

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 was net expenditure of £185.1m, which is an under-spend of £0.4m compared to the approved budget for the year. The Council was therefore able to contribute £0.4m into its General Revenue Reserve at the year-end.

A reconciliation has been included in Note 10 to show how the revenue out-turn position for the Council reported to Members, reconciles to the financial performance reported in the accounts in the Comprehensive Income and Expenditure Statement (CIES).



Although the overall out-turn position for the revenue budget was an underspend, the Council continued to face cost pressures within several areas of the budget. Childrens social care placement budgets were overspent by £2m at the year-end, and home to school transport budgets were overspent by £1.6m, largely as a result of increased levels of demand for these services.

The Council also faced significant inflationary pressures within its cost base notably in areas of pay and energy, as the annual pay increase agreed by the National Joint Council was £2m higher than the 2% provision included within the base budget. Unfortunately the Council's energy contracts expired at the end of September, at a time when energy prices were at the height of the market. Although the Council was eligible to receive the government support package for the 6 months to March 2023, it still cost £0.6m more than the budget.



## Narrative Report

The Council was able to mitigate some of these overspends by generating additional returns on its investments during the year as a result of increased interest rates, which was one benefit of the broader economic turbulence. A decision was made to draw down monies held in its financial risk reserve to help fund the one-off inflationary pressures in 2022/23, whilst including further provision within the medium term financial plan to cover the ongoing impacts.

### *Schools spending in 2022/23*

Although spending on schools is included within the Council's annual revenue budget it is funded through a Dedicated Schools Grant (DSG) and should costs exceed this annual allocation they must be taken to an unusable reserve in the balance sheet.

Spending on the high needs block of the DSG has been increasing in recent years, which means that the Council has been carrying a deficit in its DSG Reserve, with the balance at the start of the year being £13.5m.

The Council has been working closely with the Department for Education (DfE) to explore ways in which it could reduce spending in this area and develop a forecast across the medium term that breaks even. As a result, in March the Council was accepted into the Department's Safety Valve programme which means that in return for drafting and implementing a successful intervention plan, the DfE will provide additional funding to put towards cumulative deficit balances.

The out-turn position for schools shows that whilst in-year financial performance resulted in a deficit of over £6m, additional income of £10m from the DfE was received which means that there was a net reduction in the DSG deficit balance of £3.8m during the year, leaving a deficit balance of £9.7m in the reserve.

### *Capital spending in 2022/23*

Capital investments continued to be a prominent feature of North Somerset Council's finances during 2022/23 with more than £66m being spent on improving existing assets and delivering new facilities.

Investment in new major transport projects continues, with further progress being made on the Portishead MetroWest Rail link, transport infrastructure in Weston-super-Mare, and the new Banwell bypass and associated secondary school. There was also continued investment on the existing road network, the ongoing replacement of street lighting and improvements in other schools and play area facilities for children across the district.

Climate change initiatives are a key priority for the council. It is continuing to invest in electric vehicles for its transport fleet and we are making changes to our buildings which will bring improvements such as a lower carbon footprint and also lower costs.

In 2022/23 the Council, in partnership with the West of England Combined Authority was awarded a significant funding package to support its Bus Service Improvement Plan (BSIP) which will see major transformation in our area over the next three years, further details can be found here: [BSIP](#).

## Narrative Report

Capital spending in 2022/23:

What the money was spent on...	£m	Where the money comes from...	£m
Transport / Infrastructure	11.1	Government grants and contributions	53.3
Schools	28.9	Borrowing	5.9
Road maintenance & street lighting	9.5	Sale of assets (capital receipts)	3.1
Housing	5.4	Reserves and balances (revenue)	4.1
Strategic / Regeneration projects	3.7		
Other capital investment	7.8		
<b>Total</b>	<b>66.4</b>	<b>Total</b>	<b>66.4</b>

### Balance sheet

The Balance Sheet shows the council's financial position at 31 March 2023, the end of the financial year. It is a snapshot of the assets the Council owns, the liabilities it owes, and the reserves it has available to fund future expenditure.

Despite growing budget pressures, the Council maintained a Balance Sheet with a positive net worth of £288.1 million at the year end, which is a significant increase compared to the previous year.

A summary of the Council's Balance Sheet:

The council's net assets	31/3/2022	31/3/2023	Which are financed by:	31/3/2022	31/3/2023
	£m	£m		£m	£m
Property, Plant & Equipment	391.3	411.4	Earmarked reserves	89.1	89.6
Current assets	223.6	227.9	Other Usable reserves	21.7	20.0
Investment property	45.7	51.0	General Fund balance	9.7	10.2
Other long term assets	15.1	13.1	Unusable Reserves	-30.7	168.3
Other long term liabilities	-24.0	-23.3			
Current liabilities	-147.5	-149.7			
Long term borrowing	-148.4	-139.8			
Pension liabilities	-266.0	-102.5			
<b>Net assets</b>	<b>89.8</b>	<b>288.1</b>	<b>Total reserves</b>	<b>89.8</b>	<b>288.1</b>

Movements in current assets and liabilities largely relate to timings of cash flows around the year end.

The total reserves held by the Council is net of £168.3m 'unusable' reserves (such as the deficit on the Pensions Reserve and the Dedicated Schools Reserve), which are not available to spend.

The 'usable' reserves balance remains similar to last year at £120m at the end of the financial year. A large proportion of this increase relates to monies set aside to cover financial risk, investment in key projects, and to smoothing impacts of transactions across financial years.

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 increased by the underspend of £0.4m and stands at £10.2m, which equates to approximately 5.4% of the 2022/23 net revenue budget, in line with our Reserves Strategy.

Given the economic issues that have been experienced over the past year and inflation levels remaining high which are continuing to impact on the costs of goods and services, reserves levels will need to be reviewed on an on-going basis.

# Narrative Report

## *Collection Fund*

The Collection Fund is a ring-fenced account that contains the financial transactions for both council tax and business rate activity and is administered by the council on behalf of the major preceptors, which include the Council, central government, town and parish councils as well as the fire and police authorities.

When preceptors set their budgets before the start of each year they advise the council of how much they expect to be paid and this is funded by council tax and business rate receipts that are paid into the Fund by taxpayers during the year. At the end of the year the council will calculate whether the Collection Fund has made a surplus or a deficit based on actual levels of income collected. This sum is transferred into the Collection Fund Adjustment Account so that it can be held in the balance and accessed by preceptors in a subsequent financial period.

At the end of the year the Collection Fund account showed a surplus of £0.5m in respect of council tax and £1.5m in respect of business rates.

## *Treasury Management*

The Council's Treasury Management Strategy provides the framework within which officers make decisions on the management of the Council's debt and investment of surplus funds. Its main purposes are to ensure cash is available when needed and surplus balances are invested in a low-risk way.

Whilst the Council's capital programme generated a borrowing requirement, this was 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, and repayments continued. 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 to finance capital expenditure.

## *Pensions assets and liabilities*

The Council's pension liabilities exceed the value of the related pension fund assets by £102.0m at 31 March 2023, which is a net reduction of £164.0m from the previous year's deficit of £266.0m. £160m of the reduction is due to changes in financial assumptions used by the independent expert actuaries in their 2022/23 triennial revaluation. The pension contributions payable by the Council are reviewed every 3 years by independent expert actuaries. This review is next due in 2025/26.

# Narrative Report

## 4. Looking ahead

### *Revenue budget planning in the medium term*

The Council's medium term financial planning regime is a well-established and continuous process.

The latest Medium-Term Financial Plan for the four years 2023 to 2027, published in February 2023, is summarised below:

	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m
<u>Projected Revenue Resources</u>				
Government Grants	21.0	25.0	23.0	23.0
Council Tax & Business Rates	177.8	186.8	192.9	199.2
Other	3.9	0.0	0.0	0.0
<b>Total Resources</b>	<b>202.7</b>	<b>211.8</b>	<b>215.9</b>	<b>222.2</b>
<u>Net Revenue Budget</u>				
Base Budget	179.0	202.7	211.8	215.9
Growth items and spending pressures	35.9	21.7	14.0	13.9
One-off items	(1.8)	0.0	0.0	0.0
Grant Income and Savings Proposals	(10.4)	(2.0)	(0.7)	(0.7)
Savings Requirement	0.0	(10.6)	(9.2)	(6.9)
<b>Revised Base Budget</b>	<b>202.7</b>	<b>211.8</b>	<b>215.9</b>	<b>222.2</b>

The budget shortfall across the three years to 2026/27 is nearly £27m. Several elements of the forecast will need to be updated to ensure that the Council uses the most accurate information to base its future decisions on.

Uncertainties include delivery of the £10.4m savings plans included within the budget for 2023/24, the ongoing demand and cost of our services, the amount of government support beyond 2024/25 and the continuation of Social Care Reforms for adult social care and the additional funding that may be provided along with increased responsibilities. The wider funding background for local government as a sector, legislative changes that might relate to the Levelling Up agenda as well as Business Rate Reviews and National re-sets may also deliver change that the Council will need to adapt to.

Most significant of these issues remains the recent rising inflationary pressures linked to the cost of living crisis because although we included additional funding of £35.9m into the 2023/24 budget, higher costs could continue to impact across our budget in the months ahead, specifically in areas such as the direct costs of employees, transport and especially energy, as well as introducing increases throughout the supply chain as contractors adjust to higher cost pressures.

The government itself recognises these pressures on individuals and has made a further allocation of the Household Support Fund for 2023/24 which will enable the Council to provide additional financial support of £2.6m to those most in need.

Where possible, the Council has set monies aside in the General Fund working balance and other risk-based reserves, to help to mitigate risk, maintain financial stability, and protect services in future years.

## Narrative Report

However, the Council may need to take further action to deliver a balanced budget in the future, which could involve decisions to reduce areas of non-essential spending, and potentially make changes to service provision.

Whilst the savings requirements identified may appear daunting, the Council has a strong record of demonstrating good financial management, and over recent years savings plans have been identified and delivered. We will continue to update and publish such forecasts on a rolling basis.

### *Capital strategy*

The Council's Capital Strategy was approved in February 2023, and sets out a five-year capital investment programme from 2023/24 to 2027/28, totalling £385m. North Somerset Council continues to have ambitious plans for investment in the region which will deliver sustainable projects with a tangible benefit to our communities.

Projects in the Capital Strategy include:

- MetroWest £122m
- Banwell Bypass and infrastructure £60m
- Bus service improvement plan £48m
- Winterstoke Hundred Academy Expansion School £27m
- Baytree Special School – Brookfield Walk £17m
- Local transport plan projects, including pot holes £15m

## 5. 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 2023. 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 2022/23 ("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:

The **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'.

The **Comprehensive Income and Expenditure Statement (CIES)** shows the Council's income and expenditure for the year. The top half of the statement provides an analysis by service area. The bottom half of the statement deals with corporate transactions and funding. 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



## Narrative Report

statute. An analysis by nature, often referred to as a subjective analysis, of the CIES is given in Note 16.

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

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

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.
- 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.

The **Notes to the financial statements** provide more detail about the application of the Council’s accounting policies and individual transactions.

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.

Accounting changes in the year and looking ahead – Note 5 of the financial statements details the impact of accounting standards which have not yet been 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.



Amy Webb

Director of Corporate Services and s151 officer

31 May 2023

## 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 2022/23 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:

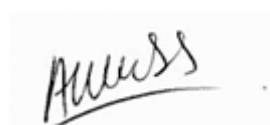
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the local authority Code.

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

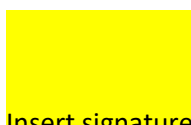
I hereby certify that the following Statement of Accounts gives a true and fair view of the financial position of North Somerset Council at the reporting date, and of its expenditure and income for the year ended 31 March 2023, and hereby authorise the issue of the accounts.



Amy Webb FCCA

Director of Corporate Services

31 May 2023



Insert signature

Cllr Patrick Keating

Chair of Audit Committee

XX September 2023

## Independent Auditors Report and Opinion

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## Independent Auditors Report and Opinion

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# Primary Financial Statements

# Primary Financial Statements

## Movement in Reserves Statement

	Note	Usable Reserves								Unusable Reserves										TOTAL RESERVES
		General Fund Earmarked 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	Other Schools Balances	Other Earmarked Revenue Reserves	Earmarked Capital Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves											
Balance at 1 April 2022	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)
Total Comprehensive Income and Expenditure	CIES	(16,028)	0	0	0	0	0	0	(16,028)	(5,137)	0	0	(177,178)	0	0	0	0	0	(182,315)	(198,343)
Adjustments between accounting basis & funding basis under regulations	7	15,126	0	0	0	0	957	710	16,793	12,435	(34,069)	(6,467)	13,649	(3,762)	45	120	6	1,250	(16,793)	0
Transfers between Usable Reserves	8.1	484	(61)	(9)	610	(1,024)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(Increase) / Decrease in 2022/23	8, 9	(418)	(61)	(9)	610	(1,024)	957	710	765	7,298	(34,069)	(6,467)	(163,529)	(3,762)	45	120	6	1,250	(199,108)	(198,343)
Balance at 31 March 2023 - carried forward	8, 9	(10,162)	(3,062)	(396)	(77,829)	(8,340)	(12,514)	(7,474)	(119,777)	(84,164)	(197,050)	(1,920)	102,458	9,685	205	1,253	(47)	1,206	(168,374)	(288,151)

General Fund earmarked usable reserves are largely comparable to the previous year - see Note 8.

The increase in Unusable Reserves balance relates to technical accounting adjustments, and cannot be used to fund services - see Note 9.



# Primary Financial Statements

## Movement in Reserves Statement

	Note	Usable Reserves							Unusable Reserves										TOTAL RESERVES	
		General Fund Earmarked Reserves							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	Other Schools Balances	Other Earmarked Revenue Reserves	Earmarked Capital Reserves	Capital Receipts Reserve	Capital Grants Unapplied												
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)

# Primary Financial Statements

## Comprehensive Income and Expenditure Statement

	Note	2021/2022			2022/2023		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£000	£000	£000	£000	£000	£000
Adult Social Services							
Adult Social Care		110,977	(50,467)	60,510	115,430	(40,119)	75,311
Housing Services		5,225	(4,378)	847	6,392	(5,321)	1,071
		116,202	(54,845)	61,357	121,822	(45,440)	76,382
Children's Services							
Children's Services		34,982	(8,139)	26,843	42,871	(10,418)	32,453
Schools Budgets & Grants		64,132	(52,216)	11,916	63,030	(63,492)	(462)
		99,114	(60,355)	38,759	105,901	(73,910)	31,991
Place		79,396	(26,775)	52,621	86,132	(26,145)	59,987
Corporate Services		81,153	(58,057)	23,096	85,884	(58,823)	27,061
Public Health & Regulatory services		14,601	(18,366)	(3,765)	16,672	(13,385)	3,287
Non Service		2,683	(2,682)	1	3,698	(7,253)	(3,555)
<b>Cost of Services</b>	10	<b>393,149</b>	<b>(221,080)</b>	<b>172,069</b>	<b>420,109</b>	<b>(224,956)</b>	<b>195,153</b>
Other Operating Expenditure	11	18,036	0	18,036	22,268	0	22,268
Financing and investment income and expenditure	12	12,927	(2,757)	10,170	10,611	(4,664)	5,947
Taxation and non-specific grant income	13	0	(217,325)	(217,325)	0	(239,396)	(239,396)
<b>(Surplus) / Deficit on Provision of Services</b>	10,16	<b>424,112</b>	<b>(441,162)</b>	<b>(17,050)</b>	<b>452,988</b>	<b>(469,016)</b>	<b>(16,028)</b>
(Surplus) / deficit on revaluation of non-current assets	9.2			(9,166)			(5,137)
Remeasurements of net defined benefit liability	9.5			(41,551)			(177,178)
<b>Other Comprehensive (Income) and Expenditure</b>				<b>(50,717)</b>			<b>(182,315)</b>
<b>Total Comprehensive (Income) and Expenditure</b>				<b>(67,767)</b>			<b>(198,343)</b>

In 2021/22 Adult Social Services received additional one-off income from the Integrated Care Board which was not repeated in 2022/23.

In 2022/23 the Schools Budget received additional income from the Department for Education in respect of the Safety Valve programme which can be used to offset cumulative DSG Deficits.

In 2021/22 Public Health and Regulatory Services received additional income relating to Covid which was not repeated in 2022/23.

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

Additional capital grant income was recognised and applied in the 2022/23 financial year.

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

	<i>Note</i>	31 March 2022 £000	31 March 2023 £000
Property, Plant and Equipment			
Other Land and Buildings	24.1	175,895	158,607
Infrastructure Assets	24.2	149,557	150,100
Community Assets	24.1	5,036	4,950
Vehicles, Plant, Furniture and Equipment	24.1	10,421	10,672
Assets Under Construction	24.1	49,762	86,711
Surplus assets	24.1	629	272
Intangible Assets	24.1	150	100
Heritage Assets		288	288
Investment Property	25	45,707	51,053
Long Term Investments	31.1	10,082	8,833
Long Term Debtors	31.1	4,612	3,895
<b>Long Term Assets</b>		<b>452,139</b>	<b>475,481</b>
Short Term Investments	31.1	167,064	145,250
Inventories		1,569	1,538
Short Term Debtors	27	55,000	81,145
<b>Current Assets</b>		<b>223,633</b>	<b>227,933</b>
Cash and Cash Equivalents	CFS	(4,417)	(5,832)
Short Term Borrowing	31.1	(7,364)	(8,877)
Short Term Creditors	28	(74,113)	(67,966)
Short Term Provisions	29	(6,626)	(5,001)
Grants Received in Advance - Revenue	14	(4,296)	(5,355)
Grants & Contributions Received in Advance - Capital	14	(50,687)	(56,663)
<b>Current Liabilities</b>		<b>(147,503)</b>	<b>(149,694)</b>
Long Term Provisions	29	(1,911)	(1,624)
Long Term Borrowing	31.1	(136,697)	(128,475)
Long Term Borrowing - Ex Avon Debt	33	(11,761)	(11,291)
Pensions Liabilities	35.1	(265,987)	(102,458)
Other Long Term Liabilities	36.1	(22,105)	(21,721)
<b>Long Term Liabilities</b>		<b>(438,461)</b>	<b>(265,569)</b>
<b>Net Assets</b>		<b>89,808</b>	<b>288,151</b>
Usable Reserves	8.1	(120,542)	(119,777)
Unusable Reserves	9.1	30,734	(168,374)
<b>Total Reserves</b>		<b>(89,808)</b>	<b>(288,151)</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.

The change in long-term pension liability has been calculated and provided by the Actuary following the triennial review.

# Primary Financial Statements

## Cash Flow Statement

	Note	2021/2022 £000	2022/2023 £000
Net surplus / (deficit) on the provision of services	CIES	17,050	16,028
Adjustments to the net surplus / (deficit) on the provision of services for non-cash movements	37.1	40,116	17,122
Adjustments for items included in the net surplus / (deficit) on provision of services that are investing or financing activities	37.2	(43,803)	(56,946)
<b>Net cash flows from Operating Activities</b>		<b>13,363</b>	<b>(23,796)</b>
<b>Investing Activities</b>			
Purchase of Property, Plant and equipment, Investment property and Intangible Assets		(38,718)	(55,617)
Proceeds from sale of Property, Plant and equipment, Investment property and Intangible Assets		3,433	2,181
		<b>(35,285)</b>	<b>(53,436)</b>
Purchase of short and long term investments		(571,500)	(636,800)
Proceeds from sale of short and long term investments		537,500	659,800
		<b>(34,000)</b>	<b>23,000</b>
Other payments for Investing Activities		(433)	13
Other receipts from Investing Activities		37,798	56,307
		<b>37,365</b>	<b>56,320</b>
<b>Net cash flows from Investing Activities</b>		<b>(31,920)</b>	<b>25,884</b>
<b>Financing Activities</b>			
Cash receipts from short and long term borrowing		298	2,012
Repayments of short and long term borrowing		(7,745)	(9,282)
		<b>(7,447)</b>	<b>(7,270)</b>
Finance lease repayments		(360)	(370)
Other net (payments) / receipts for Financing Activities		11,620	4,137
		<b>11,260</b>	<b>3,767</b>
<b>Net cash flows from Financing Activities</b>		<b>3,813</b>	<b>(3,503)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(14,744)</b>	<b>(1,415)</b>
Cash and cash equivalents at the beginning of the reporting period		10,327	(4,417)
<b>Cash and cash equivalents at the end of the reporting period comprising:</b>		<b>(4,417)</b>	<b>(5,832)</b>
Cash held by the Council	37.4	(4,417)	(5,832)
		<b>(4,417)</b>	<b>(5,832)</b>

Movements in the Council's Cash balance relate to cash flows arising from the Council's financial out-turn position, repayment of borrowing, and higher turnover of investments, which are linked with the grant funding received and applied during the year.



# 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 government support packages for Covid-19 and the Cost of Living Crisis

The government continued to provide 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. Funding was given using powers under Section 31 of the Local Government Act 2003. In 2022/23 it started to provide funding to support the Cost of Living Crisis. As in previous years, judgements have been made for 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?

Due to the values involved, these judgements are considered significant.

The Council has complied with section 2.3 of the Code It has included a range of general and specific grants within its financial statements, and excluded others where 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). These are largely aimed at providing specific and targeted support to businesses. Such grants were applied by all local authorities across the country. The government also provided funding for all councils to pay all households in Bands A-D a cash sum of £150, which could be used to help fund their rising energy bills.

Items included in 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
- Discretionary grants provided by the Department for Levelling Up, Housing and Communities (DLUHC) for discretionary payments relating to the energy support package
- Grants provided by the Department for Work and Pensions include the Household Support Fund

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 conditions. Unspent grant allocations at the year-end where specific conditions have not been met have been recognised as receipts in advance. 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 grant determination from the government body, the Council has deemed incurring relevant expenditure as



## Technical Notes, Judgements and Assumptions

a conditional requirement, and where this has not been met, then unspent grant allocations have been recognised as receipts in advance.

### [Impact of uncertainties about future government funding, inflation, and the wider economy](#)

There continues to be uncertainty about the medium to longer-term impacts for the Council and its key stakeholders in relation to future levels of funding from central government given that the Council has not received a multi-term funding package for many years. The short-term nature of the current arrangements is problematic as the Council seeks to make evidence-based strategic plans for the future with confidence. Added to this is the impact of delivering services within a high inflationary context, and the on-going uncertainties in the wider economy.

These uncertainties could potentially result in a risk to the Council's financial standing, and subsequently could impact on the services that the Council is able to provide into the future. The Council has continued develop its medium financial plan, and, despite on-going challenges, expects to continue to provide its services to residents into the future.

The Council believes that it has demonstrated its strategic financial capabilities by delivering a balanced budget 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.

### [Joint funding arrangements](#)

The Section 75 and Section 256 agreements by which joint funding resources have been agreed between the Council and the Bristol, North Somerset and South Gloucestershire Integrated Care Board (ICB) has been assessed against the appropriate standards, mainly IFRS 10 and IFRS 11. 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 ICB account for the assets, liabilities, revenues, and expenses relating to their involvement in the joint operation. Further details are set out in Note 25.

### [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 Investment Property), 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).

## Technical Notes, Judgements and Assumptions

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, the transactions of the Council's wholly owned subsidiary, North Somerset Environmental Company Ltd are 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 required.

### 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.

Officers review the source information and assumptions used by expert valuers, and their valuations, for reasonableness and consistency with their understanding.

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 2023 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 £51.1m (2021/22 £45.7m). 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 (2021/22 £0.5m). Hence a change in valuation of the order of 15% (2021/22 14%) would be likely to be considered material to the Council's accounts.



## Technical Notes, Judgements and Assumptions

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 valuers provided valuations as at 1 January 2023 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.

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 £411.3m (2021/22 £391.5m). It is estimated that a 1% change in net book asset values would result in a change of approximately £4.1m (2021/22 £3.9m). Hence a change in net book value of the order of 1.9% (2021/22 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 £102.5m (2021/22 £266.0m). The effects of changes in individual assumptions can have a significant impact on the value of the net pensions liability, and are set out in the Pensions note 35. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension deficit of the Local Government Pension Scheme of £41.1m (2021/22 £11.7m for an increase of 0.1% in discount rate), and a decrease of £0.5m (2021/22 £0.2m for an increase of 0.1% in discount rate) of the Teachers Unfunded Discretionary Benefits.

### 3. Material items of income and expenditure

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 £17.7m (2021/22 £15.4m). This amount is increased over the previous year due to the transfer of six primary schools to academy status in the current year, compared to five in 2021/22. The value of the Property, Plant and Equipment assets disposed of is set out in Note 24.4, and the loss is included in Note 11 - Other operating Income and Expenditure. The loss does not impact on the Council's usable reserves, as it is charged to the unusable Capital Adjustment Account in Note 9.3.

Gains / losses on revaluation of investment property - per Note 25, net gains (losses) from fair value adjustments of investment property shows a net gain of £3.0m. Underlying this net total are material gains and losses on revaluation on individual assets, notably:

## Technical Notes, Judgements and Assumptions

- (£7.2m) loss on revaluation of North Worle District shopping centre
- (£2.0m) loss on revaluation of the Sovereign Centre
- £11.3m gain on revaluation of Locking Head farm.

Revaluation gains and losses on Investment property are included in Note 12 Financing and Investment income and expenditure in the CIES, and are subsequently reversed through a statutory override in the MIRS to the Capital Adjustment Account unusable reserve.

Funding from Bristol, North Somerset, South Gloucestershire Integrated Care Board (BNSSG ICB) - The Council received ICB funding totalling £4.0m in relation to a new s256 agreement for Integrated Care Data Sharing. ICB funding for Social Care totalling £8.4m in 2021/22 was not repeated in 2022/23. See Grants Note 14 and Joint arrangements Note 21.

Safety Valve funding - The Council received additional funding totalling £8.4m from the Department for Education in 2022/23 as a contribution towards the reduction of its Dedicated Schools Grant (DSG) cumulative deficit. This funding is dependent on the Council delivering outcomes within an agreed action plan aimed at making the service sustainable in the future. See further discussion in DSG Note 15, and movements on the Dedicated Schools Grant Adjustment Account in Unusable Reserves Note 9.6.

### 4. Events after the reporting period

The draft Statement of Accounts were authorised for issue by the Chief Financial Officer on 31 May 2023. 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 2023, 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 2022/23 (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 2023/24 are:

- a) IFRS 16 Leases (but only for those local authorities that have decided to voluntarily implement IFRS 16 in the 2023/24 year).
- b) Where an authority adopted IFRS 16 in 2022/23 but chose to defer implementation of IFRS 16 to PFI/PPP arrangements until 2023/24 information on that more specific accounting change will be required in its 2022/23 statements of accounts.
- c) Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- d) Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- e) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.

None of these changes are expected to have a significant effect on the Council's Statement of Accounts from 1 April 2023.

## Technical Notes, Judgements and Assumptions

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 2022/23 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.

### 6. Prior Period Adjustments

No amendments to prior year comparators or opening balances have been undertaken in the North Somerset Council single entity accounts.

# 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.

2022/2023 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	(13,495)	0	0	13,495
Charges for impairment of non-current assets	9.3	(8,874)			8,874
Revaluation losses on Property, Plant and Equipment	9.3	11	0	0	(11)
Movements in the fair value of Investment Properties	9.3	3,003	0	0	(3,003)
Revenue expenditure funded from capital under statute	9.3	(7,443)	0	0	7,443
Net gain or loss on sale or de-recognition of non-current assets and non-current assets held for sale	9.3	(19,494)	0	0	19,494
Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement	9.3	53,288	0	0	(53,288)
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	8.4	1,483	0	(1,483)	0
Financial instruments (transferred to the Financial Instruments Adjustments Account)	9.1	(45)	0	0	45
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	9.4	6,467	0	0	(6,467)
Pensions costs (transferred to or from the Pensions Reserve)	9.5	(13,650)	0	0	13,650
Holiday pay (transferred to or from the Accumulated Absences Reserve)	9.1	(121)	0	0	121
Remeasurement of pooled Financial Instruments (transferred to the Pooled Investment Funds Adjustment Account)	9.1	(1,249)	0	0	1,249
Dedicated School Grant Deficit	9.6	3,762	0	0	(3,762)
<b>Total Adjustments to Revenue Resources</b>		<b>3,643</b>	<b>0</b>	<b>(1,483)</b>	<b>(2,160)</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	2,176	(2,176)	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	7,403	0	0	(7,403)
Capital expenditure financed from General Fund revenue balances (transfer from the Capital Adjustment Account)	9.3	1,909	0	0	(1,909)
<b>Total Adjustments between Revenue and Capital Resources</b>		<b>11,483</b>	<b>(2,171)</b>	<b>0</b>	<b>(9,312)</b>
<b>Adjustments to Capital Resources</b>					
Use of the Capital Receipts Reserve to finance capital expenditure	8.3, 9.3	0	3,157	0	(3,157)
Application of capital grants to finance capital expenditure	8.4, 9.3	0	0	2,193	(2,193)
Write down of long term debtor on receipt of loan principal	8.3, 9.3	0	(24)	0	24
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>3,127</b>	<b>2,193</b>	<b>(5,320)</b>
<b>TOTAL ADJUSTMENTS</b>		<b>15,126</b>	<b>956</b>	<b>710</b>	<b>(16,792)</b>

## Notes to the Movement in Reserves Statement

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					
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)	0	0	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 Adjustments Account)	9.1	(50)	0	0	50
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	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

### 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.

	Note	Balance 1 April 2022 £000	Net Movement in Year £000	Balance 31 March 2023 £000
General Fund Balance		(9,744)	(418)	<b>(10,162)</b>
Earmarked Reserves - School Balances (re-stated)				
- LMS Schools		(3,001)	(61)	<b>(3,062)</b>
- Other Schools Balances		(387)	(9)	<b>(396)</b>
Other Earmarked Revenue and Capital Reserves	8.2	(85,755)	(414)	<b>(86,169)</b>
<b>Total General Fund and Earmarked Reserves</b>	10	<b>(98,887)</b>	<b>(902)</b>	<b>(99,789)</b>
Usable Capital Financing Reserves				
- Capital Receipts Reserve	8.3	(13,471)	957	<b>(12,514)</b>
- Capital Grants Unapplied	8.4	(8,184)	710	<b>(7,474)</b>
<b>Total Usable Capital Financing Reserves</b>		<b>(21,655)</b>	<b>1,667</b>	<b>(19,988)</b>
<b>Total Usable Reserves</b>		<b>(120,542)</b>	<b>765</b>	<b>(119,777)</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 2025/26. 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 2021 £000	Transfers between Reserves £000	Transfers Out £000	Transfers In £000	Balance 31 March 2022 £000	Transfers between Reserves £000	Transfers Out £000	Transfers In £000	Balance 31 March 2023 £000
<b>Earmarked Revenue Reserves (Non-schools)</b>									
Insurance Reserves	(2,908)	0	744	0	(2,164)	0	(101)	0	(2,265)
Severance Reserves	(1,255)	0	0	(34)	(1,289)	0	0	(302)	(1,591)
Transformation Reserves	(3,486)	1,147	0	0	(2,339)	29	62	0	(2,248)
Economic & Regeneration Reserve	(2,168)	(129)	1,020	(423)	(1,700)	22	1,013	(386)	(1,051)
City-Deal Smoothing Reserve	(5,328)	0	5,327	(5,891)	(5,892)	0	0	(688)	(6,580)
Financial Risk Reserve	(1,220)	194	0	(1,770)	(2,796)	1,672	2,941	(3,193)	(1,376)
Collection Fund Smoothing Reserve	(16,109)	0	15,048	(8,968)	(10,029)	0	9,118	(5,702)	(6,613)
Covid Response Funding Reserve	(860)	0	0	(3,644)	(4,504)	2,800	0	0	(1,704)
Healthier Together Matched Funding	0	0	0	(2,472)	(2,472)	1,000	271	0	(1,201)
Energy risk reserve	0	0	0	0	0	(2,035)	13	0	(2,022)
s256 Corporate Data Sharing Reserve	0	0	0	0	0	0	0	(4,000)	(4,000)
Other Corporate reserves	(540)	(50)	527	(430)	(493)	(2,273)	216	(1,159)	(3,709)
Departmental reserves:									
Adult Social Services	(3,096)	0	383	(6,271)	(8,984)	88	1,422	(1,516)	(8,990)
Housing Property Funds	(972)	0	0	(88)	(1,060)	0	(91)	(22)	(1,173)
Children's Services	(2,041)	45	389	(1,276)	(2,883)	0	495	(1,310)	(3,698)
Place	(13,048)	(1,139)	5,511	(4,415)	(13,091)	(259)	6,009	(2,109)	(9,450)
Corporate Services	(4,206)	381	450	(1,958)	(5,333)	5	1,489	(3,992)	(7,831)
Public Health & Regulatory Services	(882)	(450)	5	(4,399)	(5,726)	(1,048)	2,203	(598)	(5,169)
Earmarked Deposits & Contributions	(8,495)	733	811	(734)	(7,685)	0	908	(382)	(7,159)
<b>Total Non- Schools Earmarked Revenue Reserves</b>	<b>(66,614)</b>	<b>732</b>	<b>30,215</b>	<b>(42,773)</b>	<b>(78,440)</b>	<b>1</b>	<b>25,968</b>	<b>(25,359)</b>	<b>(77,830)</b>
<b>Earmarked Capital Reserves</b>									
General Capital Reserves	(2,730)	0	0	0	(2,730)	0	0	0	(2,730)
Earmarked Capital Reserves	(3,469)	(733)	282	(665)	(4,585)	0	271	(1,295)	(5,609)
<b>Total Earmarked Capital Reserves</b>	<b>(6,199)</b>	<b>(733)</b>	<b>282</b>	<b>(665)</b>	<b>(7,315)</b>	<b>0</b>	<b>271</b>	<b>(1,295)</b>	<b>(8,339)</b>
<b>Total Earmarked Revenue and Capital Reserves</b>	<b>(72,813)</b>	<b>(1)</b>	<b>30,497</b>	<b>(43,438)</b>	<b>(85,755)</b>	<b>1</b>	<b>26,239</b>	<b>(26,654)</b>	<b>(86,169)</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.
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.



## Notes to the Movement in Reserves Statement

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 Integrated Care Board to provide match funding against the Council's resource for projects aimed at improving the health of residents within North Somerset.
Energy risk reserve	Resources set-aside to fund the increased energy related expenditure included within the 2023/24 revenue budget following renewal of contracts in September 2022, together with an allowance for inflationary risk.
S256 Corporate Data Sharing Reserve	Resources provided by the Integrated Care Board to deliver agreed outcomes and benefits relating to the sharing of data.
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	2021/22 £000	2022/23 £000
Balance brought forward - 1 April		(12,130)	<b>(13,471)</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	(3,427)	<b>(2,175)</b>
Financing payment to the Government Housing Capital Receipts Pool	7	5	<b>5</b>
Use of Capital Receipts to finance new capital expenditure	7, 9.3	2,109	<b>3,157</b>
Transfer from the Capital Adjustment Account to reflect repayment of long-term debtor	7, 9.3	(22)	<b>(24)</b>
Transfer from Deferred Capital Receipts Reserve	7, 9.1	(6)	<b>(6)</b>
<b>Balance carried forward - 31 March</b>		<b>(13,471)</b>	<b>(12,514)</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	2021/22			2022/23		
		CIL	Other	Total £'000	CIL	Other	Total £'000
Balance brought forward - 1 April		(2,242)	(2,448)	(4,690)	(4,866)	(3,318)	<b>(8,184)</b>
Transfer to Capital Adjustment Account to finance capital spend	7, 9.3	250	886	1,136	0	2,193	<b>2,193</b>
Capital Grants and Contributions unapplied, credited to the Comprehensive Income and Expenditure Statement	7	(2,874)	(1,756)	(4,630)	(1,227)	(256)	<b>(1,483)</b>
<b>Balance carried forward - 31 March</b>		<b>(4,866)</b>	<b>(3,318)</b>	<b>(8,184)</b>	<b>(6,092)</b>	<b>(1,382)</b>	<b>(7,474)</b>

## Notes to the Movement in Reserves Statement

### 9. Unusable Reserves

#### 9.1. Summary of Unusable Reserves

	Note	Balance 1 April 2022 £000	Net Movement in Year £000	Balance 31 March 2023 £000
Revaluation Reserve	9.2	(91,461)	7,297	<b>(84,164)</b>
Capital Adjustment Account	9.3	(162,982)	(34,068)	<b>(197,050)</b>
Collection Fund Adjustment Account	9.4	4,547	(6,467)	<b>(1,920)</b>
Pensions Reserve	9.5	265,986	(163,528)	<b>102,458</b>
Dedicated Schools Grant Adjustment Account	9.6	13,447	(3,762)	<b>9,685</b>
Financial Instruments Adjustment Account		160	45	<b>205</b>
Accumulated Absences Account		1,133	120	<b>1,253</b>
Deferred Capital Receipts Reserve		(53)	6	<b>(47)</b>
Pooled Investment Funds Adjustment Account		(43)	1,249	<b>1,206</b>
<b>Total Unusable Reserves</b>		<b>30,734</b>	<b>(199,108)</b>	<b>(168,374)</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

	Note	2021/22 £000	2022/23 £000
Balance brought forward - 1 April		(92,271)	<b>(91,461)</b>
Upward revaluation of assets		(11,749)	<b>(10,548)</b>
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services		2,583	<b>5,411</b>
<b>Surplus / deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>		<b>(9,166)</b>	<b>(5,137)</b>
Difference between fair value depreciation and historical cost depreciation	9.3	2,815	<b>2,863</b>
Accumulated gains on assets sold or scrapped	9.3	7,161	<b>9,571</b>
<b>Amount written off to the Capital Adjustment Account</b>		<b>9,976</b>	<b>12,434</b>
<b>Balance carried forward - 31 March</b>		<b>(91,461)</b>	<b>(84,164)</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>	2021/22 £000	2022/23 £000
Balance brought forward - 1 April		(152,057)	<b>(162,982)</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	12,600	<b>13,495</b>
Charges for Impairment of Non Current Assets	7	6,331	<b>8,874</b>
Revaluations Losses on Property, Plant and Equipment	7	1,122	<b>(11)</b>
Movements in the Market Value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	7	410	<b>(3,003)</b>
Revenue Expenditure Financed by Capital Under Statute	7	5,517	<b>7,443</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	19,584	<b>19,494</b>
		<b>45,564</b>	<b>46,292</b>
<u>Amounts transferred from the Revaluation Reserve</u>			
Difference between fair value depreciation and historical cost depreciation	9.2	(2,815)	<b>(2,863)</b>
Accumulated gains written out on disposal or sale of non-current assets	9.2	(7,161)	<b>(9,571)</b>
		<b>(9,976)</b>	<b>(12,434)</b>
<b>Net amount written out of the cost of non-current assets consumed in the year</b>		<b>35,588</b>	<b>33,858</b>
<u>Amounts transferred to the Capital Receipts Reserve</u>			
Write down of long-term debtor	7, 8.3	22	<b>24</b>
		22	<b>24</b>
<u>Capital Financing Applied in the year</u>			
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing.	7	(35,746)	<b>(53,288)</b>
Use of Capital Receipts Reserve to finance new capital expenditure.	7, 8.3	(2,109)	<b>(3,157)</b>
Application of Grants and Contributions to capital financing from the Capital Grants Unapplied Account.	7, 8.4	(1,136)	<b>(2,193)</b>
Statutory provision for the financing of capital investment charged against the General Fund Balance.	7	(5,968)	<b>(7,403)</b>
Capital expenditure charged against the General Fund Balance.	7	(1,576)	<b>(1,909)</b>
		<b>(46,535)</b>	<b>(67,950)</b>
<b>Balance carried forward - 31 March</b>		<b>(162,982)</b>	<b>(197,050)</b>

### 9.4. Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages timing differences arising from the recognition of the Council's share of 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 to the statutory arrangements for paying amounts from the Collection Fund to the General Fund.

	<i>Note</i>	2021/22 £000	2022/23 £000
Balance brought forward - 1 April		15,358	<b>4,547</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		(883)	<b>(573)</b>
- Business Rates		(9,739)	<b>(5,667)</b>
- Business Rates: Disregarded Amount		(189)	<b>(227)</b>
	7	<b>(10,811)</b>	<b>(6,467)</b>
<b>Balance carried forward - 31 March</b>		<b>4,547</b>	<b>(1,920)</b>

## 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 (see Note 35.1).

	2021/22			2022/23		
	LGPS £000	Teachers' £000	Total £000	LGPS £000	Teachers' £000	Total £000
Balance brought forward - 1 April	277,298	21,582	298,880	245,518	20,468	265,986
Remeasurements of the net defined benefit liability:						
- Return on plan assets (Gains) / Losses	(37,872)	0	(37,872)	51,346	0	51,346
- Experience (Gains) / Losses	2,098	60	2,158	86,567	1,824	88,391
- (Gains) / Losses on financial assumptions	(12)	186	174	(294,936)	(4,327)	(299,263)
- (Gains) / Losses on demographic assumptions	(5,806)	(205)	(6,011)	(16,897)	(755)	(17,652)
Total Remeasurements of the net defined benefit liability	(41,592)	41	(41,551)	(173,920)	(3,258)	(177,178)
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	21,032	437	21,469	26,477	551	27,028
Employer's pensions contributions and direct payments to pensioners payable in the year	(11,220)	(1,592)	(12,812)	(11,813)	(1,565)	(13,378)
Amounts by which Pension costs charged to the Comprehensive Income Statement is different from that chargeable in accordance with statutory requirements	9,812	(1,155)	8,657	14,664	(1,014)	13,650
<b>Balance carried forward - 31 March</b>	<b>245,518</b>	<b>20,468</b>	<b>265,986</b>	<b>86,262</b>	<b>16,196</b>	<b>102,458</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	2021/22 £000	2022/23 £000
Balance brought forward - 1 April		7,150	13,447
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	6,297	(3,762)
<b>Balance carried forward - 31 March</b>		<b>13,447</b>	<b>9,685</b>

# Notes to the Comprehensive Income and Expenditure Statement

## 10. Expenditure and Funding Analysis

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.

	Note	2022/2023					Net Expenditure in the CI&ES £000
		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	
Adult Social Services							
Adult Social Care		73,799	(20)	0	73,779	1,532	75,311
Housing Services		573	317	0	890	181	1,071
		<b>74,372</b>	<b>297</b>	<b>0</b>	<b>74,669</b>	<b>1,713</b>	<b>76,382</b>
Children's Services							
Children's Services		30,805	(346)	0	30,459	1,994	32,453
Schools Budgets & Grants		1	(76)	0	(75)	(387)	(462)
		<b>30,806</b>	<b>(422)</b>	<b>0</b>	<b>30,384</b>	<b>1,607</b>	<b>31,991</b>
Place		32,541	6,046	0	38,587	21,400	59,987
Corporate Services		26,622	(959)	0	25,663	1,398	27,061
Public Health & Regulatory services		1,398	1,417	0	2,815	472	3,287
Non Service		10,468	(7,108)	(6,684)	(3,324)	(231)	(3,555)
Capital Financing & Interest		9,268	(1,359)	(7,909)	0	0	0
<b>Net Cost of Services</b>	<i>CIES</i>	<b>185,475</b>	<b>(2,088)</b>	<b>(14,593)</b>	<b>168,794</b>	<b>26,359</b>	<b>195,153</b>
Other Income and Expenditure		(185,475)	1,184	14,593	(169,698)	(41,483)	(211,181)
<b>(Surplus) / Deficit on Provision of Services</b>	<i>CIES</i>	<b>0</b>	<b>(904)</b>	<b>0</b>	<b>(904)</b>	<b>(15,124)</b>	<b>(16,028)</b>

## Notes to the Comprehensive Income and Expenditure Statement

	Note	2021/2022					Adj Between Funding & Accounting Basis (Note 10.1) £000	Net Expenditure in the CI&ES £000
		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			
Adults 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>	
Childrens Services								
Children & Young People		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>	CIES	<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>	CIES	<b>(0)</b>	<b>(14,363)</b>	<b>0</b>	<b>(14,363)</b>	<b>(2,687)</b>	<b>(17,050)</b>	

	Note	2021/2022			2022/2023		
		General Fund Reserves £000	GF Earmarked Reserves £000	Total GF and Earmarked Reserves £000	General Fund Reserves £000	GF Earmarked Reserves £000	Total GF and Earmarked Reserves £000
Opening Balance at 1 April		(9,053)	(75,472)	(84,525)	(9,744)	(89,143)	(98,887)
Net movement in year		(691)	(13,671)	(14,362)	(418)	(484)	(902)
<b>Closing Balance at 31 March</b>	8.1	<b>(9,744)</b>	<b>(89,143)</b>	<b>(98,887)</b>	<b>(10,162)</b>	<b>(89,627)</b>	<b>(99,789)</b>

# Notes to the Comprehensive Income and Expenditure Statement

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

	Note	2021/2022				2022/2023			
		Adjustment for Capital Purposes	Net Charge for the Pensions Adj	Other Statutory Adjustments	Total Statutory Adjustments	Adjustment for Capital Purposes	Net Charge for the Pensions Adj	Other Statutory Adjustments	Total Statutory Adjustments
		(Note 10.2.1)	(Note 10.2.2)	(Note 10.2.3)	(Note 10)	(Note 10.2.1)	(Note 10.2.2)	(Note 10.2.3)	(Note 10)
		£000	£000	£000	£000	£000	£000	£000	£000
Adult Social Services									
Adult Social Care		(191)	1,176	(82)	903	68	1,430	34	1,532
Housing Services		569	167	(14)	722	81	108	(8)	181
		378	1,343	(96)	1,625	149	1,538	26	1,713
Children's Services									
Children's Services		265	1,413	(89)	1,589	288	1,672	34	1,994
Schools Budgets & Grants		7,354	(703)	6,152	12,803	4,034	(645)	(3,776)	(387)
		7,619	710	6,063	14,392	4,322	1,027	(3,742)	1,607
Place		16,034	1,646	(42)	17,638	19,371	1,996	33	21,400
Corporate Services		591	(1,724)	(123)	(1,256)	297	1,080	21	1,398
Public Health & Regulatory services		(15)	319	(16)	288	(48)	500	20	472
Non Service		(40)	0	0	(40)	(231)	0	0	(231)
<b>Net Cost of Services</b>		<b>24,567</b>	<b>2,294</b>	<b>5,786</b>	<b>32,647</b>	<b>23,860</b>	<b>6,141</b>	<b>(3,642)</b>	<b>26,359</b>
Other Income and Expenditure from		(30,347)	6,363	(11,350)	(35,334)	(43,820)	7,510	(5,173)	(41,483)
<b>Difference Between the General Fund (Surplus) / Deficit and the Comprehensive Income and Expenditure (Surplus) / Deficit on Provision of Services</b>	<b>10</b>	<b>(5,780)</b>	<b>8,657</b>	<b>(5,564)</b>	<b>(2,687)</b>	<b>(19,960)</b>	<b>13,651</b>	<b>(8,815)</b>	<b>(15,124)</b>

## Notes to the Comprehensive Income and Expenditure Statement

### 10.2. Other Expenditure and Funding Analysis Notes

#### 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 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.



# Notes to the Comprehensive Income and Expenditure Statement

## 11. Other Operating Expenditure

	2021/22	2022/23
	£000	£000
Parish Council precepts	6,106	<b>6,384</b>
Other precepts and levies	293	<b>300</b>
(Gains) / losses on the disposal of non-current assets	11,568	<b>15,584</b>
Council Tax Support hardship expenditure	70	<b>0</b>
<b>Total</b>	<b>18,037</b>	<b>22,268</b>

## 12. Financing and Investment Income and Expenditure

	Note	2021/22	2022/23
		£000	£000
Interest payable and similar charges		6,135	<b>6,114</b>
Impairment losses re financial instruments	31.2	19	<b>(9)</b>
Net interest on net defined benefit pension liability & administration expense	35.1	6,363	<b>7,510</b>
Interest receivable and similar income		(2,758)	<b>(4,665)</b>
Changes in the fair value of investment property	25	410	<b>(3,003)</b>
<b>Total</b>		<b>10,169</b>	<b>5,947</b>

## 13. Taxation and Non-Specific Grant Income

	2021/22	2022/23
	£000	£000
Council Tax Income	(124,451)	<b>(130,772)</b>
Business Rate Income	(27,095)	<b>(29,996)</b>
	<b>(151,546)</b>	<b>(160,768)</b>
Non-ringfenced government grants:		
Revenue Support Grant	(2,179)	<b>(2,250)</b>
New Homes Bonus Grant	(1,382)	<b>(2,047)</b>
Services Grant	0	<b>(2,191)</b>
Section 31 Grants re Business Rates and Council Tax	(15,380)	<b>(14,707)</b>
Adult Social Care Grants	(5,807)	<b>(8,719)</b>
Covid-19 Response Grant	(4,975)	<b>0</b>
	<b>(29,723)</b>	<b>(29,914)</b>
Capital grants and contributions	(36,056)	<b>(48,714)</b>
	<b>(65,779)</b>	<b>(78,628)</b>
<b>Total</b>	<b>(217,325)</b>	<b>(239,396)</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

	2021/22	2022/23			
	Total Grants & Cont'ns £000	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 Integrated Care Board Better Care Fund	(6,103)	0	0	(7,753)	<b>(7,753)</b>
Improved Better Care Fund	(6,780)	(6,986)	0	0	<b>(6,986)</b>
Other Adult Social Care Services Grants & Contributions	(7,705)	(1,579)	(555)	(5,735)	<b>(7,869)</b>
NHS Integrated Care Board Section 256 Agreement - Social Care	(8,436)	0	0	0	<b>0</b>
Covid-19 Infection Control Funding	(5,757)	(1)	0	0	<b>(1)</b>
Housing Services Grants & Contributions	(3,279)	(898)	(3,854)	(87)	<b>(4,839)</b>
Children's Services:					
Other Children's & Education Services Grants & Contributions	(5,893)	(4,667)	0	(3,023)	<b>(7,690)</b>
Public Health Services Grants	(17,583)	(10,941)	0	(864)	<b>(11,805)</b>
Schools budgets and grants:					
Dedicated Schools Grant	(47,973)	(51,146)	0	0	<b>(51,146)</b>
Safety Valve Grant	0	(8,440)	0	0	<b>(8,440)</b>
Other Schools & Education Services Grants & Contributions	(3,313)	(1,966)	(771)	(378)	<b>(3,115)</b>
Corporate Services					
Housing Benefit Subsidy	(40,170)	(38,802)	0	0	<b>(38,802)</b>
Household Support Grant	(512)	(2,581)	0	0	<b>(2,581)</b>
Other Corporate Services Grants & Contributions	(2,907)	(1,625)	(5)	(689)	<b>(2,319)</b>
Place					
Covid-19 Discretionary Business Grants	(1,922)	0	0	0	<b>0</b>
Other Place Grants & Contributions	(8,339)	(916)	(916)	(6,216)	<b>(8,048)</b>
Non Service					
NHS Integrated Care Board Section 256 Agreement - Data Sharing	0	0	0	(4,000)	<b>(4,000)</b>
Other Non-Service	(1,525)	(430)	0	(1,392)	<b>(1,822)</b>
<b>Total grants credited to Services</b>	<b>(168,195)</b>	<b>(130,978)</b>	<b>(6,101)</b>	<b>(30,136)</b>	<b>(167,215)</b>
<b>Non-specific Grants and Capital Contributions (Note 13)</b>					
Non-ringfenced grants and contributions	(29,723)	(29,914)	0	0	<b>(29,914)</b>
Capital grants and contributions	(36,056)	0	(48,714)	0	<b>(48,714)</b>
	<b>(65,779)</b>	<b>(29,914)</b>	<b>(48,714)</b>	<b>0</b>	<b>(78,628)</b>
<b>Total grants and contributions</b>	<b>(233,974)</b>	<b>(160,892)</b>	<b>(54,815)</b>	<b>(30,136)</b>	<b>(245,843)</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

	2021/22 £000	2022/23 £000
Basic Need Education Grant	(24,946)	<b>(18,446)</b>
Special Provision Grant - High Needs	(1,153)	<b>(2,305)</b>
Capital Maintenance Education Grant	(919)	<b>(1,156)</b>
Bus Service Improvement Plan Grant	0	<b>(5,191)</b>
Local Transport Plan Grant	(1,533)	<b>(1,490)</b>
Housing Capital Grants	(2,133)	<b>(2,188)</b>
Other Grants	(10,208)	<b>(6,806)</b>
<b>Total Capital Grants Received in Advance</b>	<b>(40,892)</b>	<b>(37,582)</b>
MOD contribution re Winterstoke Bridge	(9,795)	(19,081)
<b>Total Capital Contributions Received in Advance</b>	<b>(9,795)</b>	<b>(19,081)</b>
<b>Total Capital Grants and Contributions Received in Advance</b>	<b>(50,687)</b>	<b>(56,663)</b>
Other grants	(4,296)	(5,355)
<b>Total Revenue Grants Received in Advance</b>	<b>(4,296)</b>	<b>(5,355)</b>

### 15. Dedicated Schools Grant

The Council's expenditure on schools is largely funded by grant monies provided by the Department for Education, through the Dedicated Schools Grant (DSG). The 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 2022/23 and the balances carried forward at the year-end are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2022/23 before academy and high needs recoupment			<b>(191,219)</b>
Academy and high needs figure recouped for 2022/23			<b>141,633</b>
<b>Total DSG after academy and high needs recoupment for 2022/23</b>			<b>(49,586)</b>
Plus: Brought forward from 2021/22			<b>0</b>
Less: Carry-forward to 2023/24 agreed in advance			<b>0</b>
<b>Agreed initial budgeted distribution in 2022/23</b>	(27,615)	(21,971)	<b>(49,586)</b>
<b>In year adjustments</b>	0	(10,000)	<b>(10,000)</b>
<b>Final budget distribution for 2022/23</b>	(27,615)	(31,971)	<b>(59,586)</b>
Actual central expenditure	34,316	0	<b>34,316</b>
Actual ISB deployed to schools	0	21,508	<b>21,508</b>
<b>In year (Surplus) / Deficit Carried Forward to 2023/24</b>	<b>6,701</b>	<b>(10,463)</b>	<b>(3,762)</b>
DSG unusable reserve at the end of 2021/22 (Surplus) / Deficit			<b>13,447</b>
Addition to DSG unusable reserve at the end of 2022/23 if Deficit			<b>0</b>
Total of DSG unusable reserve at the end of 2022/23 (Surplus) / Deficit			<b>13,447</b>
<b>Net DSG position at the end of 2022/23 (Surplus) / Deficit (Note 9.6)</b>			<b>9,685</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 up to 2025-26.

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 overall deficit on the DSG decreased from £13.447m on 31 March 2022 to £9.685m on 31 March 2023.

The net reduction of £3.761m is made up from two components including an in-year operational deficit of £6.295m and recognition of additional grant income from the Department for Education totalling £10.056m during the year. The additional income includes the first tranche of funding provided through the 'Safety Valve' programme, which is an initiative that looks at ways to bring the Dedicated Schools Grant budget onto a sustainable footing in the future by implementing a range of agreed interventions. The first tranche of funding was £8.440m, and can be used to reduce the cumulative deficit with further contributions expected in the future.

In order to qualify for this Safety Valve funding, the Council has agreed to implement an action plan with the department. The main components of the Council's plan are;

- 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.

During 2022/23 the Council's DSG finances continue to reflect 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 a 23% increase in the last year. North Somerset Council is not alone in recognising these pressures, as increasing DSG deficits are a national issue.

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 are restricted to 0.5%, which would equate to £724k in 2022/23. The Council has a series of 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.

Out of authority placements also place significant pressure on the high needs block of the DSG budget, with an overspend of almost £3.2m arising from both an increase in demand for special schools' placements and a lack of local supply. This cost pressure can be seen through the average unit cost placement, which has increased from £53,205 to £58,297 (9.6%) in 2022/23.

Recent modelling, which includes forecasts for the increasing number of young people requiring specialist provision, as well as the initiatives included within the Council's Safety Valve intervention programme, indicate that there is little prospect of reducing the deficit within the next 12 months, but that it is possible to bring the budget back onto a sustainable footing by 2026/27.

# Notes to the Comprehensive Income and Expenditure Statement

## 16. Income and expenditure

### 16.1. Expenditure and Income Analysed by Nature

	Note	2021/22 £000	2022/23 £000
<b>Expenditure</b>			
Employee Benefits Expenses		84,296	93,770
Other Services Expenses		281,613	298,854
Depreciation, Amortisation and Impairment		19,874	20,605
Interest paid		8,401	8,397
Precepts and Levies		6,974	7,269
Payments to the Housing Capital Receipts Pool		0	0
(Gains) / losses on the disposal of non-current assets		16,150	17,309
Revenue Expenditure Financed by Capital Under Statute	7	5,517	7,443
		<u>422,825</u>	<u>453,647</u>
<b>Income</b>			
Fees, Charges and Other Service Income		(50,542)	(56,234)
Interest & Investment Income received		(733)	(3,527)
Income from Council Tax, Non-Domestic Rates		(151,546)	(160,768)
Government Grants & Contributions	14	(233,974)	(245,843)
Internal Recharges		(3,080)	(3,301)
		<u>(439,875)</u>	<u>(469,673)</u>
<b>(Surplus) / Deficit on Provision of Services</b>		<u>(17,050)</u>	<u>(16,026)</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.

	2021/22 £000	2022/23 £000
Amounts included in the Comprehensive Income and Expenditure Statement for contracts with service recipients:		
Revenue from contracts with service recipients	(45,295)	(49,862)

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

	2021/22 £000	2022/23 £000
Basic Allowances	460	483
Special Responsibility Allowances	243	246
Travel expenses & subsistence	1	2
<b>Total Members' Allowances</b>	<u>704</u>	<u>731</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, statutory officers, and those other officers of the Council's Corporate Leadership Team that report to the Chief Executive. During the year the Director of Place was on long term sick leave. Two Assistant Directors acted up on the Corporate Leadership Team, and reported directly to the Chief Executive Officer. Only pay relating to their roles acting up on CLT have been included in the senior managers remuneration disclosure. No bonuses, compensation for loss of office or benefits in kind were paid to senior officers in either year.

Post	2022/2023				Total Remuneration incl. pension contributions £
	Salary (incl. fees & allowances) £	Payments made in respect of NSC elections £	Compensation for Loss of Employment £	Pension Contributions £	
	Chief Executive - Jo Walker	164,682	0	0	
Director of Childrens' Services	137,440	0	0	32,711	<b>170,151</b>
Director of Adult Social Services	133,202	0	0	31,702	<b>164,904</b>
Director of Place	137,440	0	0	32,711	<b>170,151</b>
Assistant Director - Placemaking and Growth (from 23/5/22 to 31/3/23)	5,539	0	0	1,318	<b>6,857</b>
Assistant Director - Neighbourhoods and Transport (from 23/5/22 to 31/3/23)	5,539	0	0	1,318	<b>6,857</b>
Director of Public Health and Regulatory Services	120,253	0	0	28,620	<b>148,873</b>
Director of Corporate Services	128,960	0	0	30,693	<b>159,653</b>
Assistant Director (Governance & Monitoring Officer)	94,635	0	0	22,523	<b>117,158</b>
	<b>927,690</b>	<b>0</b>	<b>0</b>	<b>220,790</b>	<b>1,148,480</b>

## Notes to the Comprehensive Income and Expenditure Statement

Post	2021/2022				Total Remuneration incl. pension contributions £
	Salary (incl. fees & allowances)	Payments made in respect of NSC elections	Compensation for Loss of Employment	Pension Contributions	
	£	£	£	£	
Chief Executive - Jo Walker	162,757	0	0	40,527	<b>203,284</b>
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 (Governance & 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>

In some years the Chief, 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	
	2021/22	2022/23		2021/22	2022/23
£50,000 - £54,999	39	<b>54</b>	£95,000 - £99,999	0	<b>1</b>
£55,000 - £59,999	21	<b>22</b>	£100,000 - £104,999	0	<b>2</b>
£60,000 - £64,999	21	<b>22</b>	£105,000 - £109,999	1	<b>0</b>
£65,000 - £69,999	9	<b>6</b>	£110,000 - £114,999	1	<b>0</b>
£70,000 - £74,999	4	<b>10</b>	£120,000 - £124,999	2	<b>1</b>
£75,000 - £79,999	3	<b>1</b>	£125,000 - £129,999	0	<b>1</b>
£80,000 - £84,999	2	<b>2</b>	£130,000 - £134,999	0	<b>1</b>
£85,000 - £89,999	1	<b>4</b>	£135,000 - £139,999	2	<b>2</b>
£90,000 - £94,999	4	<b>2</b>	£160,000 - £164,999	1	<b>1</b>

### 19. Termination Benefits

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

## Notes to the Comprehensive Income and Expenditure Statement

	2021/2022		2022/2023	
	No. of Packages	£000	No. of Packages	£000
Charged and Accrued for within the Comprehensive Income & Expenditure Statement				
- Severance Payments		127		31
- Pension Strain Costs		145		8
	5	<u>272</u>	8	<u>39</u>

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

	2021/2022		2022/2023	
	No of compulsory	£000	No of compulsory	£000
Up to £20,000	1	1	8	39
£20,001 to £40,000	1	28	0	0
£40,001 to £60,000	2	100	0	0
£100,001 to £150,000	1	143	0	0
	5	<u>272</u>	8	<u>39</u>

### 20. External Audit Costs

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

	2021/22 £000	2022/23 £000
Fees payable to Grant Thornton UK LLP with regard to the external audit and services carried out as the appointed auditor <sup>1, 2, 3, 4</sup>	214	126
Fees payable in respect of any other services provided by the appointed auditor - certification of other grant claims and returns:		
- Housing Benefit subsidy claim	26	16
- Teachers Pension claim	8	4
<b>Total external audit costs</b>	<u>248</u>	<u>146</u>

1. The 2021/22 fees were based on estimates, as neither the 2021/22 Grant Thornton Audit Plan or the PSAA agreement of additional fees were finalised at the time that the accounts were closed in that year.
2. The fees recorded in 2021/22 included £77,850 of additional fees that relate to prior years; £12,000 for 2019/20 and £65,850 for 2020/21 - £26,000 of which related to Value for Money work and £39,850 of which related to other fee variations.
3. Estimates in respect of work undertaken for the 2021/22 audit fee were over-stated by £55,861 when subsequently compared to the final fees included in the Grant Thornton Audit Findings Report for 2022/23, giving rise to a reduction in the amount charged and included in the disclosure in 2022/23.
4. The 2022/23 fees are again based on estimates, as neither the 2022/23 Grant Thornton Audit Plan nor the PSAA agreement of additional fees were finalised at the time that the accounts were closed.



# Notes to the Comprehensive Income and Expenditure Statement

## 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 Integrated Care Board (BNSSG ICB) 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:

	2021/22 £000	2022/23 £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	476	494
- Care Act Related Duties	881	914
- Carers Services	712	739
- Community Based Schemes	334	347
- DFG Related Schemes	2,361	2,361
- Domiciliary Care	224	233
- Enablers for Integration	683	708
- HICM for Managing Transfer of Care	413	461
- Integrated Care Planning & Navigation	6,451	6,515
- Intermediate Care Services	487	505
- Personalised Care at Home	28	29
- Prevention/Early Intervention	904	913
- Residential Placements	295	306
- Discharge to Assess	0	1,375
- Improved Better Care Fund	6,780	6,986
- Discharge Grant	0	769
	<b>21,029</b>	<b>23,655</b>
Section 75 Agreement - Funding for services commissioned by the BNSSG ICB - not included within the Council's Comprehensive Income and Expenditure Statement:		
- Community Based Schemes	5,894	5,970
- Enablers for Integration	126	275
- HICM for Managing Transfer of Care	0	33
- Personalised Budgeting & Commissioning	2,575	2,817
- Prevention/Early Intervention	1,455	1,619
- Discharge Grant	0	2,361
	<b>10,050</b>	<b>13,075</b>
<b>Total funding identified within Section 75 Agreement</b>	<b>31,079</b>	<b>36,730</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

## Notes to the Comprehensive Income and Expenditure Statement

underlying substance of the commissioning transactions in accordance with proper accounting practice.

Section 256 agreements were in place during the 2022/23 financial year to enable the joint commissioning of services in respect of Funded Nursing and Continuing Health Care on behalf of the BNSSG ICB. Further integration care work was enabled through an additional Section 256 agreement for a shared data and planning platform.

	2021/22	2022/23
	£000	£000
Section 256 Agreements - included within the Council's Comprehensive Income and Expenditure Statement:		
- Integrated Care Funding allocation	6,423	0
- Healthier Together Match Funding allocation	2,472	0
- Shared data and planning platform	0	4,000
	<u>8,895</u>	<u>4,000</u>
Section 256 Agreement - Funding for services commissioned on behalf of BNSSG ICB - not included within the Council's Comprehensive Income and Expenditure Statement:		
- Continuing Health Care (CHC) Commissioning	11,900	12,800
- Funded Nursing Care (FNC) Funding	5,500	6,350
	<u>17,400</u>	<u>19,150</u>
<b>Total funding identified within Section 256 Agreements</b>	<u>26,295</u>	<u>23,150</u>

Sources of funding in the agreements are as follows:

	2021/22	2022/23
	£000	£000
Section 75 Agreement:		
- Funding from North Somerset Council	5,391	5,391
- Funding from Department for Levelling Up, Housing and Communities	9,142	10,117
- Funding from Department of Health	8,596	9,621
- Funding from Bristol, North Somerset and South Gloucestershire Integrated Care Board	7,953	11,601
	<u>31,082</u>	<u>36,730</u>
Section 256 Agreements:		
- Funding from Bristol, North Somerset and South Gloucestershire Integrated Care Board	26,295	23,150
<b>Total</b>	<u>57,377</u>	<u>59,880</u>

Expenditure included within the Council's Comprehensive Income and Expenditure Account includes £23.656m (2021/22 £21.030m) 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 £23.150m (2021/22 £26.295m) identified within the Section 256 agreements remain the liability of the BNSSG Integrated Care Board, 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.

# Notes to the Comprehensive Income and Expenditure Statement

## 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 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:

## Notes to the Comprehensive Income and Expenditure Statement

	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>

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 BRP has made several payments totalling £4.049m on behalf of the EDF in 2022/23 (2021/22 £3.397m), of which the Council received £1.228m (2021/22 £0.138m).

The uncommitted and unallocated cash of £6.579m (2021/22 £5.892m) 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 £2.047m (2021/22 £1.935m) and the expenditure recognised of £1.359m (2021/22 £1.377m) is equivalent to the £0.687m (2021/22 £0.558m) 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 £6.425m (2021/22 £5.743m), of the total £75.266m (2021/22 £62.298m) committed pool balance.

The Council itself has recognised revenue income of £2.612m (2021/22: £1.366m) from the BRP and expenditure of £1.359m (2021/22 £1.377m) to the BRP for the year.

# Notes to the Comprehensive Income and Expenditure Statement

## 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 2023 are shown in Note 14. Short term debtor and creditor balances with Government bodies are shown in Notes 27 and 28.

### 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 2022/23 is shown in Note 17.

All Members, together with the Council's Corporate Leadership Team, are required to sign declarations on appointment, and each year, detailing any relevant transactions entered into by them or close members of their family during the financial year.

Eight annual declarations had not been completed by members at the time that these accounts were approved. Many of these related to members who were not re-elected in the recent district elections. In 2021/22 two declarations were outstanding. The Head of Finance, in conjunction with the Monitoring Officer and Chief Executive, have followed up outstanding declarations extensively, but their return remains a matter for individual members.

The declarations have been reviewed 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 2022/23. During this period in 2022/23, £3,377,998 of payments were made to the Brandon Trust for social care contract payments (2021/22 £6,241,591).

A further £176,806 of payments were made for services commissioned from five other companies in which a member, or a close member of their family, had an interest (2021/22 £108,017).

Creditors balances totalling £27,579 were due to these counterparties at the year end (2021/22 25,702).

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>

# Notes to the Comprehensive Income and Expenditure Statement

## 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.

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 Continuing Health Care (CHC) Commissioning, Funded Nursing Care (FNC) Funding, and a shared data and planning platform with the Bristol, North Somerset, and South Gloucestershire Integrated Care Board. 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.

## Notes to the Comprehensive Income and Expenditure Statement

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.

During the financial year the following Council officers held the following positions: Director – Rebecca Hopkins (Assistant Director – Childrens’ Services) - resigned 1 November 2022; Director - Sheila Smith (Director of Childrens Services) - appointed 1 November 2022).

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 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) – resigned 12 September 2022, Director – Gemma Dando (Assistant Director – Neighbourhoods and Transport) – resigned 12 September 2022.

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

- North Somerset Council income totalling £2,904,215 (2021/22 £2,915,525)
- North Somerset expenditure totalling £12,638,738 (2021/22 £10,695,438)

At the year end, the outstanding balances between the Council and NSEC were as follows:

- Invoiced and accrued debtors £2,360,135 (2021/22 £2,718,265)
- Invoiced and accrued creditors £88,098 (2021/22 £382,558)

The Council also administered the company's payroll on an agency basis. These transactions did not impact on the Council's income and expenditure account.

The transactions of NSEC are 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 2022/2023</b>	Land & Buildings £000	Community Assets £000	Vehicles, Plant & Equipment £000	Assets Under Construction £000	Surplus £000	Total Property, Plant & Equip excluding Infrastructure £000	Intangible Assets £000	<b>TOTAL £000</b>
<b>Cost or Valuation</b>								
At 1 April 2022	180,641	6,906	41,002	49,762	629	278,940	500	<b>279,440</b>
Additions	4,334	445	2,058	36,949	0	43,786	0	<b>43,786</b>
Revaluations - Revaluation Reserve	3,414	7	0	0	(1,873)	1,548	0	<b>1,548</b>
Revaluations - CI&ES	916	0	0	0	(906)	10	0	<b>10</b>
Derecognition - Disposals	(19,980)	0	(650)	0	0	(20,630)	0	<b>(20,630)</b>
Assets reclassified	(2,512)	(35)	0	0	2,422	(125)	0	<b>(125)</b>
<b>At 31 March 2023</b>	<b>166,813</b>	<b>7,323</b>	<b>42,410</b>	<b>86,711</b>	<b>272</b>	<b>303,529</b>	<b>500</b>	<b>304,029</b>
<b>Accumulated Depreciation &amp; Impairment</b>								
At 1 April 2022	(4,746)	(1,870)	(30,580)	0	0	(37,196)	(350)	<b>(37,546)</b>
Depreciation for the year	(5,678)	(59)	(1,645)	0	0	(7,382)	(50)	<b>(7,432)</b>
Depreciation written out - Revaluation Reserve	2,887	0	0	0	77	2,964	0	<b>2,964</b>
Impairment (Losses) / Reversals - Revaluation Reserve	(1,632)	0	0	0	0	(1,632)	0	<b>(1,632)</b>
Impairment (Losses) / Reversals - CI&ES	(413)	(444)	0	0	0	(857)	0	<b>(857)</b>
Derecognition - Disposals	1,299	0	487	0	0	1,786	0	<b>1,786</b>
Assets reclassified	77	0	0	0	(77)	0	0	<b>0</b>
<b>At 31 March 2023</b>	<b>(8,206)</b>	<b>(2,373)</b>	<b>(31,738)</b>	<b>0</b>	<b>0</b>	<b>(42,317)</b>	<b>(400)</b>	<b>(42,717)</b>
<b>Net Book Value at 1 April 2022</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>
<b>Net Book Value at 31 March 2023 - Current Value</b>	<b>158,607</b>	<b>4,950</b>	<b>10,672</b>	<b>86,711</b>	<b>272</b>	<b>261,212</b>	<b>100</b>	<b>261,312</b>

In accordance with the temporary relief offered by the update to the Code on infrastructure assets, this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. See Note 24.2 below.

## Notes to the Balance Sheet

<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 & Equip excluding 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

### 24.2. Infrastructure assets

Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 SI 1232/2022 provides that where a local authority replaces a component of an infrastructure asset, the authority has a choice of how to identify the carrying amount to be derecognised in respect of that component. The Council has a policy of de-recognising a component through reflecting an impairment assessment in the asset register using expenditure at the current value of the replacement component.

In January 2023, CIPFA issued 'CIPFA Bulletin 12 – Accounting for Infrastructure Assets – Temporary Solution', which provided an update to the Code for the accounting for Infrastructure Assets. The Code includes a temporary relief so that local authorities are not required to report the gross book value and accumulated depreciation for infrastructure assets.

This temporary relief has been introduced to the Code because historical information deficits resulting from previous reporting requirements mean that this information is unlikely to faithfully represent what it purports to represent.

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.

The Council has changed its accounting policy for the depreciation of Infrastructure assets such that different types of infrastructure are depreciated over different useful economic lives, reflecting the consumption of economic benefits and provision of service potential, as assessed by the Council's engineers and valuers. This change in accounting policy has been applied to capital expenditure made in 2021/22 onwards, with previous expenditure continuing to be depreciated over an average useful life of 23 years. The Council has estimated that the impact of this change in accounting policy would not have a material impact if applied to remaining net book value balances relating to infrastructure spend before 2021/22.

<b>Infrastructure Movements on Balances</b>	2021/22	2022/23
	£000	£000
<b>Net Book Value (Modified Historical Cost):</b>		
<b>At 1 April</b>	128,037	<b>149,557</b>
Additions	14,547	<b>14,623</b>
Transfers from other categories of PPE	18,181	<b>0</b>
Depreciation	(5,075)	<b>(6,063)</b>
Impairment / Reversals - CIES	(6,133)	<b>(8,017)</b>
<b>At 31 March</b>	<u>149,557</u>	<u><b>150,100</b></u>

### 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.

## Notes to the Balance Sheet

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 2022/23 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 2023, and 31 March 2023 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.

	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	795	150,100	3,099	10,672	86,711	0	251,377	100	0	0
Year of valuation										
2022/23	45,021	0	11	0	0	272	45,304	0	0	51,053
2021/22	109,837	0	11	0	0	0	109,848	0	0	0
2019/20	2,373	0	1,329	0	0	0	3,702	0	0	0
2018/19	581	0	0	0	0	0	581	0	0	0
2015/16	0	0	450	0	0	0	450	0	0	0
2014/15 or prior	0	0	50	0	0	0	50	0	288	0
<b>Total</b>	<b>158,607</b>	<b>150,100</b>	<b>4,950</b>	<b>10,672</b>	<b>86,711</b>	<b>272</b>	<b>411,312</b>	<b>100</b>	<b>288</b>	<b>51,053</b>

### 24.4. Disposal of Non-Current Assets

#### Academy Schools

During the year six 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 2022 £000
St Andrews Primary School	01 April 2022	4,452
Golden Valley Primary School	01 January 2023	4,887
Wrington Primary School	01 January 2023	1,448
Burrington Primary School	01 January 2023	849
Banwell Primary School	01 February 2023	3,137
Churchill Primary School	01 February 2023	2,877
		<b>17,650</b>

Other assets disposed of during the year were not material.

## Notes to the Balance Sheet

### 24.5. Capital Commitments

The authority has entered into contracts for the construction or enhancement of property, plant and equipment in 2023/24 and future years. The major commitments at 31 March 2023 were:

	2021/22 £000	2022/23 £000
North South Link	46	33
Locking Parklands - Utilities	29	32
Winterstoke Academy Expansion	205	5,148
Banwell Bypass	380	814
Winterstoke Road Bridge	60	75
Baytree Special School - Clevedon	12,558	5,021
Locking Parklands - Health Centre	2,438	17
Pier to Pier Way Cycle route (Tutshill)	1,036	317
Metro West	484	504
Other	2,164	3,908
<b>Total Commitments</b>	<b>19,400</b>	<b>15,869</b>

### 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:

	2021/22 £000	2022/23 £000
Rental income from investment property	(4,878)	(4,900)
Direct operating expenses arising from investment property	4,516	4,523
<b>Net (gain) / loss</b>	<b>(362)</b>	<b>(377)</b>

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

	Note	2021/22 £000	2022/23 £000
Balance at 1 April		44,770	45,707
Additions:			
- Subsequent expenditure	26	1,347	611
- Transfers from PPE - Land & Buildings	24.1	0	125
Disposals		0	(651)
Net gains / (losses) from fair value adjustments	12	(410)	3,003
Net gains / (losses) from PPE Revaluation		0	2,258
<b>Balance at 31 March</b>		<b>45,707</b>	<b>51,053</b>

## Notes to the Balance Sheet

### 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 2022			Fair Value 31 March 2023		
	Other significant observable inputs	Significant unobservable	Total	Other significant observable	Significant unobservable	Total
	Level 2 £000	Level 3 £000	£000	Level 2 £000	Level 3 £000	£000
Smallholdings	7,972	0	7,972	20,581	0	20,581
Commercial Unit:	33,674	4,061	37,735	26,806	3,666	30,472
<b>Total</b>	<b>41,646</b>	<b>4,061</b>	<b>45,707</b>	<b>47,387</b>	<b>3,666</b>	<b>51,053</b>

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

	2021/22 £000	2022/23 £000
Balance at 1 April	3,734	4,061
Net gains / losses from fair value adjustments (recognised in the Surplus or Deficit on the Provision of Services - Note 12)	327	106
Disposals	0	(501)
<b>Balance at 31 March</b>	<b>4,061</b>	<b>3,666</b>

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

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

14 commercial properties and 9 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

3 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.

## Notes to the Balance Sheet

	Fair Value 31 March 2023 £000	Valuation Technique Used to Measure Fair Value	Unobservable Inputs	Range (weighted average)	Sensitivity
Commercial Units	3,666	Combination of income and market approach	Yield Rate  % of MV attributable to Land  Discount Rate	6.25% - 8%  79% - 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>3,666</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 finance officers reporting directly to the Chief Financial Officer on a regular basis regarding all valuation matters.

## Notes to the Balance Sheet

### 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.

	2021/22 £000	2022/23 £000
<b>Opening Capital Financing Requirement</b>	184,883	<b>183,737</b>
<b>Capital Investment in Year</b>		
Property, Plant and Equipment	38,526	<b>58,409</b>
Investment Properties	1,347	<b>611</b>
Revenue Expenditure Funded from Capital Under Statute	5,517	<b>7,443</b>
	45,390	<b>66,463</b>
<b>Source of Finance</b>		
Capital Receipts and Reserves	(2,109)	<b>(3,157)</b>
Government Grants and Contributions	(36,883)	<b>(55,481)</b>
Revenue Provisions and Reserves	(1,576)	<b>(1,909)</b>
Minimum Revenue Provision	(5,968)	<b>(7,403)</b>
	(46,536)	<b>(67,950)</b>
<b>Net Increase / (Decrease) in Capital Financing Requirement</b>	(1,146)	<b>(1,487)</b>
<b>Closing Capital Financing Requirement</b>	183,737	<b>182,250</b>
<b>Explanation of movement in year:</b>		
Increase in underlying need to borrow unsupported by Government assistance	4,822	<b>5,916</b>
Minimum Revenue Provision	(5,968)	<b>(7,403)</b>
	(1,146)	<b>(1,487)</b>

The Minimum Revenue Provision shown above comprises:

	2021/22 £000	2022/23 £000
Supported Borrowing Minimum Revenue Provision	(900)	<b>(900)</b>
Prudential Borrowing Minimum Revenue Provision	(4,241)	<b>(5,682)</b>
Ex-Avon Loan Debt Minimum Revenue Provision	(490)	<b>(470)</b>
Finance Leases Minimum Revenue Provision	(337)	<b>(351)</b>
	(5,968)	<b>(7,403)</b>



# Notes to the Balance Sheet

## 27. Debtors

	2021/22 £000	2022/23 £000
Central Government Bodies	6,331	29,343
Other Local Authorities	7,832	1,333
NHS Bodies	5,219	15,668
Other Entities and Individuals	19,212	18,385
<b>Total Short Term Debtors</b>	<b>38,594</b>	<b>64,729</b>
Prepayments	16,406	16,416
<b>Total Short Term Debtors and Prepayments</b>	<b>55,000</b>	<b>81,145</b>

## 28. Creditors

	2021/22 £000	2022/23 £000
Central Government Bodies	(31,101)	(15,700)
Other Local Authorities	(2,728)	(2,017)
NHS Bodies	(163)	(2,087)
Public Corporations and Trading Funds	(165)	(438)
Other Entities and Individuals	(39,605)	(47,359)
<b>Total Short Term Creditors</b>	<b>(73,762)</b>	<b>(67,601)</b>
Finance lease obligations due within 12 months	(351)	(365)
<b>Total Short Term Creditors including finance lease obligations</b>	<b>(74,113)</b>	<b>(67,966)</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 2022 £000	Additional Provisions Made £000	Amounts reversed £000	Amounts Used £000	Balance 31 March 2023 £000
Insurance Provisions	(2,220)	(701)	594	428	(1,899)
NNDR Appeals Provision	(4,804)	1,470	0	0	(3,334)
Other	(1,513)	(97)	21	197	(1,392)
<b>Total Provisions</b>	<b>(8,537)</b>	<b>672</b>	<b>615</b>	<b>625</b>	<b>(6,625)</b>
<b>Expected future timing of associated outflows of economic benefit:</b>					
Less than 1 year	(6,626)				(5,001)
Over 1 year, less than 5 years	(1,520)				(1,280)
Over 5 years	(391)				(344)
	<b>(8,537)</b>				<b>(6,625)</b>

## Notes to the Balance Sheet

<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.
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 to be material.

## Notes to the Balance Sheet

### 31. Financial Instruments

#### 31.1. Categories of Financial Instruments

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

2022/23	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	8,833	0	0	0	0	<b>8,833</b>
Amortised cost	0	906	145,250	10,326	0	<b>156,482</b>
<b>Total financial assets</b>	<b>8,833</b>	<b>906</b>	<b>145,250</b>	<b>10,326</b>	<b>0</b>	<b>165,315</b>
<b>Non-financial Assets:</b>						
Statutory & Government Debtors	0	2,989	0	54,403	0	<b>57,392</b>
Payments in advance	0	0	0	16,416	0	<b>16,416</b>
<b>Total non-financial assets</b>	<b>0</b>	<b>2,989</b>	<b>0</b>	<b>70,819</b>	<b>0</b>	<b>73,808</b>
<b>Total on Balance Sheet</b>	<b>8,833</b>	<b>3,895</b>	<b>145,250</b>	<b>81,145</b>	<b>0</b>	<b>239,123</b>
	Non-Current		Current			Total £000
	Borrowing £000	Creditors £000	Borrowing £000	Creditors £000	Overdraft £000	
<b>Financial Liabilities</b>						
Amortised cost	(128,475)	0	(8,877)	(20,812)	0	<b>(158,164)</b>
Cash and cash equivalents	0	0	0	0	(5,832)	<b>(5,832)</b>
<b>Total Financial Liabilities</b>	<b>(128,475)</b>	<b>0</b>	<b>(8,877)</b>	<b>(20,812)</b>	<b>(5,832)</b>	<b>(163,996)</b>
<b>Non-financial Liabilities:</b>						
Statutory & Government Creditors	0	0	0	(24,149)	0	<b>(24,149)</b>
Receipts in Advance	0	(346)	0	(9,321)	0	<b>(9,667)</b>
Contributions and Deposits	0	0	0	(13,319)	0	<b>(13,319)</b>
Finance lease liabilities	0	(21,375)	0	(365)	0	<b>(21,740)</b>
<b>Total non-financial liabilities</b>	<b>0</b>	<b>(21,721)</b>	<b>0</b>	<b>(47,154)</b>	<b>0</b>	<b>(68,875)</b>
<b>Total on Balance Sheet</b>	<b>(128,475)</b>	<b>(21,721)</b>	<b>(8,877)</b>	<b>(67,966)</b>	<b>(5,832)</b>	<b>(232,871)</b>

## Notes to 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	<b>10,082</b>
Amortised cost	0	1,002	167,064	12,460	0	<b>180,526</b>
<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	<b>29,745</b>
Payments in advance	0	0	0	16,405	0	<b>16,405</b>
<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			Total £000
	Borrowing £000	Creditors £000	Borrowing £000	Creditors £000	Overdraft £000	
<b>Financial Liabilities</b>						
Amortised cost	(136,697)	0	(7,364)	(17,928)	0	<b>(161,989)</b>
Cash and cash equivalents	0	0	0	0	(4,417)	<b>(4,417)</b>
<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	<b>(24,019)</b>
Receipts in Advance	0	(364)	0	(17,440)	0	<b>(17,804)</b>
Contributions and Deposits	0	0	0	(14,375)	0	<b>(14,375)</b>
Finance lease liabilities	0	(21,741)	0	(351)	0	<b>(22,092)</b>
<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>

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

	2021/22		2022/23	
	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	(589)	0	1,249	0
Financial assets measured at amortised cost	19	0	(9)	0
<b>Total net (gains) / losses</b>	<b>(570)</b>	<b>0</b>	<b>1,240</b>	<b>0</b>
<b>Interest income</b>				
Financial assets measures at amortised cost	(297)	0	(3,038)	0
Other investment income	(398)	0	(431)	0
<b>Interest receivable and investment income</b>	<b>(695)</b>	<b>0</b>	<b>(3,469)</b>	<b>0</b>
<b>Interest expense re borrowing</b>	<b>5,729</b>	<b>0</b>	<b>5,591</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 2022 £000	31 March 2023 £000
<b><i>Fair Value through Profit or Loss</i></b>				
Property funds	1	Unadjusted quoted prices in active markets for identical units	5,510	<b>4,602</b>
Multi-Asset funds	1	Unadjusted quoted prices in active markets for identical units	4,572	<b>4,231</b>
<b>Total</b>			<b>10,082</b>	<b>8,833</b>

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

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 after considering the company's forecast surpluses and deficits for the next five years, and its net assets at the year end.

### 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:

		31 March 2022		31 March 2023	
	Fair Value Level	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	167,064	167,063	<b>145,250</b>	<b>145,250</b>
Current debtors	2	12,460	12,460	<b>10,326</b>	<b>10,326</b>
Non-current debtors	2	1,002	1,002	<b>906</b>	<b>906</b>
<b>Total Financial Assets</b>		<b>180,526</b>	<b>180,525</b>	<b>156,482</b>	<b>156,482</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 2022		31 March 2023	
		Balance Sheet £000	Fair Value £000	Balance Sheet £000	Fair Value £000
<b>Financial Liabilities</b>					
<i>Financial Liabilities held at amortised cost:</i>					
Long term borrowing from PWLB	2	(134,384)	(150,055)	<b>(126,897)</b>	<b>(115,116)</b>
Long term borrowing from Salix	2	(2,313)	(2,313)	<b>(1,578)</b>	<b>(1,578)</b>
Short term borrowing	2	(7,364)	(7,420)	<b>(8,877)</b>	<b>(8,819)</b>
Short term creditors	2	(17,928)	(17,928)	<b>(20,812)</b>	<b>(20,812)</b>
Bank overdraft	1	(4,417)	(4,417)	<b>(5,832)</b>	<b>(5,832)</b>
<b>Total Financial Liabilities</b>		<b>(166,406)</b>	<b>(182,133)</b>	<b>(163,996)</b>	<b>(152,157)</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 2022	(21)	(1,741)	(84)	<b>(1,846)</b>
New financial assets originated or purchased	9	(261)	0	<b>(252)</b>
<b>Closing balance as at 31 March 2023</b>	<b>(12)</b>	<b>(2,002)</b>	<b>(84)</b>	<b>(2,098)</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 2021	(2)	(1,455)	(187)	(1,644)
New financial assets originated or purchased	(19)	(286)	103	(202)
Closing balance as at 31 March 2022	(21)	(1,741)	(84)	(1,846)

### 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:

	As at 31 March 2022		As at 31 March 2023	
	Non-current £000	Current £000	Non-current £000	Current £000
Credit Rating				
AA-	0	8,000	0	9,000
A	0	6,000	0	6,000
Unrated local authorities and Central Government	0	121,000	0	99,000
Unrated building societies	0	32,000	0	30,000
<b>Total subject to Credit rating</b>	<b>0</b>	<b>167,000</b>	<b>0</b>	<b>144,000</b>
Credit risk not applicable*	10,082	0	8,833	0
<b>Total investments</b>	<b>10,082</b>	<b>167,000</b>	<b>8,833</b>	<b>144,000</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 2022 £000	31 March 2023 £000
Neither past due nor impaired	1%	3,133	3,203
Past due 31 - 60 days	1%	1,722	1,238
Past due 61 - 90 days	1%	156	286
Past due 91 - 120 days	25%	403	233
Past due over 120 days	50% - 100%	4,028	3,926
<b>Total Receivables</b>		<b>9,442</b>	<b>8,886</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 2022		31 March 2023	
		Gross receivable £000	Loss allowance £000	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%	9,442	(1,741)	8,886	(2,002)
<b>Total</b>		<b>9,442</b>	<b>(1,741)</b>	<b>8,886</b>	<b>(2,002)</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:

	31 March 2022			31 March 2023		
	PWLB £000	Other £000	Total £000	PWLB £000	Other £000	Total £000
Less than one year	(6,001)	(1,363)	(7,364)	<b>(7,501)</b>	<b>(1,376)</b>	<b>(8,877)</b>
Between one and two years	(7,500)	(812)	(8,312)	<b>(10,774)</b>	<b>(812)</b>	<b>(11,586)</b>
Between two and five years	(20,760)	(1,502)	(22,262)	<b>(16,170)</b>	<b>(766)</b>	<b>(16,936)</b>
Between five and ten years	(31,170)	0	(31,170)	<b>(32,326)</b>	<b>0</b>	<b>(32,326)</b>
More than ten years	(74,953)	0	(74,953)	<b>(67,627)</b>	<b>0</b>	<b>(67,627)</b>
<b>Total borrowing</b>	<b>(140,384)</b>	<b>(3,677)</b>	<b>(144,061)</b>	<b>(134,398)</b>	<b>(2,954)</b>	<b>(137,352)</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 2023, 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 (2021/22 Nil)
- Increase in interest receivable on variable rate investments of £0.98m (2021/22 £1.02m)
- Decrease in fair value of investments held at FVP&L of £0.10m (2021/22 £0.05m)
- Total impact on the Surplus or Deficit on the Provision of Services of £0.88m (2021/22 £0.97m)
- 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 £9.23m (2021/22 £13.82m)

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 2023 would result in a £0.21m (2021/22: £0.26m) 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 2023 would result in a £0.03m (2021/22: £0.06m) 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.

	2021/22 £000	2022/23 £000
North Somerset Council share of Ex-Avon Loan Debt Outstanding	(11,762)	<b>(11,291)</b>
Interest Paid in Year	592	<b>568</b>
Debt Repayments - Minimum Revenue Provision	490	<b>470</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 2022/23 the Council paid £1.63m to Teachers' Pensions in respect of teachers' retirement benefits (2021/22 £1.99m), representing 25.37% of pensionable pay (2021/22 24.53%). Contributions of £0.10m were payable at the year-end (2021/22 £0.15m). The expected contributions to the plan in 2023/24 are £1.04m (2021/22 £1.49m).

## 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:

	2021/22			2022/23		
	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	(753,031)	(14,565)	(767,596)	<b>(552,596)</b>	<b>(11,407)</b>	<b>(564,003)</b>
Fair value of plan assets	522,078	0	522,078	<b>477,741</b>	<b>0</b>	<b>477,741</b>
Net liability arising from defined benefit obligation	(230,953)	(14,565)	(245,518)	<b>(74,855)</b>	<b>(11,407)</b>	<b>(86,262)</b>
<b>Unfunded Teachers' Discretionary Benefits</b>						
Present value of the defined benefit obligation	0	(20,468)	(20,468)	<b>0</b>	<b>(16,196)</b>	<b>(16,196)</b>
Net liability arising from defined benefit obligation	0	(20,468)	(20,468)	<b>0</b>	<b>(16,196)</b>	<b>(16,196)</b>
<b>Net liability arising from defined benefit obligation - Total</b>	<b>(230,953)</b>	<b>(35,033)</b>	<b>(265,986)</b>	<b>(74,855)</b>	<b>(27,603)</b>	<b>(102,458)</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):

	2021/22			2022/23		
	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	17,714	0	17,714	19,510	0	19,510
- (Gains) / Losses from Settlements & Curtailments	(2,608)	0	(2,608)	8	0	8
<i>Financing and Investment Income and Expenditure:</i>						
- Net Interest Cost	5,666	437	6,103	6,676	551	7,227
- Administration Expense	260	0	260	283	0	283
Net interest on net defined benefit pension liability & administration costs	5,926	437	6,363	6,959	551	7,510
<b>Net Charge to Surplus or Deficit on Provision of Services</b>	21,032	437	21,469	26,477	551	27,028
<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	(37,872)	0	(37,872)	51,346	0	51,346
- Experience (Gains) / Losses	2,098	60	2,158	86,567	1,824	88,391
- Actuarial (Gains) / Losses arising on changes in financial assumptions	(12)	186	174	(294,936)	(4,327)	(299,263)
- Actuarial (Gains) / Losses arising on changes in demographic assumptions	(5,806)	(205)	(6,011)	(16,897)	(755)	(17,652)
Remeasurement of the net defined benefit liability	(41,592)	41	(41,551)	(173,920)	(3,258)	(177,178)
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	(20,560)	478	(20,082)	(147,443)	(2,707)	(150,150)
<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	(21,032)	(437)	(21,469)	(26,477)	(551)	(27,028)
Actual amount charged against the General Fund Balance for pensions in the year: Employers' contributions payable to the scheme	11,220	1,592	12,812	11,813	1,565	13,378
Comprehensive Income Statement is different from that chargeable in accordance with statutory requirements	(9,812)	1,155	(8,657)	(14,664)	1,014	(13,650)

## 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

	2021/22 £000	2022/23 £000
Opening Fair Value of Scheme Assets	483,893	522,078
Interest Income	10,096	14,550
Administration Expenses	(260)	(283)
Remeasurement Gains / (Losses)		
- The return on plan assets, excluding any amount in the net interest expense	37,872	(51,346)
Employers' Contributions	11,220	11,813
Employee Contributions	2,899	3,224
Settlements	(2,131)	0
Benefits Paid	(21,511)	(22,295)
<b>Closing Balance at 31 March</b>	<b>522,078</b>	<b>477,741</b>

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

	2021/22			2022/23		
	Funded £000	Unfunded £000	Total £000	Funded £000	Unfunded £000	Total £000
Opening Balance at 1 April	(745,863)	(15,328)	(761,191)	(753,031)	(14,565)	(767,596)
Current Service Cost	(17,714)	0	(17,714)	(19,510)	0	(19,510)
Interest Cost	(15,451)	(311)	(15,762)	(20,833)	(393)	(21,226)
Contributions by Scheme participants	(2,899)	0	(2,899)	(3,224)	0	(3,224)
Remeasurement Gains / (Losses);						
- Experience Gains / (Losses)	(2,056)	(42)	(2,098)	(85,205)	(1,362)	(86,567)
- Gains / (Losses) on financial assumptions	12	0	12	291,340	3,596	294,936
- Gains / (Losses) on demographic assumption	5,699	107	5,806	16,586	311	16,897
Benefits Paid	20,502	1,009	21,511	21,289	1,006	22,295
Settlements / Curtailments	4,739	0	4,739	(8)	0	(8)
<b>Closing Balance at 31 March</b>	<b>(753,031)</b>	<b>(14,565)</b>	<b>(767,596)</b>	<b>(552,596)</b>	<b>(11,407)</b>	<b>(564,003)</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)	2021/22 £000	2022/23 £000
<b>Cash and Cash Equivalents:</b>			
- Cash Accounts	Y	8,271	<b>9,099</b>
<b>Equity Instruments:</b>			
- Global	Y	212,186	<b>166,799</b>
- Emerging markets	Y	0	<b>0</b>
<b>Bonds:</b>			
- UK Government Indexed	Y	64,707	<b>91,748</b>
- Sterling Corporate Bonds	Y	38,991	<b>42,562</b>
<b>Property:</b>			
- Property Funds	Y	34,732	<b>30,662</b>
<b>Alternatives:</b>			
- Hedge Funds	Y	15,058	<b>2,888</b>
- Diversified Growth Funds	Y	47,949	<b>30,119</b>
- Infrastructure	Y	45,696	<b>42,128</b>
- Secured Income	Y	41,601	<b>38,740</b>
- Exchange Traded Funds	Y	9,315	<b>11,487</b>
- Private Funds	Y	3,572	<b>11,509</b>
<b>Closing Balance at 31 March</b>		<b>522,078</b>	<b>477,741</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 2022. The estimated duration of liabilities (at later of 31 March 2022 and admission date) is 16 years.

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

	2021/22	2022/23
Rate of CPI inflation	3.4%	<b>2.7%</b>
Rate of increases in salaries	4.9%	<b>4.2%</b>
Rate of increases in pensions	3.5%	<b>2.8%</b>
Rate for discounting scheme liabilities	2.8%	<b>4.8%</b>
<b>Mortality Assumptions</b>		
Longevity at 65 for current pensioners	Years	<b>Years</b>
Men	23.1	<b>22.4</b>
Women	25.3	<b>24.4</b>
Longevity at 65 for future pensioners in 20 years time	Years	<b>Years</b>
Men	24.6	<b>23.7</b>
Women	27.3	<b>26.4</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.

Whilst the methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period, the actuary has changed the variances in assumptions used in their estimates quantifying this sensitivity compared to previous years. Hence the comparators from previous year's accounts may not be directly comparable.

	2021/22	2022/23
	£000	£000
<b>Impact of the Defined Benefit Obligation in the Scheme:</b>		
Longevity - 1 year increase in life expectancy	23,015	<b>11,607</b>
Rate of inflation - 0.25% increase (21/22 0.1%)	11,906	<b>22,133</b>
Rate of increase in salaries - 0.25% pay growth ( 21/22 0.1%)	830	<b>2,639</b>
Rate for discounting Scheme Liabilities - 0.5% increase in discounting rate (21/22 0.1%)	(11,725)	<b>(41,149)</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 value 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 2022, showed a shortfall of assets against liabilities of £198m, equivalent to a funding level of 97%.

The Council's contribution rate for 2022/23 was 17.8% (2021/22 17.8%) and, along with other employers in the Fund, is paying additional contributions (equivalent to 6.0% for 2022/23 (2021/22 7.1%) over a period of up to 12 years to meet the shortfall. The Council estimates its employer contributions to the Fund for 2023/24 will be £12.8m, including £1.8m (equivalent to 13.7% of pensionable pay) in respect of deficit recovery (Estimates for 2022/23 in 2021/22 were £10.6m, £2.5m, 6.0% respectively).

## Notes to the Balance Sheet

### *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 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.



## Notes to the Balance Sheet

### 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 2023 is £16.2m (31 March 2022 £20.5m). There are no assets associated with the scheme.

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

	2021/22 £000	2022/23 £000
Opening Balance at 1 April	(21,582)	<b>(20,468)</b>
Interest Cost	(437)	<b>(551)</b>
Remeasurement Gains / (Losses)	(41)	<b>3,258</b>
Benefits Paid / Transfers	1,592	<b>1,565</b>
<b>Closing Balance at 31 March</b>	<b>(20,468)</b>	<b>(16,196)</b>

#### 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 2022. The estimated duration of liabilities (at later of 31 March 2022 and admission date) is 7 years.

The main assumptions used in their calculations have been:

	2021/22 £000	2022/23 £000
Rate of CPI inflation	3.5%	<b>2.7%</b>
Rate of increases in pensions	3.6%	<b>2.8%</b>
Rate for discounting scheme liabilities	2.8%	<b>4.9%</b>
Mortality Assumptions		
Longevity at 75 for current pensioners	Years	<b>Years</b>
Men	14.3	<b>13.8</b>
Women	16.1	<b>15.3</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 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.

Whilst the methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period, the actuary has changed the variances in

## Notes to the Balance Sheet

assumptions used in their estimates quantifying this sensitivity, compared to previous years. Hence the comparators from previous year's accounts may not be directly comparable.

	2021/22	2022/23
	£000	£000
<b>Impact of the Defined Benefit Obligation in the Scheme:</b>		
Longevity - 1 year increase in life expectancy	853	<b>676</b>
Rate of inflation - 0.25% increase (2021/22 0.1%)	186	<b>285</b>
Rate for discounting Scheme Liabilities - 0.5% increase in discounting rate (2021/22 0.1%)	(184)	<b>(544)</b>

### 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 value 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 the award of additional discretionary pension benefits to retired teachers which were awarded at the point of retirement.

#### 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:

	2021/22	2022/23
	£000	£000
<u>Asset carrying values</u>		
Other land and buildings	1,099	<b>3,909</b>
Investment properties	4,972	<b>3,561</b>
<b>Total</b>	<b>6,071</b>	<b>7,470</b>
<u>Other long term liabilities</u>		
Finance lease liabilities	(21,740)	<b>(21,375)</b>
Lease premiums in advance	(388)	<b>(369)</b>
less lease premiums in advance included in Creditors	23	<b>23</b>
<b>Total Other long term liabilities</b>	<b>(22,105)</b>	<b>(21,721)</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:

## Notes to the Balance Sheet

	2021/22 £000	2022/23 £000
Finance lease liabilities		
- Current	(351)	(365)
- non Current	(21,740)	(21,375)
Finance costs payable in future years	(20,685)	(19,856)
<b>Total Minimum Lease Payments</b>	<b>(42,776)</b>	<b>(41,596)</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	
	2021/22 £000	2022/23 £000	2021/22 £000	2022/23 £000
Not later than one year	(1,180)	(1,187)	(351)	(365)
Later than one year and not later than five years	(4,795)	(4,826)	(1,554)	(1,617)
Later than five years	(36,801)	(35,583)	(20,186)	(19,758)
<b>Total</b>	<b>(42,776)</b>	<b>(41,596)</b>	<b>(22,091)</b>	<b>(21,740)</b>

### Operating Leases

The Council utilises a number of administrative buildings and its fleet of vehicles by entering into operating leases, with typical lives of 3 years for vehicles and equipment and 255 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 43 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:

	2021/22 £000	2022/23 £000
Unguaranteed residual value of property	54,561	56,344
<b>Gross investment in the leases</b>	<b>54,561</b>	<b>56,344</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 37 years under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres

## Notes to the Balance Sheet

- 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:

	2021/22	2022/23
	£000	£000
Not later than one year	5,756	5,364
Later than one year and not later than five years	7,708	4,988
Later than five years	8,733	4,765
<b>Total future Minimum lease payments receivable</b>	<b>22,197</b>	<b>15,117</b>

The gross value of assets which were held for use in operating leases was £36.410m, valued at 31st March 2023 (31st March 2022: £44.098m).

## 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

	2021/22 £000	2022/23 £000
Depreciation and impairment	20,053	22,358
Increase / (decrease) in creditors	(4,234)	(12,620)
(Increase) / decrease in debtors	(5,272)	(22,200)
(Increase) / decrease in inventories	27	31
(Increase) / decrease in impairment for bad debts	590	0
Movement in Pension liability	8,657	13,650
Carrying amount of non-current assets and non-current assets held for sale, sold or de-	19,584	19,494
Other non-cash items charged to the net surplus or deficit on the provision of services	711	(3,591)
<b>Net adjustments for non-cash movements</b>	<b>40,116</b>	<b>17,122</b>

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

	2021/22 £000	2022/23 £000
Capital grants applied to the financing of capital expenditure	(40,376)	(54,771)
Proceeds from the sale of property, plant and equipment, investment property and intangible	(3,427)	(2,175)
<b>Net adjustments for investing and financing activities</b>	<b>(43,803)</b>	<b>(56,946)</b>

#### 37.3. Operating Activities

The cash flows for operating activities include the following:

	2021/22 £000	2022/23 £000
Interest received	713	3,468
Interest paid	(6,661)	(6,081)

## 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.

	2021/22 £000	2022/23 £000
Cash subject to netting arrangement	26,726	<b>31,093</b>
Overdraft subject to netting arrangement	(31,457)	<b>(37,169)</b>
<b>Net cash subject to netting arrangement</b>	<b>(4,731)</b>	<b>(6,076)</b>
Other cash and cash equivalents	<b>314</b>	<b>244</b>
<b>Cash and cash equivalents presented in the Balance Sheet</b>	<b>(4,417)</b>	<b>(5,832)</b>

### 37.5. Total liabilities from financing activities

	31 March 2022 £000	Financing cash flows £000	Non-cash changes Acquisition £000	Other £000	31 March 2023 £000
Long term borrowings	(136,696)	(91)	0	8,312	<b>(128,475)</b>
Short term borrowings	(7,363)	6,798	0	(8,312)	<b>(8,877)</b>
Short term creditors	(17,928)	0	0	(3,466)	<b>(21,394)</b>
Finance lease liabilities	(350)	350	0	(365)	<b>(365)</b>
<b>Total liabilities from financing activities</b>	<b>(162,337)</b>	<b>7,057</b>	<b>0</b>	<b>(3,831)</b>	<b>(159,111)</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	2021/22			2022/23		
		Business Rates £000	Council Tax £000	Total £000	Business Rates £000	Council Tax £000	Total £000
<b>Income</b>							
Council Tax Receivable	CF1		(149,406)	(149,406)		(157,942)	(157,942)
Business Rates Receivable	CF2	(55,994)		(55,994)	(58,337)		(58,337)
<b>Total Income</b>		<b>(55,994)</b>	<b>(149,406)</b>	<b>(205,400)</b>	<b>(58,337)</b>	<b>(157,942)</b>	<b>(216,279)</b>
<b>Expenditure</b>							
<b>Apportionment of Previous Years' Surplus / (Deficit)</b>							
- Central Government		(13,968)		(13,968)	(4,248)		(4,248)
- North Somerset Council		(13,689)	(1,044)	(14,733)	(4,163)	(74)	(4,237)
- Police and Crime Commissioner for Avon & Somerset			(158)	(158)		(10)	(10)
- Avon Fire Authority		(279)	(52)	(331)	(85)	(5)	(90)
		(27,936)	(1,254)	(29,190)	(8,496)	(89)	(8,585)
<b>Precepts, Demands and Shares</b>							
- Central Government		30,322		30,322	27,499		27,499
- North Somerset Council		29,716	124,611	154,327	26,949	130,273	157,222
- Police and Crime Commissioner for Avon & Somerset			18,992	18,992		20,078	20,078
- Avon Fire Authority		607	6,018	6,625	550	6,230	6,780
		60,645	149,621	210,266	54,998	156,581	211,579
<b>Charges to Collection Fund</b>							
Write offs of uncollectable amounts		(500)	(1,595)	(2,095)	(400)	(800)	(1,200)
Increase / (Decrease) in Bad Debt Allowances		901	1,573	2,474	350	1,562	1,912
Increase / (Decrease) in Provision for Appeals		2,050		2,050	(830)		(830)
Cost of Collection		255		255	257		257
Disregarded Amounts	CF5	704		704	893		893
		3,410	(22)	3,388	270	762	1,032
<b>Total Expenditure</b>		<b>36,119</b>	<b>148,345</b>	<b>184,464</b>	<b>46,772</b>	<b>157,254</b>	<b>204,026</b>
<b>(Surplus) / Deficit arising during the year</b>		<b>(19,875)</b>	<b>(1,061)</b>	<b>(20,936)</b>	<b>(11,565)</b>	<b>(688)</b>	<b>(12,253)</b>
(Surplus) / Deficit b/fwd 1st April		25,412	3,003	28,415	5,537	1,942	7,479
<b>(Surplus) / Deficit c/fwd 31st March</b>	CF4	<b>5,537</b>	<b>1,942</b>	<b>7,479</b>	<b>(6,028)</b>	<b>1,254</b>	<b>(4,774)</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 local 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 2022/23:

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	11,554	6/9	7,702.7
B - £40,001 to £52,000	18,894	7/9	14,695.2
C - £52,001 to £68,000	20,752	8/9	18,446.0
D - £68,001 to £88,000	16,124	9/9	16,123.7
E - £88,001 to £120,000	12,104	11/9	14,794.1
F - £120,001 to £160,000	6,239	13/9	9,011.8
G - £160,001 to £320,000	3,178	15/9	5,296.8
H - over £320,001	238	18/9	475.0
	89,082		86,545.3
Reduction for Council Tax Support Scheme			(6,049.7)
Reduction for Increased Discounts			(79.2)
Allowance for Losses on Collection			(1,217.2)
Allowance for New Properties			727.6
<b>Council Tax Base for 2022/23</b>			<b>79,926.8</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 £1,959.05 per dwelling for 2022/23 (2021/22 £1,900.21) after taking into account parish variations and providing a 1.50% provision for unpaid bills (2021/22 1.50%), movement in council tax support claimants, and new build properties not as planned.

The actual council tax income for 2022/23 was £157.942m; dividing this figure by the "average Band D Tax" results in an actual tax base of 80,621.7 dwellings. The difference between this and the total "equivalent Band D dwellings" of 79,926.8 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 Avon Fire Authority.

	2021/22	2022/23
Total Non-domestic Rateable Value at 31 March	£164,689,431.00	<b>£164,317,435.00</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 £58.337m (2021/22 £55.994m), 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 2022/23, all retail, hospitality and leisure businesses were granted 50% rates relief (2021/22 66%), totalling £4.939m (2021/22 £11.538m) as part of government measures to address the impact of Covid-19.

### CF3 Taxpayers' arrears

	2021/2022 £000	2022/23 £000	
Council Tax Arrears	11,984	<b>13,384</b>	
Business Rate Arrears	6,102	<b>4,995</b>	
<b>Gross Tax Payers' Arrears at 31 March</b>	<b>18,086</b>	<b>18,379</b>	
Council Tax Prepayments	(6,461)	<b>(7,267)</b>	
Business Rates Prepayments	(3,261)	<b>(3,316)</b>	
<b>Gross Tax Payers' Prepayments at 31 March</b>	<b>(9,722)</b>	<b>(10,583)</b>	
<b>Net Tax Payers' Arrears as at 31 March</b>	<b>8,364</b>	<b>7,796</b>	
<u>Allowance for Bad Debts</u>	2021/2022 £000	2022/23 £000	% of arrears at 31 March
Council Tax	7,378	<b>8,139</b>	<b>60.81%</b>
Business Rates	3,076	<b>3,025</b>	<b>60.56%</b>
<b>Total Tax Payers' Bad Debt Allowance</b>	<b>10,454</b>	<b>11,164</b>	

# Notes to the Collection Fund

## CF4 Balance Sheet items apportionment

2022/23	North Somerset		Police & Crime	Central	Avon Fire
	Total	Council	Commissioner	Government	Authority
	£000	£000	£000	£000	£000
<b>Council Tax</b>					
Debtors	13,384	11,118	1,728	N/A	538
Bad Debt Allowance	(8,139)	(6,761)	(1,051)	N/A	(327)
Prepayments & Overpayments	(7,267)	(6,037)	(938)	N/A	(292)
(Surplus) / Deficit at 31 March	1,254	1,045	157	N/A	52
<b>Business Rates</b>					
Debtors	4,995	2,448	N/A	2,497	50
Bad Debt Allowance	(3,025)	(1,482)	N/A	(1,513)	(30)
Prepayments & Overpayments	(3,316)	(1,625)	N/A	(1,658)	(33)
Appeals Provision	(6,804)	(3,334)	N/A	(3,402)	(68)
(Surplus) / Deficit at 31 March	(6,028)	(2,954)	N/A	(3,014)	(60)

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

## 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).

	2021/22	2022/23
	£000	£000
Renewable Energy	154	199
Enterprise Area - transfer to City Region Deal	550	694
	<u>704</u>	<u>893</u>

## Accounting policies

### i. General Principles

The Statement of Accounts summarises the Council's transactions for the financial year 2022/23, and its position at the year-end of 31 March 2023. 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 practices, which primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 3 (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. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

### iii. 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).

## Accounting policies

### iv. 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.

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.

### v. 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.

#### Community Infrastructure Levy

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

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

## Accounting policies

Income received by the Council in relation to CIL is classified as follows;

- CIL Administration – The collecting authority may apply up to 5% towards administration expenses incurred. The Council recognises 5% of CIL income towards these costs. This element has been recognised as revenue in the year in which receipts are due.
- CIL Infrastructure - CIL income applied to infrastructure is treated as a capital financing contribution.
- CIL Local Council element – CIL income to be passed to local councils (parishes) is treated as a Balance Sheet liability.
- CIL Surcharges – Any surcharges received have been treated as revenue in the year in which they are due.

### vi. 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).

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

### viii. Employee Benefits

#### Benefits Payable during Employment

Short-term employee benefits include such benefits as wages and salaries, paid annual leave, 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

## Accounting policies

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
- 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

## Accounting policies

- 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's Services – Schools budgets line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' Pension Scheme. The Public Health and Regulatory Services 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.

## ix. *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.

## x. *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

## Accounting policies

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.

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:



## Accounting policies

- 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 their 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).

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)

## Accounting policies

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.

## xi. 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.

### 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.

## Accounting policies

### 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.

The Council has changed its accounting policy for the depreciation of Infrastructure assets such that different types of infrastructure are depreciated over different useful economic lives, reflecting the consumption of economic benefits and provision of service potential, as assessed by the Council's engineers and valuers. This change in accounting policy has been applied to capital expenditure made in 2021/22 onwards, with previous expenditure continuing to be depreciated over an average useful life of 23 years. The Council has estimated that the impact of this change in accounting policy would not have a material impact if applied to remaining net book value balances relating to infrastructure spend before 2021/22.

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, as follows.

- Expenditure before 2021/22 23 years
- Carriageways 20-30 years
- Structures 80-120 years
- Sea defences 60 years
- Street lighting 30 years
- Street furniture 20 years
- Traffic management systems 15 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.

### xii. 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

## Accounting policies

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.

### xiii. 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.

### xiv. 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

## Accounting policies

the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

### *Expected Credit Loss Model*

The 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 reported to members, 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 Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

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

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

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.

## Accounting policies

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, 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.

### xv. 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.

### xvi. 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.

## Accounting policies

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.

### xvii. 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 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.

### xviii. 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).



## Accounting policies

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).

### The Council as Lessor

#### *Finance Leases*

Where the Council 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).

## xix. 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.

## xx. 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:



## Accounting policies

- 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.

### xxi. VAT

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

### xxii. 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.

### xxiii. 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.

### xxiv. 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;

## Accounting policies

- 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.

### xxv. [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.

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 year to 31 March 2023. The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (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.

2022-23	Note	Usable Reserves							Unusable Reserves										TOTAL AUTHORITY RESERVES £000	Authority's share of reserves of Subsidiaries, Associates and Joint £000	TOTAL RESERVES (INC. GROUPS) £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	Provision 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 2022	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)	340	(89,468)
Total Comprehensive Income and Expenditure	CIES	(25,763)	0	0	0	0	0	0	(25,763)	(5,137)	0	0	(177,178)	0	0	0	0	0	(182,315)	(208,078)	9,989	(198,089)
Adjustments between group accounts and authority accounts (Group a/cs) Net increase or decrease before transfers (Group a/cs)		9,735	0	0	0	0	0	0	9,735	0	0	0	0	0	0	0	0	0	0	9,735	(9,735)	0
Adjustments between accounting basis & funding basis under regulations	7	(16,028)	0	0	0	0	0	0	(16,028)	(5,137)	0	0	(177,178)	0	0	0	0	0	(182,315)	(198,343)	254	(198,089)
Transfers between Usable Reserves	8.1	15,126	0	0	0	0	957	710	16,793	12,435	(34,069)	(6,467)	13,649	(3,762)	45	120	6	1,250	(16,793)	0	0	0
(Increase) / Decrease in 2022/23	8, 9	484	(61)	(9)	610	(1,024)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Balance at 31 March 2023 - carried forward	8, 9	(418)	(61)	(9)	610	(1,024)	957	710	765	7,298	(34,069)	(6,467)	(163,529)	(3,762)	45	120	6	1,250	(199,108)	(198,343)	254	(198,089)
	8, 9	(10,162)	(3,062)	(396)	(77,829)	(8,340)	(12,514)	(7,474)	(119,777)	(84,164)	(197,050)	(1,920)	102,458	9,685	205	1,253	(47)	1,206	(168,374)	(288,151)	594	(287,557)

The opening balance for the Council's share of subsidiary's usable reserves has been re-stated by £51k to correct a non-material error noted in the 2021-22 group accounts, relating to an imbalance between usable reserves in the group MIRS and Group Balance Sheet.

# Group Accounts

2021-22	Note	Usable Reserves								Unusable Reserves										TOTAL AUTHORITY RESERVES	Authority's share of reserves of Subsidiaries, Associates and Joint Ventures	TOTAL RESERVES (INC. GROUPS)	
		General Fund Earmarked Reserves								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	Other Schools Balances	Other Earmarked Revenue Reserves	Earmarked Capital Reserves	Capital Receipts Reserve	Capital Grants Unapplied	£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	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)		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	
Net increase or decrease before transfers (Group a/cs)		(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)	
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	0	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	0	0	
(Increase) / Decrease in	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	2021/2022			2022/2023		
		Group Gross Expenditure	Group Gross Income	Group Net Expenditure	Group Gross Expenditure	Group Gross Income	Group Net Expenditure
		£000	£000	£000	£000	£000	£000
Adult Social Services							
Adult Social Care		110,977	(50,467)	60,510	115,430	(40,119)	75,311
Housing Services		5,225	(4,378)	847	6,392	(5,321)	1,071
		116,202	(54,845)	61,357	121,822	(45,440)	76,382
Childrens Services							
Childrens Services		34,982	(8,139)	26,843	42,871	(10,418)	32,453
Schools Budgets & Grants		64,132	(52,216)	11,916	63,030	(63,492)	(462)
		99,114	(60,355)	38,759	105,901	(73,910)	31,991
Place		68,781	(24,001)	44,780	73,493	(23,241)	50,252
Corporate Services		81,153	(57,916)	23,237	85,884	(58,823)	27,061
Public Health & Regulatory services		14,555	(18,366)	(3,811)	16,672	(13,385)	3,287
Non Service		2,649	(2,682)	(33)	3,698	(7,253)	(3,555)
North Somerset Environment Company (NSEC)		10,365	(2,296)	8,069	11,354	(1,365)	9,989
<b>Cost of Services</b>	10	<b>392,819</b>	<b>(220,461)</b>	<b>172,358</b>	<b>418,824</b>	<b>(223,417)</b>	<b>195,407</b>
Other Operating Expenditure	11	18,036	0	18,036	22,268	0	22,268
Financing and investment income and expenditure	12	12,927	(2,757)	10,170	10,611	(4,664)	5,947
Taxation and non-specific grant income	13	0	(217,325)	(217,325)	0	(239,396)	(239,396)
<b>(Surplus) / Deficit on Provision of Services</b>	10,16	<b>423,782</b>	<b>(440,543)</b>	<b>(16,761)</b>	<b>451,703</b>	<b>(467,477)</b>	<b>(15,774)</b>
(Surplus) / deficit on revaluation of non-current assets	9.2			(9,166)			(5,137)
Remeasurements of net defined benefit liability	9.6			(41,551)			(177,178)
<b>Other Comprehensive (Income) and Expenditure</b>				<b>(50,717)</b>			<b>(182,315)</b>
<b>Total Comprehensive (Income) and Expenditure</b>				<b>(67,478)</b>			<b>(198,089)</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 2022</b> <b>£000</b>	<b>31 March 2023</b> <b>£000</b>
Property, Plant and Equipment			
Other Land and Buildings	24.1	175,903	<b>158,637</b>
Infrastructure Assets	24.2	149,557	<b>150,100</b>
Community Assets	24.1	5,036	<b>4,950</b>
Vehicles, Plant, Furniture and Equipment	24.1	10,513	<b>10,885</b>
Assets Under Construction	24.1	49,762	<b>86,711</b>
Surplus assets	24.1	629	<b>272</b>
Intangible Assets	24.1	150	<b>100</b>
Heritage Assets		288	<b>288</b>
Investment Property	25	45,707	<b>51,053</b>
Long Term Investments	31.1	10,082	<b>8,833</b>
Long Term Debtors	31.1	4,612	<b>3,895</b>
<b>Long Term Assets</b>		<b>452,239</b>	<b>475,724</b>
Cash and Cash Equivalents	<i>CFS, 31.1</i>	2,076	<b>2,023</b>
Short Term Investments	31.1	167,064	<b>145,250</b>
Inventories		1,682	<b>1,660</b>
Short Term Debtors	27, 31.1	52,756	<b>79,101</b>
<b>Current Assets</b>		<b>223,578</b>	<b>228,034</b>
Cash and Cash Equivalents	<i>CFS, 31.1</i>	(4,417)	<b>(5,832)</b>
Short Term Borrowing	31.1	(7,364)	<b>(8,877)</b>
Short Term Creditors	28, 31.1	(74,497)	<b>(68,904)</b>
Short Term Provisions	29	(6,626)	<b>(5,001)</b>
Grants Received in Advance - Revenue	14	(4,296)	<b>(5,355)</b>
Grants & Contributions Received in Advance - Capital	14	(50,687)	<b>(56,663)</b>
<b>Current Liabilities</b>		<b>(147,887)</b>	<b>(150,632)</b>
Long Term Provisions	29	(1,911)	<b>(1,624)</b>
Long Term Borrowing	31.1	(136,697)	<b>(128,475)</b>
Long Term Borrowing - Ex Avon Debt	33	(11,761)	<b>(11,291)</b>
Pensions Liabilities	35.1	(265,987)	<b>(102,458)</b>
Other Long Term Liabilities	31.1, 36.1	(22,105)	<b>(21,721)</b>
<b>Long Term Liabilities</b>		<b>(438,461)</b>	<b>(265,569)</b>
<b>Net Assets</b>		<b>89,469</b>	<b>287,557</b>
Usable Reserves	8.1	(120,203)	<b>(119,183)</b>
Unusable Reserves	9.1	30,734	<b>(168,374)</b>
<b>Total Reserves</b>		<b>(89,469)</b>	<b>(287,557)</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.

	Note	2021/2022 £000	2022/2023 £000
Net surplus / (deficit) on the provision of services	CIES	16,761	15,774
Adjustments to the net surplus / (deficit) on the provision of services for non-cash movements	37.1	42,583	17,534
Adjustments for items included in the net surplus / (deficit) on provision of services that are investing or financing activities	37.2	(43,803)	(56,946)
<b>Net cash flows from Operating Activities</b>		<b>15,541</b>	<b>(23,638)</b>
<b>Investing Activities</b>			
Purchase of Property, Plant and equipment, Investment property and Intangible Assets		(38,820)	(55,828)
Proceeds from sale of Property, Plant and equipment, Investment property and Intangible Assets		3,433	2,181
		(35,387)	(53,647)
Purchase of short and long term investments		(571,500)	(636,800)
Proceeds from sale of short and long term investments		537,500	659,800
		(34,000)	23,000
Other payments for Investing Activities		(433)	13
Other receipts from Investing Activities		37,798	56,307
		37,365	56,320
<b>Net cash flows from Investing Activities</b>		<b>(32,022)</b>	<b>25,673</b>
<b>Financing Activities</b>			
Cash receipts from short and long term borrowing		298	2,012
Repayments of short and long term borrowing		(7,745)	(9,282)
		(7,447)	(7,270)
Finance lease repayments		(360)	(370)
Other net (payments) / receipts for Financing Activities		11,620	4,137
		11,260	3,767
<b>Net cash flows from Financing Activities</b>		<b>3,813</b>	<b>(3,503)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(12,668)</b>	<b>(1,468)</b>
Cash and cash equivalents at the beginning of the reporting period		10,327	(2,341)
<b>Cash and cash equivalents at the end of the reporting period comprising:</b>		<b>(2,341)</b>	<b>(3,809)</b>
Cash held by the Council	37.4	(2,341)	(3,809)
		(2,341)	(3,809)

## 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

	2021/22 £000	2022/23 £000
<b>Expenditure</b>		
Employee Benefits Expenses	90,819	<b>106,360</b>
Other Services Expenses	274,657	<b>284,905</b>
Depreciation, Amortisation and Impairment	19,884	<b>20,673</b>
Interest paid	8,403	<b>8,401</b>
Precepts and Levies	6,974	<b>7,269</b>
Payments to the Housing Capital Receipts Pool	0	<b>0</b>
(Gains) / losses on the disposal of non-current assets	16,150	<b>17,309</b>
Revenue Expenditure Financed by Capital Under Statute	5,517	<b>7,443</b>
	<b>422,404</b>	<b>452,360</b>
<b>Income</b>		
Fees, Charges and Other Service Income	(49,831)	<b>(54,695)</b>
Interest & Investment Income received	(733)	<b>(3,527)</b>
Income from Council Tax, Non-Domestic Rates	(151,546)	<b>(160,768)</b>
Government Grants & Contributions	(233,974)	<b>(245,843)</b>
Internal Recharges	(3,080)	<b>(3,301)</b>
	<b>(439,164)</b>	<b>(468,134)</b>
<b>(Surplus) / Deficit on Provision of Services</b>	<b>(16,760)</b>	<b>(15,774)</b>

### Group Accounting policies

The group accounts summarise the Council's and its Group's transactions for the 2022/23 financial year. They have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, 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.

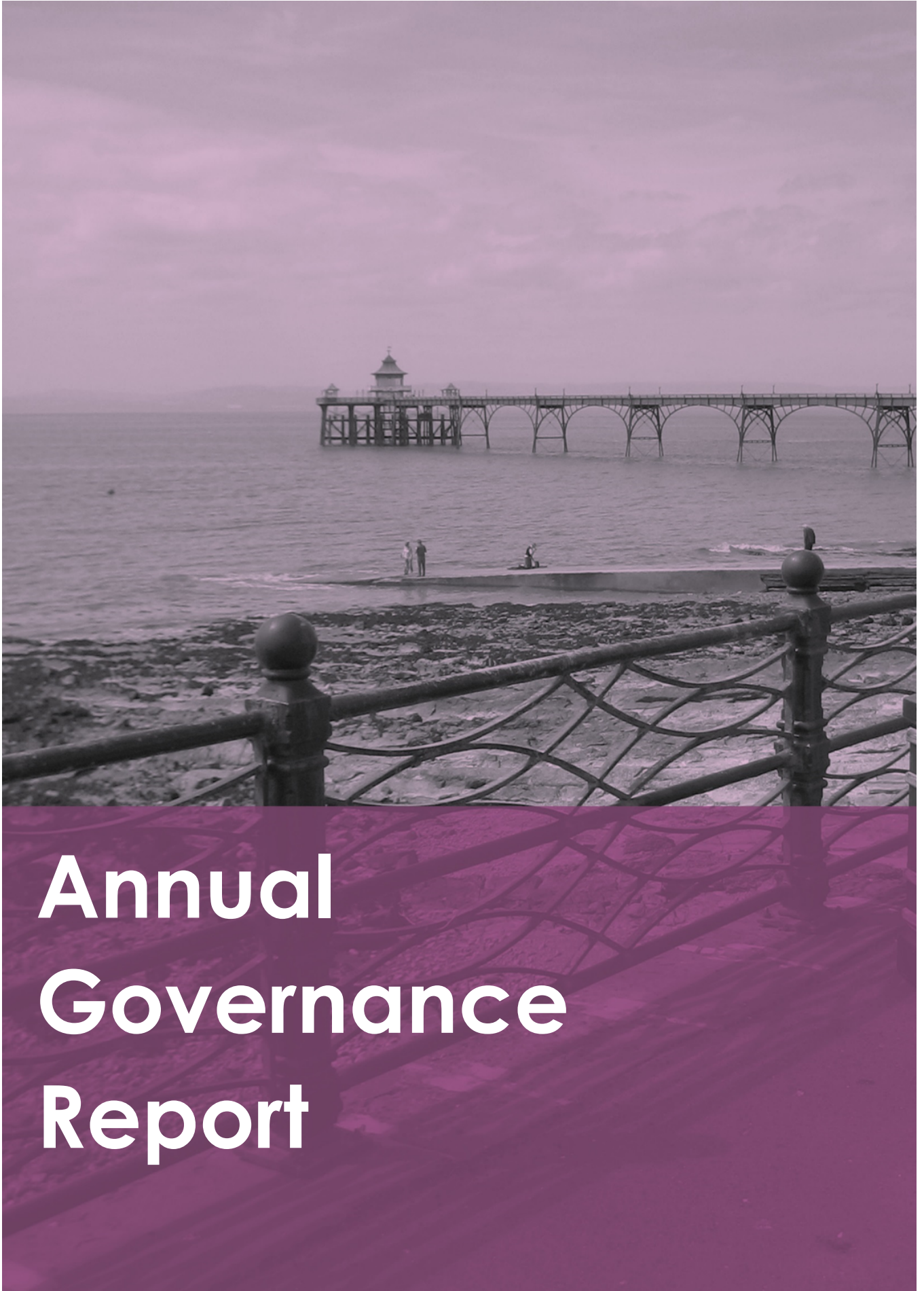
### Basis of Consolidation – Group Accounts

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.

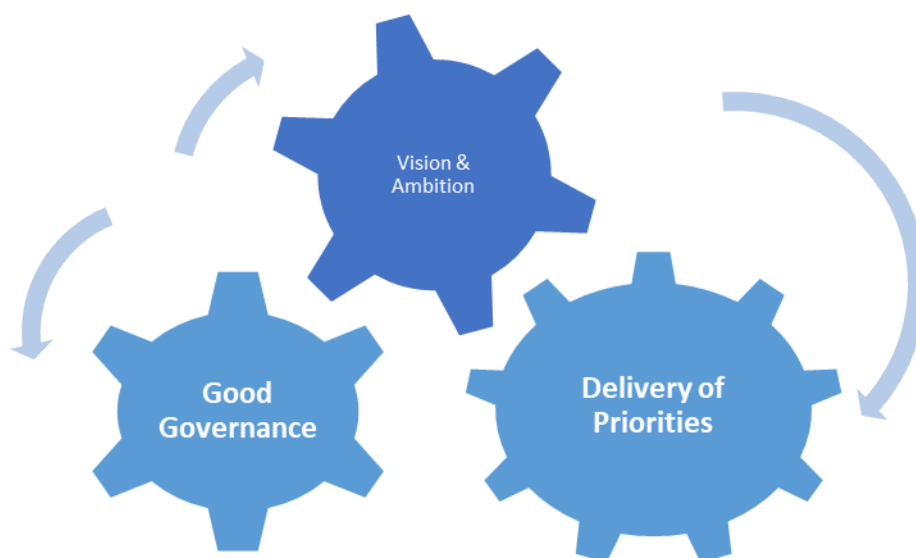
The Council has adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of our code is available from our website.

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 2023, and up to the date of the approval of the statement of accounts.

## 2. The Purpose of the Governance Framework – Background & Overview for 2022/23

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



During the last year the governance framework has continued to be tested by the financial challenges faced by local authorities and also with further changes to legislation by government. The Authority responded accordingly to ensure it could continue function and make key decisions.

During the beginning of the Covid-19 pandemic in 2020/21, the Council quickly adapted to remote and virtual working. This continued through 2021/22 and into 2022/23, however more staff returned to the office in 2022/23 in accordance with the Hybrid Working Policy, with a sustained increase in the number of physical meetings, including Council meetings, Directorate Leadership Team meetings and staff roadshows. There were therefore no significant changes required to the processes

## Annual Governance Statement

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. Key updates were made to the Constitution in 2021 and 2022 and an updated version was published in May 2022.

The Council has had a settled year in terms of key staffing arrangements and this followed a number of restructures in the year prior to this. The Director of Place had a period of long-term sickness, returning to work towards the end of the 2022/23 financial year. This role was covered in the interim by the Assistant Director of Neighbourhoods & Transport and the Assistant Director of Placemaking & Growth, supported by the Director of Corporate Services and the Chief Executive. The Director's delegations were formally exercised in full by the Assistant Directors.

The role of the Director of Corporate Services (& s151 Officer) is now well-established since the permanent appointment to post in May 2021. This followed an extended period which there was as Interim Director of Finance and Property in place and has further ensured robust and stable financial arrangements throughout 2022/23.

The Council's Local Code of Corporate Governance aims to ensure that in conducting its business the Council:

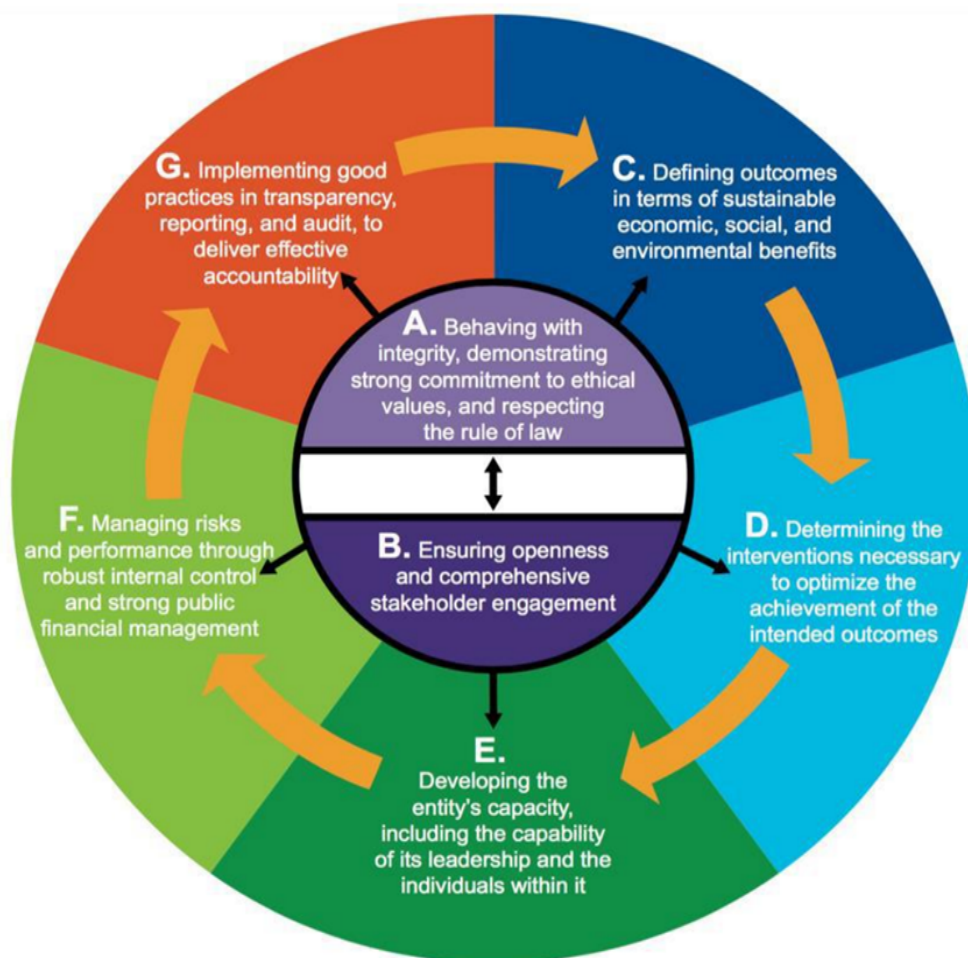
- operates in a lawful, open, inclusive and honest manner
- makes sure public money is safeguarded, properly accounted for and spent wisely
- has effective arrangements in place to manage and control risk
- secures continuous improvements in the way it operates.

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.

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 2023 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 2022/23 financial year were:

<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</li> </ul>

# Annual Governance Statement

			Leadership Team and reported to Executive and Audit Committee.
<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 provides commentary on the Council's value for money arrangements in their Annual Audit letter.</li> <li>Internal audit provides regular assurance on the Council's 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

### 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.

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 2022/23. However, it is not intended to be exhaustive.

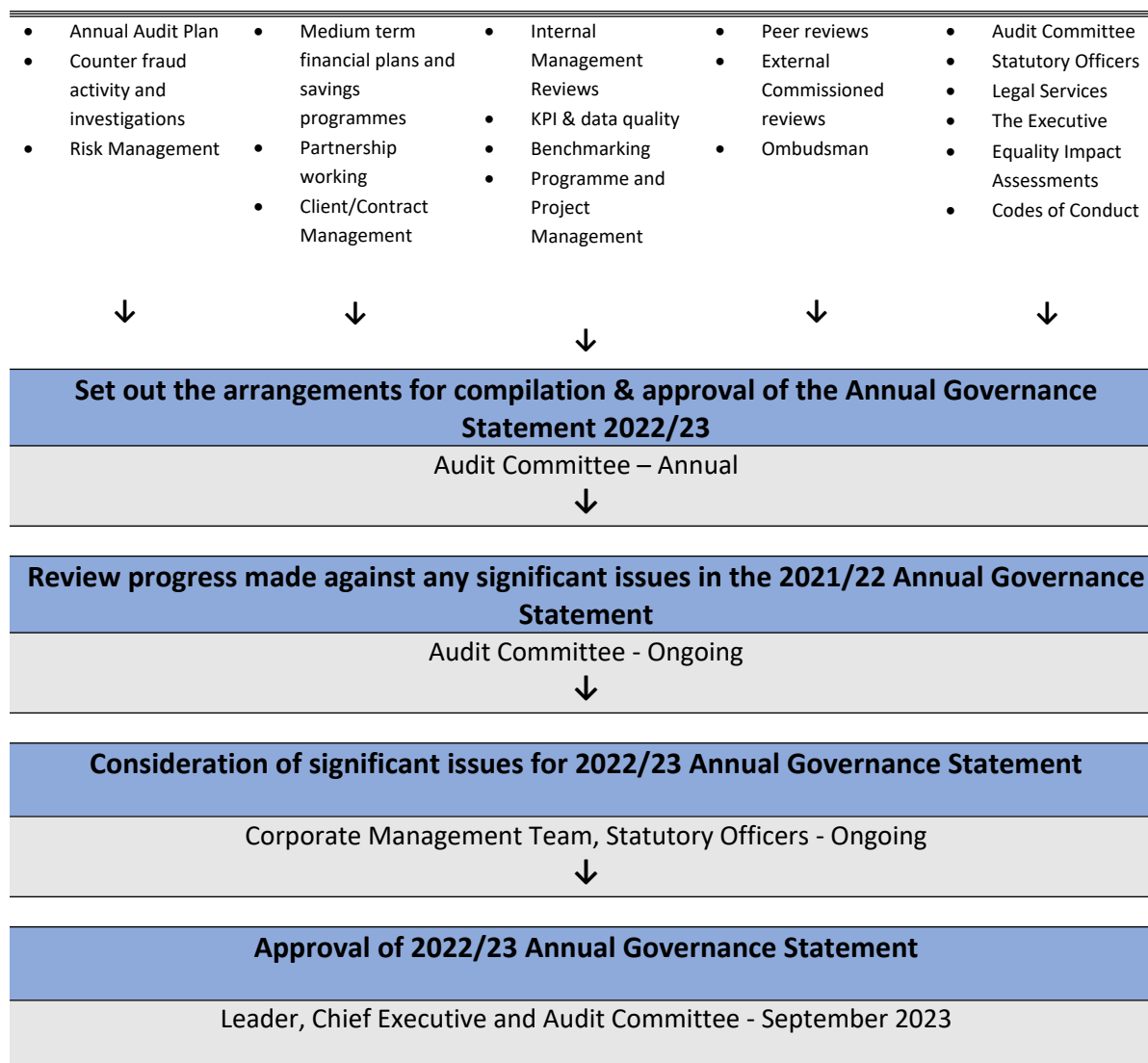
Significant issues identified through the preparation of this Statement, and the mitigating actions taken and planned to address them, are summarised in section 8.

## 4. Methodology for Preparing the Annual Governance Statement 2022/23

Independent Assurance	Senior Management Assurances	Performance management	External Review/ Assurance	Corporate Assurance sources
<ul style="list-style-type: none"> <li>Audit Plan &amp; Outcomes of work</li> <li>Head of Audit opinion</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Leadership Team</li> <li>Financial Strategy Board</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Plan</li> <li>Performance &amp; Risk Management</li> </ul>	<ul style="list-style-type: none"> <li>External Audit plans, letters and reports</li> <li>Inspection reports</li> </ul>	<ul style="list-style-type: none"> <li>Consultation/ complaints/ feedback</li> <li>Scrutiny process</li> </ul>



# Annual Governance Statement



## 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.

### 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 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. Progress in delivering these priorities for local

## Annual Governance Statement

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.

### **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.

## **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. A list of these is shown on the Council's website. 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

## Annual Governance Statement

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. The Council works at a high level 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 through the statutory integrated care board (ICB).
- The Council has set up North Somerset Together to improve joint working with Town and Parish Councils, community groups and the voluntary sector.
- The Council has a Strategic Partnership with Agilisys since 2010 (Agilisys and Liberata). 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 also has its own wholly Council-owned recycling and refuse collection service named NSEC (North Somerset Environment Company – inception April 2021). Governance arrangements of the company have evolved over the last two years, 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, form part of the induction process and are embedded throughout policies.

The Council has previously adopted a Code of Conduct in response to the Localism Act and 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.

## Annual Governance Statement

### 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 were refreshed across 2021 into 2022, and Contract Management arrangements enhanced including training provision for staff. 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 strategy was reviewed in September 2022 and approved by the Council's Audit Committee. Also included in the refresh of the strategy were updates to the supporting toolkits and guidance on corporate decision making. 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 assessments are documented in reports and decision papers. Risk register updates are presented by the Head of Business Insight, Policy and Partnerships to the Audit Committee for each quarter.

#### 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

The s151 Officer (also Director of Corporate Services) has been in post since May 2021 and 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.

The Head of Finance, and Finance Business Partners, support the S151 Officer and have regular Finance Management Team meetings. The Section 151 Officer and Head of Finance meet fortnightly 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. They consider, 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.

During the year, a consultative Internal Audit review of the Council's budget setting process took place. The review found the budgetary process to be working well and that it was effectively communicated to all relevant stakeholders.

## Annual Governance Statement

### **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 previously comprised of five elected Members. However, in May 2022 the Council ratified the decision to appoint two further Independent Audit Committee Members for a period of four years, in line with recommendations arising from the Redmond Review.

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 officer.

The existing committee held its last formal meeting of its term in March 2023, ahead of the local elections being held in May 2023.

### **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 the Director of One West (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.

### **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 and approved by the Audit Committee in April 2022, 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 act as necessary.

Fraud referrals by the public can be made via an online webform on the Council's website and this is also a channel which staff can use to make anonymous (whistleblowing) referrals. Alternatively, referrals can be made via a dedicated fraud email address.

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.

## Annual Governance Statement

### 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 [Consultation and Research Strategy and action plan](#) has been published. 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.
- 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.

# Annual Governance Statement

## 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) and the Director of One 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. There have been between 12 and 14 Strategic Risks throughout the year, broadly in relation to –

- Climate Change/ Net Zero
- Recruitment and Retention
- Local Economy
- Public Health
- Capital Projects
- Financial Resilience
- Organisational Resilience
- Asset Management
- Safeguarding the most Vulnerable/ Demand Management
- ICT inc. Cyber Security

## 7. Head of Audit and Assurance Opinion

As part of statutory requirements, the Head of Audit and Assurance 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.


During 2022/23 and post-Covid-19 pandemic, we have seen a greater return to 'in-person' internal audit reviews as colleagues themselves have physically been more present in the office as a result of the shift to hybrid-working. This has therefore allowed for further assurance in our ability to provide an overall audit opinion.

There were only minor adjustments to the 2022/23 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.

## Annual Governance Statement

The ongoing financial challenge, especially within a year that has continued to be dominated by world events including the conflict in Ukraine, the cost-of-living crisis, the last stages of emergence from the Covid-19 pandemic and the ongoing impacts of Brexit, 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:

A handwritten signature in black ink, appearing to read 'Peter Cann', is shown on a light-colored background.

Peter Cann

Head of Audit and Assurance, Audit West

27 April 2023



# Annual Governance Statement

## 8. Significant Issues for 2021/22

Issue in 2021/22	Commentary & Mitigating actions for 2022/23	Update on 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, 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>Throughout the pandemic, the Council has reacted extensively with a focus on themes of response, recovery, and renewal. 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. 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. 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>As reported previously, the Council adopted an approach to living with COVID throughout 2022-23 and adapted plans accordingly.</p> <p>The impact of COVID on our communities and organisation was de-escalated as a corporate risk at the end of 2022-23.</p> <p>Accordingly, the £4.5m of reserve funding carried forward has been reviewed as a result as part of year end processes and reallocated to cover a) the Council’s contribution to the Safety Valve Programme and b) financial risks arising from the current economic climate.</p>

## Annual Governance Statement

Issue in 2021/22	Commentary & Mitigating actions for 2022/23	Update on Mitigating actions for 2022/23
<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 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>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 planning, monitoring and delivery in to one place. The CPPDB will also monitor actions from the Capital Strategy Action Plan. 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>	<p>The new Governance Framework and resulting Capital Strategy action plan has now been fully implemented and reported to the Council’s Audit Committee and PCOM Scrutiny Committee chairs. The action plan was completed by January 2023 and accepted as closed and will be subject to review by Internal Audit during 2023-24.</p>

# Annual Governance Statement

## 9. Significant Issues for 2022/23

Issue in 2022/23	Commentary & Mitigating actions for 2023/24
<p><b>Financial Challenge</b></p> <p>North Somerset Council like other UK local authorities are facing a number of financial challenges, including:</p> <ul style="list-style-type: none"> <li>• Central government funding cuts</li> <li>• Increasing demand for services</li> <li>• Limited ability to raise revenue</li> <li>• Pressure to deliver efficiencies and reduce costs, while still maintaining the quality of services</li> </ul> <p>Throughout 2022/23 the Council has faced increasing financial pressure due to general inflation rates of over 10%, increased costs of borrowing and workforce availability.</p>	<p>Through its MTFP process for 2023/24, the Council was successful in identifying over £10m of budget savings in order to close the budget gap.</p> <p>There is ongoing risk to financial health due to inflation tracking at over 10% (and 30% for construction projects) which may impact on the ability to deliver services within the identified envelope.</p> <p>Mitigations include:</p> <ul style="list-style-type: none"> <li>• Robust revenue budget monitoring, forecasting and capital programme governance</li> <li>• A clear reserves strategy including regular review of risk assessments</li> <li>• Market monitoring and intelligence e.g. construction</li> <li>• Review of capital programme</li> <li>• Identifying collaboration opportunities which could lead to efficiencies</li> </ul>
<p><b>Ofsted/ Children’s Services</b></p> <p>Ofsted undertook an inspection of local authority children’s services (ILACS) in North Somerset in March 2023. They judged that NSC continues to ‘require improvement to be good’ (RI). As this is the third time they have made this judgement we are awaiting contact from the DfE as to possible next steps in terms of either further challenge or support. Overall, there was a recognition that NSC knows itself well, understands what improvements are needed and have solid foundations in place. However there remain areas of weakness which are to do with a variability in practice resulting in a</p>	<p>Action Plan to be drawn up and signed off by Ofsted in due course.</p> <p>Identification of pressure areas within Children’s Services that require additional capacity/investment to drive consistency.</p> <p>Identification of further sector led improvement support funded by the DfE.</p> <p>Continued monitoring of the Action Plan through the internal QA and Performance Board.</p>

## Annual Governance Statement

Issue in 2022/23	Commentary & Mitigating actions for 2023/24
<p>lack of consistency in several areas such as assessments, direct work with children and supervision.</p>	
<p><b>Rising Dedicated Schools Grant (DSG) deficit</b></p> <p>In recent years there has been a significant increase in the numbers of children &amp; young people with Education, Health and Care plans (EHCPs) and a rise in the associated costs as NSC has had to find placements in the independent sector for those who cannot have their needs met in mainstream education. The guidance from the DfE is that Councils cannot use their revenue funding to offset the deficit although this has never been a course of action that NSC has suggested.</p> <p>NSC has been under considerable pressure and while there has been reinvestment in Education Partnerships as a response to a critical Ofsted/CQC reinspection of the area’s services to children &amp; young people with special education needs and/or disabilities (SEND) there is a need to ‘recalibrate’ the system.</p>	<p>The LA has entered into a Safety Valve agreement with the DfE who have supported an undertaking from the Council that they will bring their DSG spend back into balance over a number of years – in return the DfE will ‘pay off’ the historical deficit over the life of the programme provided the Council demonstrates the expected progress of its Recovery Plan.</p> <p>The progress of the Recovery Plan is monitored closely by Children’s Services, an internal board chaired by the Chief Executive and quarterly meetings with the DfE.</p> <p>The success of the Plan has many inter-dependencies including the success of mainstream schools in the eyes of parents, a balanced relationship of support and challenge to schools by NSC, and effective working with Health colleagues and parents/carers.</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 2022/23. 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

Mike Bell

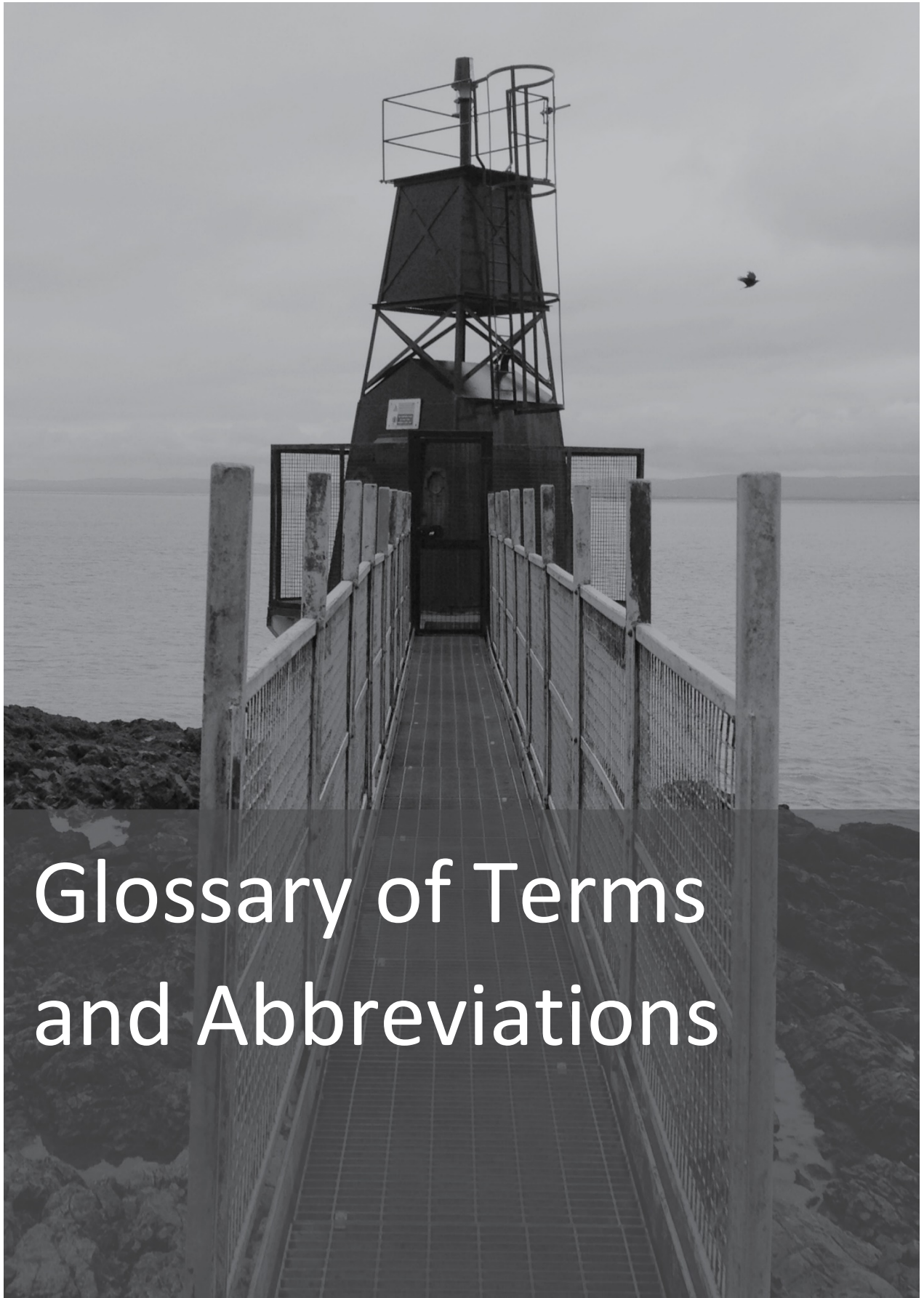
Leader of the Council

Add signature

Jo Walker

Chief Executive Officer

XX September 2023



# 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 (Pensions)

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 Council; 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.

#### Associate

An associate company is a company in which the Council is an investor and has significant influence, but not control.

#### 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.

#### Consolidation

The process of combining financial data from several subsidiaries or business entities into group accounts for reporting purposes.

#### 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



## Glossary of Terms and Abbreviations

- 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.

### 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 Accounting

Equity accounting is an accounting process for recording investments in associated companies or entities. The equity accounting is used only when an investor or investing company can exert a significant influence over the investee or owned company.

### Equity Instrument (Financial Instruments)

A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

## Glossary of Terms and Abbreviations

### 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.

### 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 (Pensions)

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.

## Glossary of Terms and Abbreviations

### 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.

### 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.

### Group accounts

The consolidated accounts of the Council, its subsidiaries and associates.

### 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.

## Glossary of Terms and Abbreviations

### 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.

### 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.

### Limited by Shares

Where shareholders' holding in a company is limited by shares, shareholders are liable for the debts of the company only to the extent of any unpaid amounts on their shares.

### 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.

## Glossary of Terms and Abbreviations

### 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.

## 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.

## Glossary of Terms and Abbreviations

### 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.

### 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.

## Glossary of Terms and Abbreviations

### 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

### 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.

## Glossary of Terms and Abbreviations

### 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.

## S

### Settlements (Pensions)

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.

### Single Entity Accounts

The Council's single entity accounts show transactions and balances relating to the Council's business before consolidation of subsidiaries and associates in group accounts.

### 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.



## Glossary of Terms and Abbreviations

### 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 – now replaced by ICB (see below)
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)
ICB	Integrated Care Board
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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Pension Schemes Accounted for as Defined Contribution Schemes	34	81-82
Prior Period Adjustments	6	35
Property, Plant and Equipment and Intangibles	24	64-68
Provisions	29	72-73
Related party transactions	23	61-63
Revenue from contracts with service recipients	16.2	53
Taxation and Non-Specific Grant Income	13	49
Termination Benefits	19	55
Unusable Reserves	9	42-44
Usable Reserves	8	38-41