

North Somerset Council  
**Financial Report** 2019 – 2020





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# Narrative Report



## What is in the Financial Report?

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

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

## Narrative Report from the Interim Head of Finance

The Narrative Report is the introductory statement to the Council's accounts for the 2019/20 financial year. It has been structured in such a way to enable readers to understand North Somerset Council, its operating environment, and key issues which affect the Council, the delivery of its services, and its financial position, including:

1. An overview of North Somerset
  2. Financial context
  3. Performance during the 2019/20 financial year
  4. Looking ahead in the medium term
  5. Summary position
- An explanation of the accounting statements

### **1 An Overview of North Somerset**

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

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

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

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

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

### Covid-19 Pandemic

The Covid-19 pandemic continues to significantly impact on the Council, as well as on our residents, businesses, partners, other public institutions, and the voluntary and community organisations within our region. It has required an unprecedented response to mobilise the resources, skills and goodwill of many across the District. We will continue to do all we can to support our residents, communities and local businesses, to keep key services running, and to ensure that those who need help get it.

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The Government's lock-down measures, which were announced on 16 March 2020, continue to have significant impact on the delivery of Council services, as well as a wide range of financial implications on many areas of our budget. The Council has had to put considerable additional resources into services to ensure that the most vulnerable in our community are cared for, and that the local economy and associated supply chain is protected wherever possible. The wider economic impact has been profound, and we are expecting substantial losses across many of its income streams.

These additional costs did not have a dramatic impact on the Council's financial out-turn position for 2019/20 as the pandemic only started to make a notable impact on behaviours in the last two weeks of March. However, the true scale of its impact on the Council's finances will be felt during 2020/21. Significant additional expenditure has been incurred across services, with the largest areas of additional spend being within social care, homelessness, hardship support for residents and support for businesses. The Council is also expecting substantial losses across many of its income streams. These include business rates, council tax, car parking, investment and commercial income, leisure services, and regulatory and planning fees.

At this stage it is extremely difficult to quantify the impact of Covid-19, but it is recognised that the financial pressure on the Council will be substantial, even after the Government's emergency Covid-19 response funding for local authorities is taken into account. Over time, the Council has sought to build up its general reserve and financial risk reserves to ensure that it is financially resilient. However, these remain limited, and are not of sufficient scale to address all of the anticipated impacts, meaning that the Council continues to seek and lobby for further funding from central government. We are very aware that any reserves that are utilised will need to be replenished over the coming years.

The changing environment in which we are likely to find ourselves as we emerge from 'lock-down' will require the Council to review the services it provides. We will need to consider adjusting the approved budget for the 2020/21, and revisiting the financial plans for the medium-term, as well as our capital investment priorities, in the coming weeks and months, in recognition of the pandemic. This may also potentially impact on the Councils' strategic objectives in the short-term.

Updates on the Council's budget for 2020/21, the medium-term financial plan, and analysis of the impact on the Council of Covid-19, will be presented to the Executive throughout the year. Our future financial plans will need to reflect the Governments' announcements to defer the implementation of the Fair Funding Review (FFR) and changes to Business Rate Retention (BRR) arrangements, which were originally expected in April 2021, and also new uncertainties surrounding the Spending Review and multi-year financial settlement for local government as a whole. A new medium-term financial plan for 2021/22 to 2023/24 will be submitted to the Executive and Council for approval in February 2021.

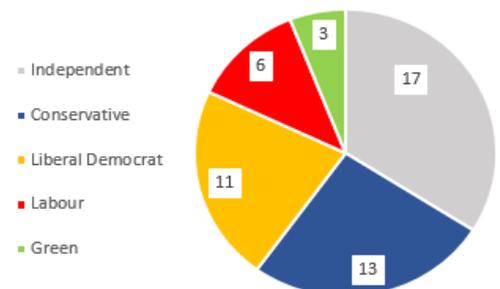
## Our Constitution

The Council has an approved Constitution in place which sets out how it operates, how decisions are made, and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution, which can be found on the Council's website at [Constitution](#), is reviewed on a regular basis, with the last update being in May 2019, when changes were made to the financial regulations section.

## Our Leadership and Workforce

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

Following the local elections in May 2019, no single political party or group has overall control. However, an alliance of Independent, Liberal Democrat, Labour and Green Party councillors, are working closely together to deliver key outcomes. Prior to the election, the Council had a Conservative Party majority.



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

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

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

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

During the year the Director of Finance and Resources post has continued to be filled on an interim basis by Richard Penska, and two senior officers have taken up new roles as Directors. Lucy Shomali started her role as Director of Development & Environment in June 2019, and Matt Lenny started as Director of Public Health and Regulatory Services in July 2019. The Council's structure was updated to create a separate Directorate of Public Health and Regulatory Services, through the reallocation of staff from two of the existing Directorates: Development & Environment and People & Communities. These changes will be reflected in our formal financial reporting from April 2020.

People & Communities	Development & Environment	Corporate Services	Public Health & Regulatory Services
Adult's and Children's Support and Safeguarding	Place-making and Growth – including Planning, Economic Development and Highways and Transport	Elections, land charges, community safety, emergency planning	Statutory and Discretionary Public Health services
Strategic Commissioning and other social care activities	Neighbourhood Management – including waste, libraries, sport and leisure	Support services provided via external partners – including ICT, front office and customer services, business support, exchequer services	Regulatory services such as licensing, trading standards, food safety, public protection
Statutory Education Services, Housing, Policy and Strategy		Internal support services, delivered by in-house teams – including legal, democratic services, finance, insurance, property and asset management, procurement, human resources, health and safety, transformation, marketing and communications	

The Council employs around 1,742 staff (834 of which are full time, and 908 who work on a part-time basis), 446 of these staff work in our maintained schools.

## The Council's Corporate Plan

During 2019/20, the Council refreshed one of the key strategic documents that frames its actions, its Corporate Plan. This is a working document that exists to help Councillors, staff and partners work together to deliver the vision for North Somerset. Its primary purpose is to set out our story of place and our priorities for North Somerset - what we are doing and why we are doing it. The Plan, which covers the period 2020-2024 can be found at [Corporate Plan](#).

# Narrative Report



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

## 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



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

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

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

## Our Services

The Council provides a wide range of statutory and discretionary services to the people of North Somerset and the infographics below gives a flavour of the scale and scope of the Council's responsibilities with just a few examples.

# Narrative Report



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In recent months the Covid-19 pandemic has impacted on our core business as usual service offer as significant efforts were made to ensure that the vulnerable people within our communities continued to receive the support they needed, and new measures surrounding existing service provision were quickly implemented which covered accelerated hospital discharges, agreements to pay providers based on commissioned rather than actual activity, making additional payments to care home providers to cover increased staffing costs, purchases of Personal Protective Equipment (PPE), and providing emergency accommodation for the homeless.

New services were also created in response to the statutory duty to coordinate food, self-care, medical supplies and other necessary assistance to vulnerable groups. The Council, working with the voluntary sector and volunteers, created a Community Hub at the Hutton Moor Sports Centre, to co-ordinate food distribution and the delivery and distribution of PPE. Very quickly it was recognised that these activities needed to expand, with referral pathways to other agencies being established. Consequently, the Council helped facilitate North Somerset Together, which is an online platform and call centre to bring focussed support for our residents in one place. The NS Together offer is continuing to develop, and it is expected that it will help shape future service delivery models.

As the situation evolves and restrictions ease, some of the measures will either reduce or cease entirely. There may be requirements for support to be provided in different ways or in different areas, almost certainly extending into future financial years, and potentially instigating permanent change and creating a new 'norm'.

Since March 2020, the Council has actioned a range of Government policy initiatives to provide support to individuals and local businesses within our communities, and these initiatives will be directly funded using earmarked grant monies, including;

- administration and distribution of Business Grants – to small businesses and those in the Retail, Hospitality and Leisure sectors (approx £40m),
- creation and administration of Discretionary Grants to businesses not supported within the initial phase (approx £2m),
- application of additional Business Rate reliefs thereby waiving their liability for the 2020/21 financial year (approx £28m),
- administration of changes to the council tax support scheme, which provided £150 of hardship relief to all working age council tax payers in receipt of council tax reduction (approx £1m),
- facilitating payments to a wide range of social care service providers to help implement infection control measures (approx £4m)

The financial impacts of these initiatives will fall into the 2020/21 financial year, and are therefore not included within these financial statements however, it is useful to provide some context of the size and scale of support within the area.

The impact of Covid-19 has had a widespread impact on the workforce of the Council and the way in which it delivers services. The Council has utilised technology effectively to allow staff to work seamlessly from home to minimise disruption to services where possible. However facilities such as libraries, car parks and sports centres have had to close in line with national policy, and where appropriate, staff have been redeployed to services such as the Community Hubs. For those services areas which cannot work from home (whether provided directly, or through our contract partners), such as those engaged in refuse collection and highways services, working practices have been adapted to ensure their health and wellbeing. Such changes and measures have resulted in some additional costs being incurred, and these are included within our returns to central government.

The Council worked closely with head teachers to manage school closures for all except the children of key workers and is similarly engaging on the re-opening of schools to the wider schools family, to balance the health and wellbeing of the children, school staff and the wider community.

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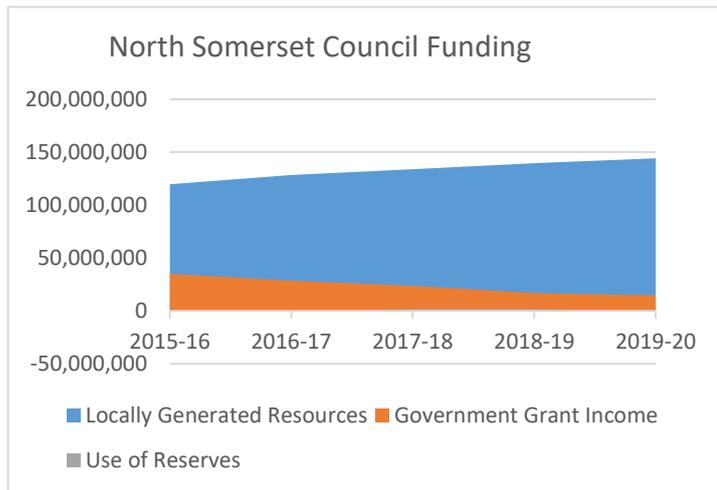
## 2 Financial Context

### Resources Overview

For many years local authorities have continued to deliver valued services to their communities within the wider context of national austerity, and this has been an extremely challenging period. Cost pressures, and the demand for our vital services have continued to rise, at the same time as central Government funding has been reduced. The largest of these spending pressures within North Somerset are linked to the costs of an aging and rising population and its associated funding, as well as the rising numbers of children requiring social care support and safeguarding and with special educational needs.

To meet these challenges the Council has introduced a series of strategies which seek to transform services by reviewing delivery mechanisms, increasing efficiencies and maximising the use of digital solutions wherever possible, to enable the Council to reduce costs and re-prioritise its resources.

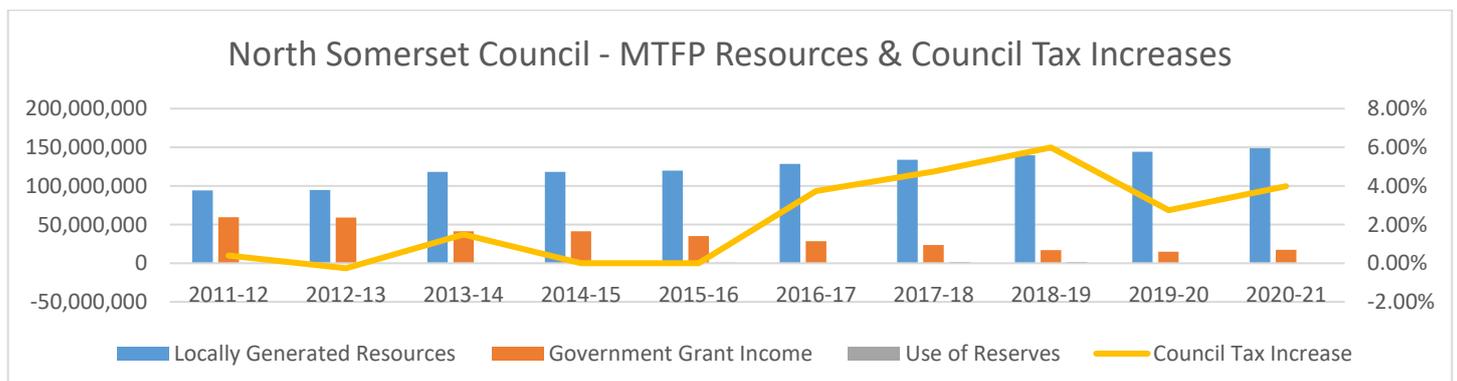
In addition, the Council has sought to drive business and housing growth in the area to increase the amount of locally generated resources to fund the existing budget, the growing demand pressures and the emerging policy initiatives set out in the revised Corporate Plan.



As can be seen in the chart, approximately £144m, or 91% of our funding received during the 2019/20 financial year, was raised locally through council tax, business rates and reserves, with just £15m, or 9%, being made up from government grant allocations. This is a continued reduction compared to previous financial years, when government funding equated to much higher proportions of our total resources.

Latest forecasts indicate that by 2022/23 the level of general grant the Council will receive is projected to fall to just 1% of total funding, which makes achieving local economic growth even more important to ensuring the Council's future financial resilience.

In setting the 2019/20 budget the Council approved an increase of 2.75% on its council tax levels in order to generate additional income, which was slightly below the Government capping limit of 3%. Council tax levels in North Somerset remain low compared to others in the South West, although, as can be seen from the graphic below, they have risen in recent years and include the increases relating to the Adult Social Care Precept. Collection rates for both council tax and business rates have remained relatively high in recent years, achieving around 98%. This position will be monitored during the 2020/21 financial year to understand any impacts arising as a result of Covid-19.



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Local authority funding in England has undergone considerable upheaval over the last 10 years as the Government implemented a series of changes, all of which will continue to have a significant impact on our finances. Further changes are being planned by the Government, although specific financial impacts cannot be brought into the Council's financial planning forecasts until more details, including implementation timescales, are released.

The proposed changes which were originally scheduled for implementation from April 2021 include;

- changes to the retention of business rates revenue to fund local services, which would increase from the current position of 49% retention and move towards local government retaining 75% of business rate income,
- the Fair Funding Review, which will affect how funding is allocated and redistributed between local authorities. The Review is expected to use a flatter distribution with three main 'cost drivers': population, deprivation and sparsity, together with additional cost drivers related to specific local authority services, rather than the existing complex series of formula, and
- the Comprehensive Spending Review, which would inform councils on the likely levels of funding which will be received in the future, ideally to cover a multi-year period.

It is anticipated that the Government will continue to seek further changes to the operational management of the business rates system, such as the centralisation of the risk and associated costs of appeals, and changes to the top-ups, tariffs and levy mechanisms although specific details and timescales are still awaited.

On 6 May the Government announced that the current legislative default for the Revaluation of business to amend the timescales associated with the planned revaluation of business rates, and at this time it is still scheduled to take place in April 2021.

The Council's financial modelling will continue to be reviewed and updated in light of further Government announcements, and Covid-19, to fully understand the impacts on our available resources. The Council has developed a strong strategic approach to its revenue budget and financial planning considerations. It will continue to focus on both the internal and external financial challenges and opportunities faced to ensure that the Council is fully aware of its current and future financial position, and that it has strategies and mitigations available to respond when required.

## Risks and Opportunities

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

Business as usual risks identified at the strategic level include uncertainties in relation to ongoing service provision, e.g:

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

The Risk Register is a live document which is continually updated, and now features Covid-19 which is seen by CLT and the Executive as the Council's over-riding risk at this time.

This significant risk feeds into all areas of strategic decision-making, relating to both ongoing service delivery as well as future business planning. Its impacts are, as yet, not fully understood or quantified. Nor can they be expected to be until such time as the national and local responses to the emergency settle. The Council has recognised three stages of the pandemic for North Somerset, its residents and business, and communicated these to the public through a series of webinar sessions. The stages have been identified as;

- an initial emergency response – which saw some services reduced, scaled or stopped (for example car parks and libraries were closed); and other new services created (community hubs was established to provide food and essential supplies to residents who were shielding),

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- a transitional phase – which saw some services or processes delivered in different ways (for example, new ways of working and the transition to online or digital solutions), and some services beginning to be re-opened,
- a recovery and renewal phase – which seeks to understand the impacts on the residents and businesses within our communities, and to support them to recover and regenerate back to a position prior to the Covid-19 emergency.

Material risks, including those to partnerships and projects, are reviewed by scrutiny panels or included within the Annual Governance Statement (AGS) where necessary. Whilst there are no new significant service related issues raised in the 2019/20 AGS, the uncertainties surrounding the longer-term funding solution for local government, and specifically the ongoing reduction in the level of public sector funding, alongside the increasing demand on the Council's services and the internal staffing capacity challenges following a period of change, remains one of the major risks that we face. The impacts of Covid-19 are highlighted as a new significant risk within the 2019/20 AGS, although the Council recognises that majority of the impacts will emerge from 2020/21.

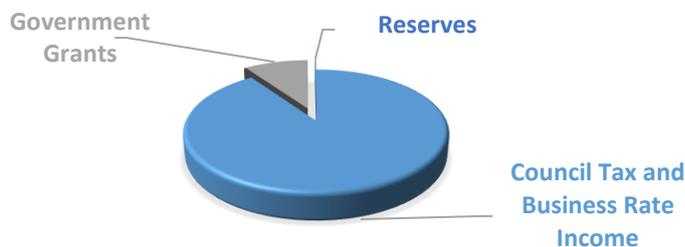
### 3 Performance during the 2019/20 financial year

#### Monitoring the revenue budget in 2019/20

In accordance with good financial governance, all aspects of the Council's operational revenue budget are monitored throughout the financial year, with reports being considered by the Council's Executive on a regular basis. All such budget monitoring reports can be found on the Council's website, see link [Minutes](#).

The monitoring focuses on the forecast income and expenditure compared to the budgeted approvals set for the year, and the consequential impact on the Council's reserves and balances should any surpluses or deficits arise.

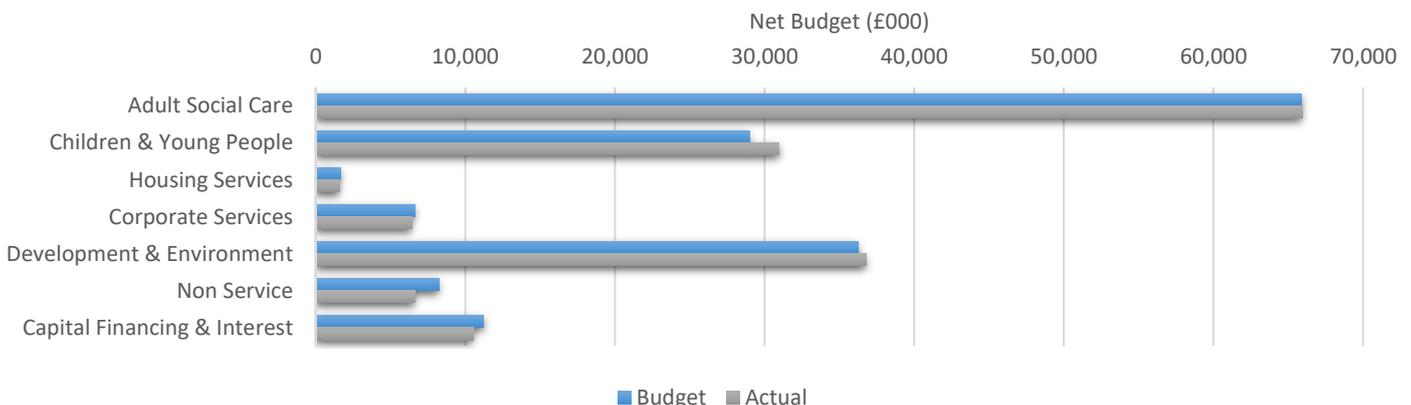
#### Revenue Budget Resources 2019/20



The Council's approved net expenditure budget for 2019/20 was £158.828m and this is primarily funded from two main sources, local taxation and government grants. Total income for the year was **£158.828m**, which is the same amount as budgeted.

As shown in the graph below, the **actual** out-turn for the year was net expenditure of **£158.828m**, which hence represents an overall balanced budget position.

#### Net Revenue Budget 2019/20



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Although the overall out-turn position for the Council was balanced, as in previous years, the Council continued to face cost pressures within its Children's social care budgets, largely as a result of continued demand pressures for placements compared to the budget for the year. Pressures were also experienced within the Development and Environment directorate budgets, the most notable of which related to costs of the Home the School Transport service.

The Council released its corporate contingency budget to help alleviate areas of budget pressure. Mitigations and savings plans were also realised in other services areas in order to deliver a balanced budget for the Council as a whole.

As a result of delivering balanced net expenditure and income budgets, no transfers to, or from, the Council's General Fund revenue reserve were required.

The budget monitoring reports presented to Members during the year do not include the statutory or technical accounting adjustments required for inclusion within the Comprehensive Income and Expenditure Statement, which provides an overall summary of the Council's income and expenditure at the end of the financial year in accordance with proper accounting practice. However, the monitoring reports do include amounts transferred to or from the Council's reserves, as Members make decisions regarding the use of such resources, and so need to understand the financial impacts of these decisions.

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

## Monitoring the capital budget in 2019/20

Capital expenditure is defined as amounts which are paid to acquire or improve assets such as land or buildings, vehicles, equipment and roads, which are expected to have a life of more than one year. During the year the Council spent over £50m on capital projects across its service areas, including £35m on schemes delivered by Development and Environment and £11m on schools and educational facilities. Capital expenditure is funded by receipts from the sale of assets, special reserves, grants and contributions or borrowing.

## Balance Sheet

Despite some areas within the revenue budget resulting in overspends, and the growing budget pressures likely to be faced in the future, the Council maintained a Balance Sheet with a positive net worth of £7.4 million at the year end, although it is recognised that some elements within the accounts, e.g. valuations relating to property and investment based assets and long-term liabilities, may be further impacted by Covid-19.

	2018/19	2019/20
	£000	£000
Non-current assets	416,745	412,533
Net current assets - debtors, stock and cash less short-term creditors and liabilities	34,891	48,976
Long-term liabilities and provisions	(444,473)	(454,085)
<b>Net Assets</b>	<b>7,163</b>	<b>7,424</b>
<u>Represented by:</u>		
Usable Reserves	(55,677)	(65,682)
Unusable Reserves	48,514	58,258
<b>Total Reserves</b>	<b>(7,163)</b>	<b>(7,424)</b>

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The total reserves held by the Council at the end of the year were £7.4m, which is comparable to the amount held at the end of the previous year. This total is net of £58.2m 'unusable' reserves (such as the deficit on the Pensions Reserve), which are technical adjustment accounts operated by the Council rather than cash monies available to spend.

Held within the usable reserves total is the Council's **General Fund balance**, which is the reserve the Council uses to cover immediate or unplanned financial risks. At the year-end, the balance was maintained at **£9.053m**, which equates to approximately 5.7% of the 2019/20 net revenue budget, a level deemed prudent by the Section 151 Officer.

However it should be recognised that this assessment would be more robust in a 'pre-Covid' environment, than at present, as when looking ahead at the financial modelling and potential Covid-19 impacts, it is clear that the Council will be required to fund additional unplanned pressures and so may be required to utilise a proportion of the resources held in the reserve during the 2020/21 financial year.

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

## Collection Fund

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

At the end of the year the account shows a net deficit of £0.439m in respect of the Council's ongoing council tax and business rate activities. Council tax outcomes were less positive than anticipated due to the both the prior year surplus and the tax base being lower than estimated, as well an increase in provisions required at the year-end. The business rate position was more favourable as income levels were higher than forecast.

## Treasury management, borrowing and cash-flows

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

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

The Strategy provides the framework within which authority is delegated to the Interim Director of Finance to make decisions on the management of the Council's debt and investment of surplus funds. The Strategies for 2019/20 and 2020/21 can be found on the Council's website.

The investment strategy is to continue to hold a diverse portfolio of investments (notably short-term unsecured bank and building society investments) and/or higher yielding asset classes. In previous years the Council has invested monies in longer- term investments such as the Churches, Charities and Local Authorities (CCLA) Property Fund and multi asset funds, which have provided higher yields than traditional cash-based investments. The outlook for investment returns for 2020/21 is likely to remain very low due to the worldwide impact of Covid-19 on the wider economy. This is likely to impact on the returns and share prices of both the Council's longer-term and short-term investments.

Whilst an element of the Council's capital programme generated a borrowing requirement, this was largely financed internally by utilising short-term cash balances and non-material interest free borrowing from Salix Finance Ltd, who provide Government funding to the public sector to improve energy efficiency, reduce carbon emissions and lower energy bills. As a result, no new long-term borrowing was taken with the Public Works Loan Board. With the continuing environment of low

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interest rates, we will continue to manage cash balances whilst considering the need to incur further external borrowing over the next couple of years.

## Pension assets and liabilities

The deficit within the accounts relating to employees' pension funds is £268.2m as at 31 March 2020, which is a net increase of £8.9m from the opening balance deficit of £259.3m. This balance reflects the value of pension liabilities which the Council is required to pay in the future as they fall due, offset by the value of assets invested by the pension fund.

## Financial performance outputs

One important way in which we measure and monitor outputs is by reference to activity and unit cost data. This is particularly relevant to key council spend areas such as adults' and children's social care, and waste. The 2019/20 out-turn data indicates summary information in these areas.

### **Adult Social Care**

The table below illustrates the number of adult social care clients supported during 2019/20, together with the average weekly unit cost. The expenditure can usefully either be split by the type of care received or in accordance with the clients' primary support reason. The information is shown gross, before any client contributions.

<b>Adult Social Care Packages</b>	Average number of clients 2018/19	Gross expenditure 2018/19 £	Average weekly unit cost 2018/19 £	Average number of clients 2019/20	Gross expenditure 2019/20 £	Average weekly unit cost 2019/20 £
<u>By Care Type</u>						
Residential	727	29,363,241	£774.64	736	32,169,460	£838.29
Nursing	292	10,371,796	£681.24	341	13,589,697	£764.34
Supported Living	269	11,152,338	£795.14	240	10,030,136	£801.54
Direct Payment	331	7,601,800	£440.47	333	8,122,561	£467.82
Homecare	692	5,416,798	£150.13	949	7,664,954	£154.91
Day Care	239	2,038,937	£163.62	256	2,100,702	£157.38
Extra Care	124	1,304,117	£201.71	123	1,598,083	£249.19
Shared Lives	41	1,285,117	£601.16	48	1,343,321	£536.74
Short Term Care	70	4,315,158	£1,190.81	100	3,515,867	£674.31
<b>Total</b>	<b>2,785</b>	<b>72,849,302</b>	<b>£501.77</b>	<b>3,126</b>	<b>80,134,781</b>	<b>£491.66</b>
<u>By Primary Support Reason</u>						
Learning Disability	701	27,655,950	£756.66	822	29,640,855	£691.59
Physical Support	1,454	26,743,103	£352.76	1,693	32,484,605	£368.00
Mental Health	237	8,558,412	£692.59	319	9,460,693	£568.80
Memory & Cognition	393	9,891,837	£483.36	201	6,907,735	£659.13
Other	0	0	£0.00	91	1,640,893	£345.83
<b>Total</b>	<b>2,785</b>	<b>72,849,302</b>	<b>£501.77</b>	<b>3,126</b>	<b>80,134,781</b>	<b>£491.66</b>

The Council allocated additional resources totalling over £4m for Adult Social Care in its 2019/20 budget. This has allowed the Council to provide services to an increased number of clients, notably in Residential, Nursing and Homecare settings. Unit costs in these areas have increased as the Council seeks to provide financial support to local service providers, in particular, meeting cost pressures for providers such as the National Living Wage. The Council has supported the

# Narrative Report



community-based care sector with staff recruitment and retention through the 'Proud to care' scheme. Working with other strategic care providers, these initiatives have helped stabilise the local care market, allowed more care provision, and improved outcomes when hospitals discharge patients into the community setting.

## Looked After Children

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

Children's Social Care Packages	Average number of placements	Net expenditure	Average annual unit cost	Average number of placements	Net expenditure	Average annual unit cost
	2018/19	2018/19 £	2018/19 £	2019/20	2019/20 £	2019/20 £
<b>By Care Type</b>						
In-house Foster Placements	97	2,120,837	£21,955	81	1,996,558	£24,710
Independent Foster Agency Placements	59	2,335,046	£39,410	64	2,782,445	£43,239
Residential Placements	19	3,217,892	£169,452	16	3,672,054	£229,935
Secure Accommodation	1	402,441	£386,963	0	0	£0
Parent and Baby	1	98,827	£70,090	1	257,221	£176,179
Supported Independent Living	5	478,148	£103,720	7	1,260,406	£169,182
Kinship	36	393,808	£10,939	40	483,858	£12,042
Special Guardianship	67	510,255	£7,616	68	456,532	£6,761
<b>Total</b>	<b>285</b>	<b>9,557,254</b>	<b>£33,546</b>	<b>278</b>	<b>10,909,074</b>	<b>£39,279</b>

The most significant changes in expenditure on Childrens Social care packages over the previous year are:

- an increase in both the number and unit costs of supported independent living placements, which are used as an alternative for residential placements for older children,
- a reduction in the number of residential placements, in part due to the so far successful implementation of the Step-Down programme, although average unit costs have increased, reflecting the complexity of the remaining cases,
- an overall decrease in number and cost of foster placements.

## Waste Disposal and Processing

The table below shows the weight and unit cost of waste that was sent to landfill or for other processing in 2019/20.

Waste Disposal	Number of tonnes	Gross expenditure	Weighted average cost per tonne	Number of tonnes	Gross expenditure	Weighted average cost per tonne
	2018/19	2018/19 £	2018/19 £	2019/20	2019/20 £	2019/20 £
<b>By Waste Type</b>						
Residual Waste - Landfill	24,385	2,691,840	£110.39	20,404	2,308,543	£113.14
Residual Waste - Treatment	17,670	1,862,221	£105.39	19,468	2,088,368	£107.27
Food Waste - Treatment	6,747	415,020	£61.51	6,980	436,183	£62.49
Garden Waste - Treatment	18,077	387,562	£21.44	19,109	416,395	£21.79
<b>Total</b>	<b>66,879</b>	<b>5,356,643</b>	<b>£80.09</b>	<b>65,961</b>	<b>5,249,489</b>	<b>£79.58</b>

Through targeted campaigns, clear communications and engaging with residents, we have reduced the volume of waste collected in 2019/20. This is against a backdrop of increased housing numbers. Our recycling rate for the year also increased to above 60% (2018/19 57%).

# Narrative Report



## Non-financial performance monitoring

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

The services we provide and perform have an impact on every resident and business in the area. We have a clear and comprehensive mechanism for business planning. Our business planning process sets out how we are going to achieve the ambitions and outcomes we have identified within the Corporate Plan and what resources and skills each directorate, service and team need to do this.

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The key components of the business planning process are illustrated below, and they ensure that all staff are clear what their priorities are, and how they are helping to contribute to the delivery of Corporate Plan aims and objectives.



The way that the Council manages its business and delivers services to residents is changing rapidly. Our population is growing fast and people are living longer, bringing increased demand for services. Technological change is also having a huge impact on everything from how we work to how we socialise.

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

The Council's Transformation Programme aims to address these challenges and is recognised by many as a comprehensive programme of change. It has helped us identify and unlock financial savings in the last few years, enabling us to prioritise resources for frontline services. We have promoted regeneration and economic growth and improved the way we work within the Council and with our partners.

## Performance outputs

Each quarter the Corporate Leadership Team receives a report on a wide range of indicators to ensure that the priorities of the Council are being met, services are being delivered to customers, income targets and cost reductions are being achieved, and to identify issues which may require further action. A summary of these reports is considered by the Executive and Policy & Scrutiny Panels for further review – the Quarter 4 out-turn report can be found on the Council's website.

# Narrative Report



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

Measure	Performance Output 2018/19	Target 2019/20	Performance Output 2019/20	RAG rating
<b>Adult Support and Safeguarding</b>				
People in permanent care home placements age 65+	824	<850	845	Green
People in permanent care home placements age 18 - 64	225	<210	204	Green
Concluded adult safeguarding cases where the person or their representatives' outcomes were fully / partially achieved	90.0%	95.0%	92.2%	Amber
<b>Education and Children's Safeguarding</b>				
Early help episodes	1,151	>1,000	1,037	Green
Children in Need	998	<1,000	628	Green
Children on a Child Protection Register	146	<130	90	Green
Children who are Looked After (rate per 10,000)	56.2	65.0	53.7	Green
KS1: Reducing the gap between FSM and Non-FSM (reading)	23%	<23%	20%	Green
KS1: Reducing the gap between FSM and Non-FSM (writing)	26%	<26%	24%	Green
KS1: Reducing the gap between FSM and Non-FSM (maths)	26%	<26%	20%	Green
KS2: Reducing the gap between FSM and Non-FSM (combined)	27%	<27%	30%	Red
<b>Economy</b>				
Net business rates payable in North Somerset	£64.6m	£63.6m	£65.3m	Green
Vacant retail premises in North Somerset town centres	13.9%	<12.0%	14.4%	Red
The number of business start-ups supported by NS Enterprise Agency	109	100	111	Green
The number of apprentices employed by the Council	24	20	19	Amber
<b>Housing</b>				
The number of households living in temporary accommodation	62	60	92	Red
The number of Houses of Multiple Occupancy improved	59	56	31	Red
<b>Transport and Waste</b>				
The percentage of the principal road network where maintenance should be considered	1.6%	1.4%	1.3%	Green
The percentage of the non-principal road network where maintenance should be considered	4.5%	4.6%	5.8%	Red
Residual waste collected (kg per household)	430.6kg	460.0 kg	402.5kg	Green
The percentage of household waste recycled	58.6%	60.0%	60.6%	Green

# Narrative Report



In addition our financial objectives and measures are laid out in the Medium Term Financial Plan, and our performance against these for 2019/20 is as follows.

Measure	2018/19 Performance	2019/20 Target	2019/20 Performance	RAG rating
Net revenue budget out-turn	Net Revenue Outturn in line with budget (no under / over-spend)	Within 1.5% of budget	Net Revenue Outturn in line with budget (no under / over-spend)	Green
General Fund balance	General Fund balance was £9.053m, 5.7% of the net revenue budget	Minimum of 5% of net revenue budget	General Fund balance is £9.053m, 5.7% of the net revenue budget	Green
Council Tax increases	Increase of 4.99% - Within the government capping limit of 5%	Within government capping limit	Increase of 2.75% - within the government capping limit of 3%	Green
Council Tax base growth	The tax base grew by 1.15% compared with a planned 1.03%	As per forecast	The tax base grew by 0.73% compared with a planned 1.54%	Red
Collection rates:-				
· Council Tax	98.1%	97.8%	98.0%	Green
· Business Rates	98.4%	98.2%	98.4%	Green
· General Debtors	95.0%	85.0%	95.0%	Green
Payment of general creditors	91.6% within 30 days	80% within 30 days	94.18% within 30 days	Green
Capital investment programme	Actual capital expenditure outturn £50.1m	Forecast capital programme £85.6m	Actual capital expenditure £50.9m - Slippage, no under / over-spend.	Green
Return on short-term investments	Actual income £0.6m	Budgeted income £0.4m	Actual income £0.8m	Green
Return on long-term investments	Actual return 4.51%	Budgeted return 3.5%	Actual return 4.35%	Green
Net income from commercial investment property	Actual net income £0.596m	Budgeted net income £0.915m	Actual net income £1.223m	Green
Borrowing	Actual borrowing £148.9m, which is below net revenue budget of £157.9m	Not to exceed net revenue budget	Actual borrowing £149.6m which is below net revenue budget of £158.8m	Green
Revenue costs of borrowing	Actual borrowing costs £10.8m, which equates to 6.8% of the net revenue budget	Not to exceed 10% of the net revenue budget	Actual borrowing costs £12.3m, which equates to 7.7% of the net revenue budget	Green

## 4 Looking ahead in the Medium Term

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

For 2019/20 the Council received additional grant income towards funding the cost of adult social care, but still had to make total savings of over £5.230m, due to issues such as reduced government funding, and inflation (contractual and employee), as well as increases in demand for adult and children's social care.

As Government funding falls, income generation becomes a key priority area. The Council plans to maximise its current sources of income, identify new income streams and actively pursue all opportunities to increase the resources available. A strong emphasis within the Council has once again been placed on maximising income from council tax and business rates, with work continuing to encourage new house building and to accelerate and generate new business growth to align with the regeneration ambitions of the Council.

# Narrative Report



The Council's latest medium-term financial modelling for the years 2020 to 2024, shown in the table below, was published in February 2020. This modelling is reflective of all information released by the Government at that time, as well as the Council's own views with regards to anticipated cost increases for inflation, superannuation and service demands.

	2019/20	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000	£000
<b>Projected Revenue Resources</b>					
Government Grants	14,699	17,538	11,296	10,744	10,328
Council Tax & Business Rates	138,998	143,896	148,277	152,211	156,141
Other	279	(1,404)	0	0	0
<b>Total Resources</b>	<b>153,976</b>	<b>160,030</b>	<b>159,573</b>	<b>162,955</b>	<b>166,469</b>
<b>Net Revenue Budget</b>					
Base Budget	153,259	153,976	160,030	159,573	162,955
Growth items	11,571	12,208	11,158	9,681	9,838
Grant Income and Savings Proposals	(10,854)	(6,154)	(2,426)	(1,865)	(930)
Savings Requirement	0	0	(9,189)	(4,434)	(5,394)
<b>Revised Base Budget</b>	<b>153,976</b>	<b>160,030</b>	<b>159,573</b>	<b>162,955</b>	<b>166,469</b>

The budget short-fall across the remaining years is currently £19m, with the largest savings target projected to be in 2021/22, although it should be noted that several elements of the forecast made at that time were uncertain, for example, the amount of government support for the long-term funding solution of adult social care services, as well as the wider funding back-drop for local government as a sector in terms of the multi-year Spending Review and also legislative changes relating to the Fair Funding Review and Business Rate Review.

In addition to those uncertainties, the Covid-19 pandemic will also have a significant impact on our financial forecasts for 2020/21 and beyond. The Council's financial planning regime is a continuous process, and has already begun to update these values, bringing in the latest information available. We will continue to update and publish such forecasts on a rolling basis. It is anticipated that such updates may increase the financial gap noted in the table above. However, the Council has a strong record of demonstrating good financial management, meaning that savings plans have been identified and delivered.

## Looking ahead with the five-year capital programme

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

Further details are contained within the Capital Strategy, which provides the framework within which the Council's capital investment plans are to be delivered. The latest Capital Strategy, which was approved in February 2020, provides:

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

The Capital Strategy and Programme will be revisited in the light of the Covid-19 pandemic to ensure that the policies and development plans remain current, or to assess if changes need to be made to ensure focus is given to recovery and renewal elements in the short-term. Capital spending forecasts will also be reviewed to reassess cost projections and funding streams, which may be exposed to financial risk should there be Covid impacts, for example, construction delays or additional costs from increased social distancing measures.

# Narrative Report



## Accounting changes in the year and looking ahead

There are no significant changes to the requirements of the Code and underlying accounting standards impacting on this year's financial statements over the prior year. Note 5 of the financial statements details the impact of accounting standards which have not yet adopted into the Code of Local Government accounting on future year's accounts. The implementation of the accounting standards expected in 2020/21 is not expected to materially impact on the Council's accounts.

## 5 Summary Position

Despite the challenging economic outlook and the in-year budget pressures faced within the People and Communities area of our budget, the Council's financial and operational performance levels continued to be maintained throughout 2019/20. The balanced out-turn position and maintaining the General Fund working balance at the same level were notable achievements, and are outcomes which will help bring financial stability in future years. The final out-turn position is reflective of the strong mitigating actions driven by the Corporate Leadership Team across several areas of the budget.

The Council's approach to financial planning over the medium term includes a focus on investment, driving regeneration and building income and growth plans. This further strengthens our position by developing financial resilience through reducing exposure to reductions in government funding.

However the annual performance of the past year has largely been overtaken in the final weeks of March, and the events since that time, as the Council has reacted to the Covid-19 pandemic emergency which has changed the way in which we all live and work.

It is important to highlight how the Council has responded to the challenge of managing services during a pandemic. The Council's immediate response during March 2020 was to implement enhanced management arrangements, with a structure based on Gold (strategic) and Silver (tactical and operational) groups including key system partners. This facilitated rapid responses to the evolving position, facilitating appropriate decision making (including the use of emergency powers and changes in meeting protocols, as allowed for in the Council's constitution), clear communication and inter-agency co-operation.

In addition to the service related impacts and support measures described above, the Council has recognised the pressures faced by residents and businesses and so have relaxed compliance measures in relation to council tax and business rates collection and from its rental properties and allowed deferred payments for up to the first three months of 2020/21, with revised payment plans extending towards the end of the financial year and into 2021/22. Other income streams, such as car parking, events, concessions licencing, land charges, highways, planning and building control have all been interrupted. The challenge for 2020/21 will be for the Council to quantify and understand the scale of these decisions and to regain any lost or deferred income where possible, in order to avoid placing an additional burden on the people and businesses of North Somerset whilst at the same time managing its finances effectively.

The budget for 2020/21 contained many transformation initiatives which were expected to deliver service changes or new ways of working, resulting in cost reductions or increases in income during the year. However the Council's response to the emergency has taken a significant amount of staffing capacity across all areas of the organisation, meaning that some of these plans have been deferred. Senior officers are currently quantifying these impacts and seeking to reassess timescales, the implementation plans, and the resulting financial impact.

To date central government has provided two un-ringfenced grants totalling £11.853m to help fund the impacts of Covid-19, £5.911m of which was received on 27 March 2020 and has been carried forward into 2020/21 via an earmarked reserve, the balance was received in May 2020. This funding will contribute towards the urgent and unforeseen costs and financial pressures impacting on the Council and our community.

However, it is clear that the level of financial support received so far will not be sufficient to address the projected impacts of Covid-19, as our forecasts of increased costs of service provision and the losses of income from fees, charges and investments exceed these sums. Further support is expected but the values and timescales are uncertain.

# Narrative Report



For now, a key part of the Council's recovery and renewal activity, led by the Chief Executive and the Corporate Leadership Team, is the consideration of the future shape of the Council, together with developing a clear financial plan covering both the revenue budget and capital programme. This financial plan will set out how the Council can respond to the potential significant deficit in 2020/21, higher demand for services, together with increased budget reduction requirement for future years, whilst making the most effective use of reserves and balances. The plan will also highlight the uncertainty and significant risks that the Council is facing. This work is on-going, and will be reported to Members throughout 2020/21.

Updates on the Council's finances are provided throughout the year in the free magazine North Somerset Life. If you have any questions or would like more information, please call our Financial Management team on 01934 634619, or e-mail [Melanie.Watts@n-somerset.gov.uk](mailto:Melanie.Watts@n-somerset.gov.uk). You can obtain additional copies of this report by writing to: Melanie Watts, Head of Corporate Accountancy, North Somerset Council, Town Hall, Walliscote Grove Road, Weston-Super-Mare, BS23 1UJ.

A handwritten signature in black ink, appearing to read 'R. B. Penska'.

**Richard Penska**  
**Director of Finance and Property**  
**19 November 2020**

# Narrative Report



## Basis of Preparation and Presentation of the Accounts

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

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

The assessment of materiality also influences the Council's decision to produce Group Accounts. Each year the Council assesses the entities it exerts control or significant influence over to identify which fall into the group boundary. If the value of transactions for the group as a whole is material, Group Accounts would be produced. There is no requirement to produce group accounts for 2019/20.

## 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 2020. 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 2019/20 ("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 Core Statements are:

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

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

# Narrative Report



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

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

The supplementary financial statements are:

**Collection Fund** - shows the billing authority transactions relating to the collection of Council Tax and Business Rates, and the relevant distributions to precepting bodies. North Somerset's Council Tax precepting bodies are the Council itself, the Avon and Somerset Police and Crime Commissioner, and the Avon Fire and Rescue Service. The Business Rate precepting bodies are the Council, Central Government and Avon Fire and Rescue Service. Each year the Council calculates the surplus or deficit on the Collection Fund, and this is distributed proportionately between the relevant precepting bodies.

The **Notes** to the financial statements provide more detail about the application of the Council's accounting policies and individual transactions. The **Annual Governance Statement** sets out the governance structures of the Council and its key internal controls. The **Accounting Policies** set out the policies that have been followed in preparing the accounts, in line with Code requirements.

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.

# Narrative Report



# 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 Finance and Resources.
- to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.
- approve the Statement of Accounts.

Since the resignation of the former Head of Finance and Property in October 2018, these responsibilities are being undertaken by Richard Penska, the Director of Finance and Property, and Section 151 Officer.

## The Director of Finance and Property's core responsibilities

The Director of Finance and Property 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 Finance and Property 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 Finance and Property 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 2020, and hereby authorise the issue of the accounts.

**Richard Penska FCCA**  
Director of Finance and Property  
19 November 2020

**Cllr John Cato**  
Chairman of Audit Committee  
19 November 2020



# Independent Auditor's Report and Opinion



## Independent auditor's report to the members of North Somerset Council

### Report on the Audit of the Financial Statements

#### Opinion

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

In our opinion, the financial statements:

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

#### Basis for opinion

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

#### The impact of macro-economic uncertainties on our audit

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

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

#### Conclusions relating to going concern

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

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

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

# Independent Auditor's Report and Opinion



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

## **Emphasis of Matter – effects of Covid-19 on the valuation of property assets**

We draw attention to Note 2 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's investment property, property plant and equipment and the Authority's share of the pension fund's UK property investment as at 31 March 2020. As disclosed in note 2 to the financial statements, valuations are reported on the basis of 'material valuation uncertainty' as per the RICS guidance.

For investment property, in reaching their valuations and in assessing whether asset values have been impaired, the Authority'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 on the economy, it has been difficult to value investment property assets.

For the valuation of property, plant and equipment the outbreak of Covid-19 has impacted global financial markets and, as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. Consequently, less certainty and a higher degree of caution should be attached to the valuation.

For the Authority's share of the pooled UK property funds in the pension fund, the Avon Pension Fund's independent valuers consider that less weight can be attached to previous market evidence for comparison purposes to inform opinions of value, and as a result have reported the values on the basis of "Material Valuation Uncertainty" as per VPGA 10 of the RICS Red Book-Global Standards in the Pension Fund's accounts. Consequently, for these assets, less certainty and a higher degree of caution should be attached to the valuation than would normally be the case.

## **Other information**

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

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

# Independent Auditor's Report and Opinion



## Opinion on other matters required by the Code of Audit Practice

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

## Matters on which we are required to report by exception

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

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

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

## Responsibilities of the Authority, the Director of Finance and Property and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 25, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance and Property. The Director of Finance and Property is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance and Property determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## Auditor's responsibilities for the audit of the financial statements

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

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

# Independent Auditor's Report and Opinion



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

### Conclusion

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

### Responsibilities of the Authority

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

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

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

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

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

### Report on other legal and regulatory requirements – Certificate

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

### Use of our report

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

*Barrie Morris*

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

Bristol  
19 November 2020



# Primary Financial Statements



# Movement in Reserves Statement



	Note	Usable Reserves									Unusable Reserves									TOTAL RESERVES
		General Fund Earmarked Reserves						Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Pensions Reserve	Accumulated Absences account	Deferred Capital Receipts Reserve	Pooled Investment Funds Adjustment Account	Total Unusable Reserves	
		General Fund Balance	LMS School Balances	Dedicated Schools Grant	Other Schools Balances	Other Earmarked Revenue Reserves	Earmarked Capital Reserves													
Balance at 1 April 2019		(9,053)	(467)	2,376	(362)	(33,159)	(3,724)	(9,764)	(1,524)	(55,677)	(66,657)	(147,143)	436	864	259,303	1,541	(79)	249	48,514	(7,163)
Total Comprehensive Income and Expenditure	CIES	10,187	0	0	0	0	0	0	0	10,187	(10,036)	0	0	0	(412)	0	0	0	(10,448)	(261)
Adjustments between accounting basis & funding	7	(16,407)	0	0	0	0	0	(2,263)	(1,522)	(20,192)	2,982	7,877	(31)	(425)	9,343	(265)	10	701	20,192	0
Transfers between Usable Reserves	8.1	6,218	(439)	1,471	11	(7,100)	(161)	0	0	0	0	0	0	0	0	0	0	0	0	0
(Increase) / Decrease in 2019/20	8, 9	(2)	(439)	1,471	11	(7,100)	(161)	(2,263)	(1,522)	(10,005)	(7,054)	7,877	(31)	(425)	8,931	(265)	10	701	9,744	(261)
Balance at 31 March 2020 - carried forward	8, 9	(9,055)	(906)	3,847	(351)	(40,259)	(3,885)	(12,027)	(3,046)	(65,682)	(73,711)	(139,266)	405	439	268,234	1,276	(69)	950	58,258	(7,424)

# Movement in Reserves Statement



	Note	Usable Reserves									Unusable Reserves								TOTAL RESERVES		
		General Fund Earmarked Reserves									Revaluation		Adjustment Accounts							Total	
		General Fund Balance	LMS School Balances	Dedicated Schools Grant	Other Schools Balances	Earmarked Revenue Reserves	Earmarked Capital Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Revaluation Reserve	Available-for-Sale Financial Instruments Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Pensions Reserve	Accumulated Absences account	Deferred Capital Receipts Reserve		Pooled Funds Adjustment Account	Total Usable Reserves
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Balance at 1 April 2018		(8,638)	(1,337)	1,420	(447)	(29,111)	(2,423)	(9,598)	(1,442)	(51,576)	(83,132)	304	(156,700)	467	45	232,726	1,334	(95)	0	(5,051)	(56,627)
Re-statement of opening balances	6	(778)	0	0	0	(874)	0	0	0	(1,652)	0	(304)	0	0	0	0	0	0	304	0	(1,652)
Revised balance at 1 April 2018		(9,416)	(1,337)	1,420	(447)	(29,985)	(2,423)	(9,598)	(1,442)	(53,228)	(83,132)	0	(156,700)	467	45	232,726	1,334	(95)	304	(5,051)	(58,279)
Total Comprehensive Income and Expenditure	CIES	26,140	0	0	0	0	0	0	0	26,140	1,805	0	0	0	0	23,171	0	0	0	24,976	51,116
Adjustments between accounting basis & funding basis under regulations	7	(28,341)	0	0	0	0	0	(166)	(82)	(28,589)	14,671	0	9,557	(31)	819	3,405	207	16	(55)	28,589	0
Transfers between Usable Reserves	8.1	2,564	870	956	85	(3,174)	(1,301)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(Increase) / Decrease in 2018/19	8, 9	363	870	956	85	(3,174)	(1,301)	(166)	(82)	(2,449)	16,476	0	9,557	(31)	819	26,576	207	16	(55)	53,565	51,116
Balance at 31 March 2019 - carried forward	8, 9	(9,053)	(467)	2,376	(362)	(33,159)	(3,724)	(9,764)	(1,524)	(55,677)	(66,656)	0	(147,143)	436	864	259,302	1,541	(79)	249	48,514	(7,163)

# Comprehensive Income and Expenditure Statement



2018/2019				Note	2019/2020		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
96,420	(30,485)	65,935	People & Communities		101,346	(32,685)	68,661
4,653	(3,229)	1,424	Adult Social Care		4,789	(3,624)	1,165
35,935	(5,619)	30,316	Housing Services		37,362	(5,923)	31,439
10,052	(9,879)	173	Children & Young People		9,597	(9,415)	182
60,622	(56,298)	4,324	Public Health		65,957	(59,300)	6,657
207,682	(105,510)	102,172	Schools Budgets & Grants		219,051	(110,947)	108,104
66,985	(65,223)	1,762	Corporate Services		72,071	(63,146)	8,925
67,351	(15,333)	52,018	Development & Environment		70,740	(16,108)	54,632
5,456	(1,569)	3,887	Non Service		1,809	(1,814)	(5)
<b>347,474</b>	<b>(187,635)</b>	<b>159,839</b>	<b>Cost of Services</b>	10	<b>363,671</b>	<b>(192,015)</b>	<b>171,656</b>
31,432	0	31,432	Other Operating Expenditure	11	2,541	0	2,541
12,967	(2,628)	10,339	Financing and investment income and expenditure	12	40,420	(2,647)	37,773
0	(175,470)	(175,470)	Taxation and non-specific grant income	13	0	(201,783)	(201,783)
<b>391,873</b>	<b>(365,733)</b>	<b>26,140</b>	<b>(Surplus) / Deficit on Provision of Services</b>	10,16	<b>406,632</b>	<b>(396,445)</b>	<b>10,187</b>
		1,805	(Surplus) / deficit on revaluation of non-current assets	9.2			(10,036)
		23,171	Remeasurements of net defined benefit liability	9.6			(412)
		<b>24,976</b>	<b>Other Comprehensive (Income) and Expenditure</b>				<b>(10,448)</b>
		<b>51,116</b>	<b>Total Comprehensive (Income) and Expenditure</b>				<b>(261)</b>

# Balance Sheet



31 March 2019 £000		Note	31 March 2020 £000
	Property, Plant and Equipment		
157,730	Other Land and Buildings	24.1	159,983
128,363	Infrastructure Assets	24.1	128,467
4,337	Community Assets	24.1	4,930
10,819	Vehicles, Plant, Furniture and Equipment	24.1	10,167
25,539	Assets Under Construction	24.1	49,327
629	Surplus assets	24.1	629
300	Intangible Assets		250
288	Heritage Assets		288
75,562	Investment Property	25	45,517
9,845	Long Term Investments	31.1	9,088
3,333	Long Term Debtors		3,887
<b>416,745</b>	<b>Long Term Assets</b>		<b>412,533</b>
7,577	Cash and Cash Equivalents	CFS	2,595
70,683	Short Term Investments	31.1	115,292
1,691	Inventories		1,609
42,046	Short Term Debtors	27, 31.1	43,144
<b>121,997</b>	<b>Current Assets</b>		<b>162,640</b>
(1,547)	Short Term Borrowing	31.1	(890)
(56,303)	Short Term Creditors	28	(49,387)
(5,818)	Short Term Provisions	29	(6,413)
0	Grants Received in Advance - Revenue	14	(5,031)
(23,438)	Grants & Contributions Received in Advance - Capital	14	(51,943)
<b>(87,106)</b>	<b>Current Liabilities</b>		<b>(113,664)</b>
(1,384)	Long Term Provisions	29	(1,522)
(147,305)	Long Term Borrowing	31.1	(148,721)
(13,294)	Long Term Borrowing - Ex Avon Debt	33	(12,762)
(259,303)	Pensions Liabilities	35.1	(268,236)
(23,187)	Other Long Term Liabilities	36.1	(22,844)
<b>(444,473)</b>	<b>Long Term Liabilities</b>		<b>(454,085)</b>
<b>7,163</b>	<b>Net Assets</b>		<b>7,424</b>
(55,677)	Usable Reserves	8.1	(65,682)
48,514	Unusable Reserves	9.1	58,258
<b>(7,163)</b>	<b>Total Reserves</b>		<b>(7,424)</b>

*R. B. Penska*

Richard Penska, Director of Finance and Property  
19 November 2020

# Cash Flow Statement



2018/2019 £000		Note	2019/2020 £000
(26,140)	Net surplus / (deficit) on the provision of services	CIES	(10,189)
63,720	Adjustments to the net surplus / (deficit) on the provision of services for non-cash movements	37.1	59,938
(27,557)	Adjustments for items included in the net surplus / (deficit) on provision of services that are investing or financing activities	37.2	(51,062)
<b>10,023</b>	<b>Net cash flows from Operating Activities</b>		<b>(1,313)</b>
	<b>Investing Activities</b>		
(28,589)	Purchase of Property, Plant and equipment, Investment property and Intangible Assets		(42,621)
3,654	Proceeds from sale of Property, Plant and equipment, Investment property and Intangible Assets		5,114
			<b>(37,507)</b>
(376,562)	Purchase of short and long term investments		(619,633)
362,060	Proceeds from sale of short and long term investments		575,135
			<b>(44,498)</b>
4,397	Other payments for Investing Activities		(596)
28,780	Other receipts from Investing Activities		76,189
			<b>75,593</b>
<b>(6,260)</b>	<b>Net cash flows from Investing Activities</b>		<b>(6,412)</b>
	<b>Financing Activities</b>		
4	Cash receipts from short and long term borrowing		1,758
(654)	Repayments of short and long term borrowing		(1,532)
			<b>226</b>
(525)	Finance lease repayments		(343)
1,753	Other net (payments) / receipts for Financing Activities		2,860
			<b>2,517</b>
<b>578</b>	<b>Net cash flows from Financing Activities</b>		<b>2,743</b>
<b>4,341</b>	<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(4,982)</b>
3,236	Cash and cash equivalents at the beginning of the reporting period		7,577
<b>7,577</b>	<b>Cash and cash equivalents at the end of the reporting period comprising:</b>		<b>2,595</b>
7,577	Cash held by the Council	37.4	2,595
<b>7,577</b>			<b>2,595</b>





# 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. The critical judgements made in the Statement of Accounts are:

- Accounting treatment of Covid-19 response funding - On 19 March 2020 the government announced £1.6bn of additional funding for local government to help them respond to coronavirus (Covid-19) pressures across all the services they deliver, with funding being given using powers under Section 31 of the Local Government Act 2003. The Council's share of this was a grant of £5.9m and was received during the 2019/20 financial year. A significant judgement has been made that there are no conditions attached to this grant, and that it is not period specific. In line with section 2.3 of the Code, the Council has therefore included the grant as income in the Comprehensive Income and Expenditure Statement, and subsequently held the amount in an earmarked reserve to be applied in the new year which is when the majority of financial impacts will be incurred.
- Better Care Funding - The Section 75 agreement by which Better Care resources have been agreed between the Council and North Somerset CCG has been assessed against the appropriate standards, mainly IFRS 10 and IFRS11. Following consideration of the control and governance arrangements of the underlying transaction streams, officers have judged that the arrangement should be classified as a 'joint operation'. As such, the Council and CCG accounts for the assets, liabilities, revenues and expenses relating to their involvement in the joint operation. Further details are set out in Note 21.
- Accounting for schools' non-current assets –The Council recognises the local authority maintained schools land and buildings on its Balance Sheet where it directly owns the assets, and the building assets of schools where the owning entity has transferred rights to use the assets to the Council. The Council has completed a school by school assessment across the different types of schools it controls within the district. Judgements have been made in applying IAS16 Property, Plant and Equipment in determining the arrangements in place, and the subsequent accounting treatment of the land and building assets.
- Investment Property - Following consideration of guidance in the Code and relevant accounting standards (IAS40 and IPSAS 16), the Council has made a judgement that a number of its properties are 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 as therefore classified material assets as Investment property, rather than as operational Property, Plant and Equipment. See Note 21.
- Classification of income as within the scope of IFRS15 -The Council has changed its previous judgement that income from care recipients received for contributions to their care were made under statute, but instead is received under contracts. This is because once the client's contribution is assessed, it is included in contracts with the Council. Such income is therefore considered to be within of the scope of IFRS15, and hence the amounts disclosed in Note 16.2. The comparators to note 16.2 have therefore been re-stated - see Note 6.

Materiality has been applied in all judgements which significantly affect the financial statements.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from these estimates. Whilst Covid-19 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 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

# Technical Notes, Judgements and Assumptions



## 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 on the economy, it has been difficult to value investment property assets. As a result of such uncertainties the Council's valuers have included a 'material valuation uncertainty' declaration in their valuation reports.

However where possible, the inputs to these valuations are based on observable data but there is a risk that market valuations and observable inputs may be either no longer available and so in that case, estimation techniques would be required in establishing fair values. 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 changes in the fair value measurement for the properties. 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. Hence a change in valuation of the order of 14% would be likely to be considered material to the Council's accounts.

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

## Property, Plant and Equipment - Valuation

Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets. The Council's external valuers provided valuations as at 1 January 2020 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.

Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid.

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. It is estimated that a 1% change in net book asset values would result in a change of approximately £3.5m (2018/19 £3.3m). Hence a change in net book value of the order of 2% would be likely to be considered material to the Council's accounts.

## Pensions Assets – Property Investments

For pooled UK property funds, the Avon Pension Fund's independent valuers consider that less weight can be attached to previous market evidence for comparison purposes to inform opinions of value, and as a result have reported the values

# Technical Notes, Judgements and Assumptions



on the basis of ‘Material Valuation Uncertainty’ as per VPGA 10 of the RICS Red Book-Global Standards in the Pension Fund’s accounts. Consequently, for these assets, less certainty and a higher degree of caution should be attached to the valuation than would normally be the case.

The value of the UK Property funds held in relation to North Somerset Council is £21.8m. Based on advice from the Pension Fund’s fund manager of the UK Property Portfolio, detailed in the Avon Pension Fund accounts, the indicative effect of COVID-19 pandemic on these valuations could result in a reduction of 10-15% in the reported value which is between £2.2m and £3.3m. A change in valuation of the order of 30% 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.

The effects of changes in individual assumptions can have a significant impact on the value of the net pensions liability. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension deficit of the Local Government Pension Scheme (LGPS) of £10.2m (2018/19 £11.8m), and a decrease of £0.2m (2018/19 £0.2m) of the Teachers Unfunded Discretionary Benefits.

## Britain’s departure from the European Union: asset values and pension liability

There is still uncertainty about the implications of Britain’s departure from the European Union. At the current time it is not possible to predict the agreement that will be reached at the end of the transition period. The assumption has been made that this will not significantly impair the value of the Council’s assets or change the discount rate. However, this assumption needs to be revisited and reviewed regularly. Impacts could result in higher impairment allowances being charged in the future if asset values fall, or the net pension liabilities could vary if the discount rate changes.

## **3. Material items of income and expenditure**

Reductions in value of investment property - The Council’s investment property is re-valued at each year end. As noted in Note 12 and Note 25, the valuation of the Council’s investment property portfolio as at 31 March 2020 reduced by £27.8m. As noted in Note 7, the impact of this reduction in value does not impact on the General Fund balance but is taken to the Capital Adjustment Account (Note 9.3).

## **4. Events after the reporting period**

The Statement of Accounts are due to be authorised for issue by the Chief Financial Officer on 1 July 2020. 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 2020, 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 following events, which took place after 31 March 2020, as they provide information that is relevant to an understanding of the authority’s financial position but do not relate to conditions at that date:

On 1 April 2020 the Council received £40.396m of grant funding from Central Government, in respect of the Small Business Grant Fund (SMGF) and Retail, Hospitality and Leisure Grant Fund (RHLGF). These schemes were announced by the Chancellor on 17 March 2020, and form part of a package of measures introduced to financially support businesses during the Covid-19 pandemic. The Council has no direction, control or influence over the grant scheme or process and any unspent monies are required to be returned to the Government at the end of the period, and so the Council will account for these as an agent on behalf of the principal Government department during its 2020/21 financial statements.

# Technical Notes, Judgements and Assumptions



After the year end an independent councillor resigned their seat. Hence the numbers of independent councillors detailing in the 'Our Leadership and Workforce' section of the Narrative Report has subsequently reduced from 17 to 16, with the seat currently remaining vacant.

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

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (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 2020/21 are:

- amendments to IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-2016 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

None of these changes are expected to have a significant effect on the Council's Statement of Accounts from 1 April 2020.

The CIPFA/LASAAC Local Authority Accounting Code Board (CIPFA/LASAAC) has agreed to defer the implementation of IFRS 16 'Leases' for one year in-line with the government's Financial Reporting Advisory Board's proposals for central government departments. This will mean the effective date for implementation is now 1 April 2021.

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

In 2018/19, the Council excluded income from contributions from care service recipients from the amount disclosed in note 16.2 as relating to contracts. The Council has now revised its previous accounting judgement, such that such income from care recipients are made under contract, rather than under statute. This materially increases the value of the income disclosed in note 16.2 as 'Revenue from contracts with service recipients', and therefore represents a material change in critical judgement in applying its accounting policies.

	Note	2018/19 £000	Re- statement £000	2018/19 Re-stated £000
<b>Change of significant judgement - classification</b>				
Amounts included in the Comprehensive Income and Expenditure Statement for contracts with service recipients:				
Revenue from contracts with service recipients	16.2	(25,591)	(15,673)	(41,264)

# 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.

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
<b>2019/2020 ADJUSTMENTS</b>				
<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 - Note 9.3):				
Charges for depreciation of non-current assets	(11,065)	0	0	11,065
Charges for impairment of non-current assets	(7,459)			7,459
Revaluation losses on Property, Plant and Equipment	(2,307)	0	0	2,307
Movements in the fair value of Investment Properties	(27,886)	0	0	27,886
Revenue expenditure funded from capital under statute	(8,764)	0	0	8,764
Net gain or loss on sale or de-recognition of non-current assets and non-current assets held for sale	(7,453)	0	0	7,453
Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement	44,386	0	0	(44,386)
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,572	0	(1,572)	0
Impairment of Financial Assets	0	0	0	0
Financial instruments (transferred to the Financial Instruments Adjustments Account - Note 9.4)	31	0	0	(31)
Council tax and NDR (transfers to or from Collection Fund Adjustment Account - Note 9.5)	425	0	0	(425)
Pensions costs (transferred to or from the Pensions Reserve - Note 9.6)	(9,345)	0	0	9,345
Holiday pay (transferred to or from the Accumulated Absences Reserve - Note 9.7)	265	0	0	(265)
Remeasurement of pooled Financial Instruments (transferred to the Pooled Investment Funds Adjustment Account - Note 9.9)	(701)	0	0	701
<b>Total Adjustments to Revenue Resources</b>	<b>(28,301)</b>	<b>0</b>	<b>(1,572)</b>	<b>29,873</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve - Note 8.3	5,104	(5,104)	0	0
Payments to the Government housing capital receipts pool (funded by a transfer from the Capital Receipts Reserve - Note 8.3)	(8)	8	0	0
Statutory provision for the repayment of debt (MRP) (transfer from the Capital Adjustment Account)	5,759	0	0	(5,759)
Capital expenditure financed from General Fund revenue balances (transfer from the Capital Adjustment Account)	1,039	0	0	(1,039)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>11,894</b>	<b>(5,096)</b>	<b>0</b>	<b>(6,798)</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure	0	2,871	0	(2,871)
Application of capital grants to finance capital expenditure	0	0	50	(50)
Write down of long term debtor on receipt of loan principal	0	(29)	0	29
Cash receipts in relation to deferred capital receipts	0	(10)	0	10
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>2,832</b>	<b>50</b>	<b>(2,882)</b>
<b>TOTAL ADJUSTMENTS</b>	<b>(16,407)</b>	<b>(2,264)</b>	<b>(1,522)</b>	<b>20,193</b>

# Notes to the Movement in Reserves Statement



2018/2019 ADJUSTMENTS	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	(13,107)	0	0	13,107
Charges for impairment of non-current assets	(5,722)			5,722
Revaluation losses on Property, Plant and Equipment	(1,354)	0	0	1,354
Movements in the fair value of Investment Properties	(1,845)	0	0	1,845
Revenue expenditure funded from capital under statute	(5,071)	0	0	5,071
Net gain or loss on sale or de-recognition of non-current assets and non-current assets held for sale	(31,220)	0	0	31,220
Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement	23,756	0	0	(23,756)
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	164	0	(164)	0
Impairment of Financial Assets	(50)	0	0	50
Financial instruments (transferred to the Financial Instruments Adjustments Account)	31	0	0	(31)
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	(819)	0	0	819
Pensions costs (transferred to or from the Pensions Reserve)	(3,406)	0	0	3,406
Holiday pay (transferred to or from the Accumulated Absences Reserve)	(206)	0	0	206
Remeasurement of pooled Financial Instruments (transferred to the Pooled Funds Adjustment Account)	55	0	0	(55)
<b>Total Adjustments to Revenue Resources</b>	<b>(38,794)</b>	<b>0</b>	<b>(164)</b>	<b>38,958</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds credited as part of the gain/loss on disposal from revenue to the Capital Receipts Reserve	3,639	(3,639)	0	0
Payments to the Government capital receipts pool (funded by a transfer from the Capital Receipts Reserve)	(12)	12	0	0
Statutory provision for the repayment of debt (MRP) (transfer from the Capital Adjustment Account)	5,636	0	0	(5,636)
Capital expenditure financed from General Fund revenue balances (transfer from the Capital Adjustment Account)	1,190	0	0	(1,190)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>10,453</b>	<b>(3,627)</b>	<b>0</b>	<b>(6,826)</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure	0	3,497	0	(3,497)
Application of capital grants to finance capital expenditure	0	0	82	(82)
Write down of long term debtor on receipt of loan principal	0	(20)	0	20
Cash receipts in relation to deferred capital receipts	0	(16)	0	16
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>3,461</b>	<b>82</b>	<b>(3,543)</b>
<b>TOTAL ADJUSTMENTS</b>	<b>(28,341)</b>	<b>(166)</b>	<b>(82)</b>	<b>28,589</b>

# Notes to the Movement in Reserves Statement



## 8. Usable Reserves

### 8.1 Summary of Usable Reserves

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

	Balance 1 April 2019 £000	Net Movement in Year £000	Balance 31 March 2020 £000	Further Details
General Fund Balance	(9,053)	0	<b>(9,053)</b>	
Earmarked Reserves - School Balances				
- LMS Schools	(467)	(439)	<b>(906)</b>	
- Dedicated Schools Grant	2,376	1,471	<b>3,847</b>	Note 15
- Other Schools Balances	(362)	11	<b>(351)</b>	
Other Earmarked Revenue and Capital Reserves	(36,883)	(7,262)	<b>(44,145)</b>	Note 8.2
<b>Total General Fund and Earmarked Reserves</b>	<b>(44,389)</b>	<b>(6,219)</b>	<b>(50,608)</b>	Note 10
Usable Capital Financing Reserves				
- Capital Receipts Reserve	(9,764)	(2,264)	<b>(12,028)</b>	Note 8.3
- Capital Grants Unapplied	(1,524)	(1,522)	<b>(3,046)</b>	Note 8.4
<b>Total Usable Capital Financing Reserves</b>	<b>(11,288)</b>	<b>(3,786)</b>	<b>(15,074)</b>	
<b>Total Usable Reserves</b>	<b>(55,677)</b>	<b>(10,005)</b>	<b>(65,682)</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 a General Fund earmarked reserve. 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 1 April 2018 £000	Transfers between Reserves £000	Transfers Out £000	Transfers In £000	Balance 31 March 2019 £000	Transfers between Reserves £000	Transfers Out £000	Transfers In £000	Balance 31 March 2020 £000
<b>Earmarked Revenue Reserves (Non-schools)</b>									
Insurance Reserve	(3,237)	0	0	(180)	(3,417)	367	153	0	(2,897)
Severance Reserve	(1,000)	0	0	(50)	(1,050)	0	0	(200)	(1,250)
Transformation Reserves	(1,707)	75	1,157	(2)	(477)	(229)	108	(393)	(991)
Economic & Regeneration Reserve	(1,455)	(16)	286	(20)	(1,205)	300	373	(455)	(987)
City-Deal Smoothing Reserve	(3,503)	0	3,374	(4,177)	(4,306)	480	3,825	(4,331)	(4,332)
Financial Risk Reserve	(2,184)	300	74	(1,799)	(3,609)	(455)	880	0	(3,184)
Council Tax Smoothing Reserve	(470)	0	323	(1,090)	(1,237)	(480)	1,012	(680)	(1,385)
Recovery & Renewal Reserve	0	0	0	0	0	0	0	(250)	(250)
Covid Response Funding Reserve	0	0	0	0	0	0	0	(5,911)	(5,911)
People & Communities - Adult Social Services	(1,662)	0	745	(1,066)	(1,983)	0	1,983	(166)	(166)
People & Communities - Housing Services	(471)	0	113	(194)	(552)	60	131	(586)	(947)
People & Communities - Children & Young People	(461)	0	309	(743)	(895)	(285)	59	(733)	(1,854)
People & Communities - Schools	(186)	0	47	(43)	(182)	58	110	0	(14)
People & Communities - Public Health	(582)	(34)	112	(8)	(512)	0	96	0	(416)
People & Communities - Housing Property Funds	(756)	0	4	(72)	(824)	0	0	(76)	(900)
Development & Environment	(3,163)	(250)	783	(830)	(3,460)	283	1,030	(1,441)	(3,588)
Corporate Services	(2,048)	(75)	409	(805)	(2,519)	(87)	568	(1,512)	(3,550)
Earmarked Deposits & Contributions	(7,100)	0	1,346	(1,177)	(6,931)	28	1,155	(1,890)	(7,638)
<b>Total Non- Schools Earmarked Revenue Reserves</b>	<b>(29,985)</b>	<b>0</b>	<b>9,082</b>	<b>(12,256)</b>	<b>(33,159)</b>	<b>40</b>	<b>11,483</b>	<b>(18,624)</b>	<b>(40,260)</b>
<b>Earmarked Capital Reserves</b>									
General Capital Reserves	(2,409)	445	102	(648)	(2,510)	(15)	210	(415)	(2,730)
Earmarked Capital Reserves	(14)	(445)	0	(755)	(1,214)	15	144	(100)	(1,155)
<b>Total Earmarked Capital Reserves</b>	<b>(2,423)</b>	<b>0</b>	<b>102</b>	<b>(1,403)</b>	<b>(3,724)</b>	<b>0</b>	<b>354</b>	<b>(515)</b>	<b>(3,885)</b>
<b>Total Earmarked Revenue and Capital Reserves</b>	<b>(32,408)</b>	<b>0</b>	<b>9,184</b>	<b>(13,659)</b>	<b>(36,883)</b>	<b>40</b>	<b>11,837</b>	<b>(19,139)</b>	<b>(44,145)</b>

# Notes to the Movement in Reserves Statement



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. This includes the Digital First programme and resources to replace the adult social care records system.
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.
Council Tax Smoothing Reserve	Resources set-aside to smooth the impact on the Council's revenue budget for taxpayers.
Covid-19 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.
People & Communities – Including Housing Property Funds	Monies set-aside to fund Adult Social Care programmes, Housing related surveys, service transformation projects such as Troubled Families, school pooling arrangements and resources to fund specific costs associated with statutory public health functions. Also reflects monies held in sinking funds to be used for repairs on leasehold properties.
Development and Environment	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 finance community development projects as well as asset management condition and transfer programmes in future years. Partnership funds are those held under the Council's role as an accountable body.
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	2018/19 £000	2019/20 £000
Balance brought forward - 1 April		(9,598)	<b>(9,764)</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	(3,638)	<b>(5,104)</b>
Financing payment to the Government Housing Capital Receipts Pool	7	12	<b>8</b>
Use of Capital Receipts to finance new capital expenditure	7, 9.3	3,497	<b>2,871</b>
Transfer from the Capital Adjustment Account to reflect repayment of long-term debtor	7, 9.3	(20)	<b>(29)</b>
Transfer from Deferred Capital Receipts Reserve	7, 9.8	(16)	<b>(10)</b>
<b>Balance carried forward - 31 March</b>		<b>(9,764)</b>	<b>(12,028)</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	2018/19 £000	2019/20 £000
Balance brought forward - 1 April		(1,442)	<b>(1,524)</b>
Transfer to Capital Adjustment Account to finance capital spend	7, 9.3	82	<b>50</b>
Capital Grants and Contributions unapplied, credited to the Comprehensive Income and Expenditure Statement	7	(164)	<b>(1,572)</b>
<b>Balance carried forward - 31 March</b>		<b>(1,524)</b>	<b>(3,046)</b>

# Notes to the Movement in Reserves Statement



## 9. Unusable Reserves

### 9.1 Summary of Unusable Reserves

	Balance 1 April 2019 £000	Net Movement in Year £000	Balance 31 March 2020 £000	Further Details
Revaluation Reserve	(66,656)	(7,055)	<b>(73,711)</b>	Note 9.2
Capital Adjustment Account	(147,143)	7,877	<b>(139,266)</b>	Note 9.3
Financial Instruments Adjustment Account	436	(31)	<b>405</b>	Note 9.4
Collection Fund Adjustment Account	864	(425)	<b>439</b>	Note 9.5
Pensions Reserve	259,302	8,932	<b>268,234</b>	Note 9.6
Accumulated Absences Account	1,541	(265)	<b>1,276</b>	Note 9.7
Deferred Capital Receipts Reserve	(79)	10	<b>(69)</b>	Note 9.8
Pooled Investment Funds Adjustment Account	249	701	<b>950</b>	Note 9.9
<b>Total Unusable Reserves</b>	<b>48,514</b>	<b>9,744</b>	<b>58,258</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

	2018/19 £000	2019/20 £000
Balance brought forward - 1 April	(83,132)	<b>(66,656)</b>
Upward revaluation of assets	(3,171)	<b>(13,804)</b>
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	4,976	<b>3,768</b>
<b>Surplus / deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	1,805	<b>(10,036)</b>
Difference between fair value depreciation and historical cost depreciation	1,911	<b>1,577</b>
Accumulated gains written out on assets sold or scrapped	12,760	<b>1,404</b>
<b>Amount written off to the Capital Adjustment Account</b>	14,671	<b>2,981</b>
<b>Balance carried forward - 31 March</b>	<b>(66,656)</b>	<b>(73,711)</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.

	Note	2018/19 £000	2019/20 £000
Balance brought forward - 1 April		(156,700)	<b>(147,143)</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	Note 7	13,107	<b>11,065</b>
Charges for Impairment of Non Current Assets	Note 7	5,722	<b>7,459</b>
Revaluations Losses on Property, Plant and Equipment	Note 7	1,354	<b>2,307</b>
Movements in the Market Value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	Note 7	1,845	<b>27,886</b>
Revenue Expenditure Financed by Capital Under Statute	Note 7	5,071	<b>8,764</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	Note 7	31,220	<b>7,453</b>
Charges for Impairment of Financial Assets	Note 7	50	<b>0</b>
		58,369	<b>64,934</b>
<u>Amounts transferred from the Revaluation Reserve</u>			
Difference between fair value depreciation and historical cost depreciation	Note 9.2	(1,911)	<b>(1,577)</b>
Accumulated gains written out on disposal or sale of non-current assets	Note 9.2	(12,760)	<b>(1,404)</b>
		(14,671)	<b>(2,981)</b>
<b>Net amount written out of the cost of non-current assets consumed in the</b>		<b>43,698</b>	<b>61,953</b>
<u>Amounts transferred to the Capital Receipts Reserve</u>			
Write down of long-term debtor	Note 7,8.3	20	<b>29</b>
		20	<b>29</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	Note 7	(23,756)	<b>(44,386)</b>
Use of Capital Receipts Reserve to finance new capital expenditure	Note 7,8.3	(3,497)	<b>(2,871)</b>
Application of Grants and Contributions to capital financing from the Capital Grants Unapplied Account	Note 7,8.4	(82)	<b>(50)</b>
Statutory provision for the financing of capital investment charged against the General Fund Balance	Note 7	(5,636)	<b>(5,759)</b>
Capital expenditure charged against the General Fund Balance	Note 7	(1,190)	<b>(1,039)</b>
		(34,161)	<b>(54,105)</b>
<b>Balance carried forward - 31 March</b>		<b>(147,143)</b>	<b>(139,266)</b>

# Notes to the Movement in Reserves Statement



## 9.4 Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from discounts and premia on premature debt redemption, and similar financial transactions.

	Note	2018/19 £000	2019/20 £000
Balance brought forward - 1 April		468	436
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	Note 7	(32)	(31)
<b>Balance carried forward - 31 March</b>		<b>436</b>	<b>405</b>

## 9.5 Collection Fund Adjustment Account

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

	Note	2018/19 £000	2019/20 £000
Balance brought forward - 1 April		46	864
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		(126)	1,817
- Business Rates		467	(1,531)
- Business Rates: Disregarded Amount		477	(711)
	Note 7	818	(425)
<b>Balance carried forward - 31 March</b>		<b>864</b>	<b>439</b>

# Notes to the Movement in Reserves Statement



## 9.6 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).

	2018/19			2019/20		
	LGPS £000	Teachers' Discretionary Benefits £000	Total £000	LGPS £000	Teachers' Discretionary Benefits £000	Total £000
Balance brought forward - 1 April	209,099	23,626	232,725	<b>235,843</b>	<b>23,459</b>	<b>259,302</b>
Remeasurements of the net defined benefit liability:						
- Return on plan assets (Gains) / Losses	(11,686)	0	(11,686)	<b>46,767</b>	<b>0</b>	<b>46,767</b>
- Experience (Gains) / Losses	0	0	0	<b>(3,324)</b>	<b>604</b>	<b>(2,720)</b>
- (Gains) / Losses on financial assumptions	33,906	951	34,857	<b>(14,386)</b>	<b>(437)</b>	<b>(14,823)</b>
- (Gains) / Losses on demographic assumptions	0	0	0	<b>(28,563)</b>	<b>(1,073)</b>	<b>(29,636)</b>
Total Remeasurements of the net defined benefit liability	22,220	951	23,171	<b>494</b>	<b>(906)</b>	<b>(412)</b>
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	15,408	592	16,000	<b>21,782</b>	<b>543</b>	<b>22,325</b>
Employer's pensions contributions and direct payments to pensioners payable in the year	(10,884)	(1,710)	(12,594)	<b>(11,286)</b>	<b>(1,694)</b>	<b>(12,980)</b>
Amounts by which Pension costs charged to the Comprehensive Income Statement is different from that chargeable in accordance with statutory requirements	4,524	(1,118)	3,406	<b>10,496</b>	<b>(1,151)</b>	<b>9,345</b>
<b>Balance carried forward - 31 March</b>	<b>235,843</b>	<b>23,459</b>	<b>259,302</b>	<b>246,833</b>	<b>21,402</b>	<b>268,235</b>

# Notes to the Movement in Reserves Statement



## 9.7 Accumulated Absences Account

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

	Note	2018/19 £000	2019/20 £000
Balance brought forward - 1 April		1,334	1,541
Settlement or cancellation of accrual made at the end of the preceding year		(1,334)	(1,541)
Amounts accrued at the end of the current year		1,541	1,276
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	Note 7	207	(265)
<b>Balance carried forward - 31 March</b>		<b>1,541</b>	<b>1,276</b>

## 9.8 Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	Note	2018/19 £000	2019/20 £000
Balance brought forward - 1 April		(95)	(79)
Transfer to the Capital Receipts Reserve upon receipt of cash	Notes 7, 8.3	16	10
<b>Balance carried forward - 31 March</b>		<b>(79)</b>	<b>(69)</b>

# Notes to the Movement in Reserves Statement



## 9.9 Pooled Investment Funds Adjustment Account

The Pooled Funds Adjustment Account holds fair value movements on Pool Investment Funds. Under statutory arrangements these movements are not charged against the General Fund.

	Note	2018/19 £000	2019/20 £000
Balance brought forward - 1 April		304	249
Fair value movements on Pooled Investment Funds to be charged against the General Fund Balance in accordance with statutory requirements	Note 7	(55)	701
<b>Balance carried forward - 31 March</b>		<b>249</b>	<b>950</b>

# Notes to the Comprehensive Income and Expenditure Statement



## 10. Expenditure and Funding Analysis

	Note	2019/2020					
		Net Out-turn Position Reported to Members £000	Transfers (To) / From Reserves £000	Reallocation of Overheads, Precepts & Capital Financing £000	Net Expenditure Chargeable to General Fund Balances £000	Adj Between Funding & Accounting Basis (Note 10.1) £000	Net Expenditure in the CI&ES £000
People & Communities							
Adult Social Care		65,926	1,984	225	68,134	527	68,661
Housing Services		1,601	(530)	29	1,099	66	1,165
Children & Young People		30,984	(470)	188	30,701	738	31,439
Public Health		0	98	48	146	36	182
Schools Budgets & Grants		(0)	1,238	11	1,251	5,406	6,657
		<b>98,510</b>	<b>2,320</b>	<b>500</b>	<b>101,331</b>	<b>6,773</b>	<b>108,104</b>
Corporate Services		6,408	(96)	(732)	5,579	3,346	8,925
Development & Environment		36,773	463	232	37,468	17,164	54,632
Non Service		6,611	(1,481)	(5,135)	(5)	0	(5)
Capital Financing & Interest		10,525	(2,115)	(8,410)	0	0	0
Contribution into Earmarked Reserves		0	0	0	0	0	0
<b>Net Cost of Services</b>	<b>CIES</b>	<b>158,828</b>	<b>(910)</b>	<b>(13,546)</b>	<b>144,373</b>	<b>27,283</b>	<b>171,656</b>
Other Income and Expenditure		(158,828)	(5,310)	13,546	(150,593)	(10,876)	(161,469)
Use of General Revenue Reserves		0	0	0	0	0	0
<b>(Surplus) / Deficit on Provision of Services</b>	<b>CIES</b>	<b>0</b>	<b>(6,220)</b>	<b>(0)</b>	<b>(6,220)</b>	<b>16,407</b>	<b>10,187</b>

# Notes to the Comprehensive Income and Expenditure Statement



	Note	2018/2019					
		Net Out-turn Position Reported to Members	Transfers (To) / From Reserves	Reallocation of Overheads, Precepts & Capital Financing	Net Expenditure Chargeable to General Fund Balances	Adj Between Funding & Accounting Basis (Note 10.1)	Net Expenditure in the CI&ES
		£000	£000	£000	£000	£000	£000
People & Communities							
Adult Social Care		65,540	(291)	195	65,444	491	65,935
Housing Services		1,446	(99)	21	1,368	56	1,424
Children & Young People		29,852	(329)	159	29,681	635	30,316
Public Health		0	104	33	137	36	173
Schools Budgets & Grants		0	2,002	(31)	1,970	2,354	4,324
		96,838	1,386	377	98,600	3,572	102,172
Corporate Services		6,251	(173)	(357)	5,720	(3,958)	1,762
Development & Environment		36,079	905	(20)	36,964	15,054	52,018
Non Service		6,494	(1,215)	(5,053)	227	3,660	3,887
Capital Financing & Interest		9,879	(1,342)	(8,537)	0	0	0
Contribution into Earmarked Reserves		2,384	(2,384)	0	0	0	0
<b>Net Cost of Services</b>	<b>CI&amp;ES</b>	<b>157,925</b>	<b>(2,823)</b>	<b>(13,590)</b>	<b>141,511</b>	<b>18,328</b>	<b>159,839</b>
Other Income and Expenditure		(158,290)	988	13,590	(143,712)	10,013	(133,699)
Use of General Revenue Reserves		365	(365)	0	0	0	0
<b>(Surplus) / Deficit on Provision of Services</b>	<b>CI&amp;ES</b>	<b>0</b>	<b>(2,200)</b>	<b>(0)</b>	<b>(2,201)</b>	<b>28,341</b>	<b>26,140</b>

# Notes to the Comprehensive Income and Expenditure Statement



	Note	2018/2019			2019/2020		
		General Fund Reserves £000	Earmarked Revenue Reserves £000	Total GF and Earmarked Reserves £000	General Fund Reserves £000	Earmarked Revenue Reserves £000	Total GF and Earmarked Reserves £000
Opening Balance at 1 April		(9,418)	(32,772)	(42,190)	<b>(9,053)</b>	<b>(35,337)</b>	<b>(44,390)</b>
Net movement in year		365	(2,565)	(2,200)	0	(6,218)	(6,218)
<b>Closing Balance at 31 March</b>	<b>8.1</b>	<b>(9,053)</b>	<b>(35,337)</b>	<b>(44,390)</b>	<b>(9,053)</b>	<b>(41,555)</b>	<b>(50,608)</b>

# Notes to the Comprehensive Income and Expenditure Statement



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

2018/2019					Note	2019/2020			
Adjustment for Capital Purposes (Note 10.2.1) £000	Net Charge for the Pensions Adj (Note 10.2.2) £000	Other Statutory Adjustments (Note 10.2.3) £000	Total Statutory Adjustments (Note 10) £000			Adjustment for Capital Purposes (Note 10.2.1) £000	Net Charge for the Pensions Adj (Note 10.2.2) £000	Other Statutory Adjustments (Note 10.2.3) £000	Total Statutory Adjustments (Note 10) £000
107	316	68	491	People & Communities					
(6)	48	14	56	Adult Social Care		143	432	(48)	527
103	374	158	635	Housing Services		8	67	(9)	66
0	28	8	36	Children & Young People		297	500	(59)	738
3,947	(1,422)	(171)	2,354	Public Health		0	40	(4)	36
4,151	(656)	77	3,572	Schools Budgets & Grants		6,797	(1,345)	(46)	5,406
1,679	(5,703)	66	(3,958)			7,245	(306)	(166)	6,773
14,611	379	64	15,054	Corporate Services		504	2,880	(38)	3,346
0	3,660	0	3,660	Development & Environment		16,707	519	(62)	17,164
<b>20,441</b>	<b>(2,320)</b>	<b>207</b>	<b>18,328</b>	Non Service		0	0	0	0
				<b>Net Cost of Services</b>		<b>24,456</b>	<b>3,093</b>	<b>(266)</b>	<b>27,283</b>
3,554	5,726	733	10,013	Other Income and Expenditure from the Expenditure and Funding Analysis		(17,374)	6,253	245	(10,876)
<b>23,995</b>	<b>3,406</b>	<b>940</b>	<b>28,341</b>	<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>7,082</b>	<b>9,346</b>	<b>(21)</b>	<b>16,407</b>

# Notes to the Comprehensive Income and Expenditure Statement



## 10.2 Other Expenditure and Funding Analysis Notes

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

### 10.2.1 Adjustments for Capital Purposes

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

- **Other operating expenditure** – adjusts for capital disposals, with a transfer of income on disposal of assets, and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. 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

	2018/19 £000	2019/20 £000
Parish Council precepts	4,775	4,852
Other precepts and levies	277	283
Payments to the Government Housing Capital Receipts Pool	59	4
(Gains) / losses on the disposal of non-current assets	26,321	(2,598)
<b>Total</b>	<b>31,432</b>	<b>2,541</b>

## 12. Financing and Investment Income and Expenditure

	2018/19 £000	2019/20 £000
Interest payable and similar charges	5,342	6,310
Impairment losses re financial instruments	54	(29)
Net interest on net defined benefit pension liability & administration expense	5,726	6,253
Interest receivable and similar income	(2,628)	(2,647)
Changes in the fair value of investment property	1,845	27,886
<b>Total</b>	<b>10,339</b>	<b>37,773</b>

## 13. Taxation and Non-Specific Grant Income

	2018/19 £000	2019/20 £000
Council Tax Income	(109,048)	(113,098)
Business Rate Income	(29,625)	(30,922)
	(138,673)	(144,020)
Non-ringfenced government grants:		
Revenue Support Grant	(6,919)	(2,132)
New Homes Bonus Grant	(3,653)	(2,783)
Section 31 Grants re Business Rates and Council Tax	(6,700)	(7,214)
Adult Social Care Grants	(577)	(2,502)
Covid-19 Response Grant	0	(5,911)
	(17,849)	(20,542)
Capital grants and contributions	(18,948)	(37,220)
	(36,797)	(57,762)
<b>Total</b>	<b>(175,470)</b>	<b>(201,782)</b>

# Notes to the Comprehensive Income and Expenditure Statement



## 14. Grant Income

The following grants and contributions were credited to the Comprehensive Income and Expenditure Statement:

2018/19 Total Grants & Cont'ns £000		2019/20			Total Grants & Cont'ns £000
		Government Revenue Grants £000	Capital Grants £000	Other Grants & Cont'ns £000	
	<b>Credited to Services</b>				
	People & Communities				
	Adult Social Care:				
(4,977)	NHS NS CCG Better Care Fund	0	0	(5,298)	<b>(5,298)</b>
(4,918)	Improved Better Care Fund	(5,857)	0	0	<b>(5,857)</b>
(4,327)	Other Adult Social Care Services Grants & Contributions	(628)	(290)	(3,628)	<b>(4,546)</b>
	Children and Young People:				
(3,496)	Other Children's & Education Services Grants & Contributions	(2,188)	0	(2,083)	<b>(4,272)</b>
(2,350)	Housing Services Grants & Contributions	(1,009)	(1,447)	(317)	<b>(2,773)</b>
(9,616)	Public Health Services Grants	(9,333)	0	(22)	<b>(9,355)</b>
	Schools budgets and grants:				
(48,498)	Dedicated Schools Grant	(47,562)	0	0	<b>(47,562)</b>
(1,197)	Pupil Premium Grant	(1,009)	0	0	<b>(1,009)</b>
0	Teachers Pay Grant	(525)	0	0	<b>(525)</b>
(642)	Universal Infant Free School Meals	(446)	0	0	<b>(446)</b>
(4,482)	Other Schools & Education Services Grants & Contributions	(523)	(6,793)	(1,058)	<b>(8,374)</b>
	Corporate Services				
(48,988)	Housing Benefit Subsidy	(43,899)	0	0	<b>(43,899)</b>
(579)	Housing Benefit Subsidy Administration	(538)	0	0	<b>(538)</b>
(2,045)	Other Corporate Services Grants & Contributions	(1,017)	0	(1,080)	<b>(2,098)</b>
(2,412)	Development & Environment	(341)	(209)	(2,788)	<b>(3,339)</b>
(1,079)	Non Service	0	0	(1,161)	<b>(1,161)</b>
<b>(139,606)</b>	<b>Total grants credited to Services</b>	<b>(114,874)</b>	<b>(8,739)</b>	<b>(17,437)</b>	<b>(141,049)</b>
	<b>Non-specific Grants and Capital Contributions (Note 13)</b>				
(17,849)	Non-ringfenced grants and contributions	(20,542)	0	0	<b>(20,542)</b>
(18,948)	Capital grants and contributions	0	(37,220)	0	<b>(37,220)</b>
<b>(36,797)</b>		<b>(20,542)</b>	<b>(37,220)</b>	<b>0</b>	<b>(57,762)</b>
<b>(176,403)</b>	<b>Total grants and contributions</b>	<b>(135,417)</b>	<b>(45,958)</b>	<b>(17,437)</b>	<b>(198,812)</b>

# Notes to the Comprehensive Income and Expenditure Statement



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:

	2018/19 £000	2019/20 £000
Local Transport Plan Grant	(1,924)	<b>(1,465)</b>
Early Years Child Care Grant	(99)	<b>(99)</b>
Basic Need Education Grant	(13,842)	<b>(28,073)</b>
Capital Maintenance Education Grant	(1,176)	<b>(269)</b>
Other Grants	(6,397)	<b>(11,204)</b>
<b>Total Capital Grants Received in Advance</b>	<b>(23,438)</b>	<b>(41,110)</b>
MOD contribution re Winterstoke Bridge	0	(10,833)
<b>Total Capital Contributions Received in Advance</b>	<b>0</b>	<b>(10,833)</b>
<b>Total Capital Grants and Contributions Received in Advance</b>	<b>(23,438)</b>	<b>(51,943)</b>
Section 31 grants	0	(5,014)
Other grants	0	(17)
<b>Total Revenue Grants Received in Advance</b>	<b>0</b>	<b>(5,031)</b>

## 15. Dedicated Schools Grant

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

The School and Early Years Finance (England) Regulations 2020 came into force on 21 February 2020 and are applicable to local authority accounting periods beginning on 1 April 2020. Under the Regulations, a deficit must be carried forward to be funded from future DSG income, unless permission is sought from the Secretary of State for Education to fund the deficit from general resources.

The Regulations relate specifically to the 2020/21 financial year, coming into effect on 1 April 2020. However, the Council took decisions to meet its budgetary requirements under the Regulations for the 2020/21 financial year in advance on 31 March 2020, and its decision has been reflected in the financial statements as at that date.

In order to faithfully represent the Balance Sheet position for reserves at 31 March 2020, the accumulated DSG deficit has been disclosed as an earmarked usable reserve in Note 8.1, thus creating a comparable position to the now statutory funding basis for the 2020/21 financial year.

The Council has not sought permission from the Secretary of State for Education to fund the deficit from general resources. The accumulated DSG deficit will be carried forward and recovered from future years DSG settlements, rather than from wider General Fund reserves.

Details of the deployment of DSG for 2019/20 and the balances carried forward at the year-end are as follows:

# Notes to the Comprehensive Income and Expenditure Statement



	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2019/20 before Academy Recoupment	(32,405)	(124,018)	<b>(156,423)</b>
Academy figure recouped for 2019/20	0	108,861	<b>108,861</b>
<b>Total DSG after Academy and high needs recoupment for 2019/20</b>	<b>(32,405)</b>	<b>(15,157)</b>	<b>(47,562)</b>
<i>2019/20 planned contribution to the DSG deficit recovery (included in figures above)</i>	0	500	<b>500</b>
(Surplus) / Deficit brought forward from 2018/19 (re-stated)	1,865	511	<b>2,376</b>
<b>Agreed initial / final budgeted distribution in 2019/20</b>	<b>(30,540)</b>	<b>(14,646)</b>	<b>(45,186)</b>
Actual central expenditure for the year	34,255	0	<b>34,255</b>
Actual Individual Schools Budget (ISB) deployed to schools in year	0	14,778	<b>14,778</b>
<b>Expenditure in 2019/20</b>	<b>34,255</b>	<b>14,778</b>	<b>49,033</b>
<b>(Surplus) / Deficit carried forward to 2020/21</b>	<b>3,715</b>	<b>132</b>	<b>3,847</b>

The deficit on the DSG has increased from £2.376m to £3.847m in 2019/20 due to the significant and increased spend pressures in the High Needs Block, which relates to children with Special Educational Needs and Disabilities (SEND). The 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. However, it is clear government policy to limit this amount. Movements from the schools block to the High Needs Block in 2020/21 have been restricted to 0.5% (£650k). As a result, and despite additional funding from central government, the increasing number of children and young people with SEND requiring specialist placements means that it will be difficult to reduce the deficit. That said, the Council has plans in place to mitigate the pressure, including a significant expansion in local specialist placements. The Council has begun discussions with the Department for Education about how the deficit can be managed.

# Notes to the Comprehensive Income and Expenditure Statement



## 16. Expenditure and Income Analysed by Nature and Revenue from Contracts

### 16.1 Expenditure and income analysed by nature

	2018/19 £000	2019/20 £000
<b>Expenditure</b>		
Employee Benefits Expenses	72,572	79,852
Other Services Expenses	250,621	252,320
Depreciation, Amortisation and Impairment	21,973	49,418
Interest paid	7,544	7,404
Precepts and Levies	5,568	5,658
Payments to the Housing Capital Receipts Pool	59	4
(Gains) / losses on the disposal of non-current assets	27,555	2,312
Revenue Expenditure Financed by Capital Under Statute	5,071	8,764
	<u>390,963</u>	<u>405,732</u>
<b>Income</b>		
Fees, Charges and Other Service Income	(45,214)	(47,872)
Interest & Investment Income received	(1,395)	(1,640)
Income from Council Tax, Non-Domestic Rates	(138,673)	(144,021)
Government Grants & Contributions	(176,402)	(198,812)
Internal Recharges	(3,139)	(3,200)
	<u>(364,823)</u>	<u>(395,545)</u>
<b>(Surplus) / Deficit on Provision of Services</b>	<u>26,140</u>	<u>10,187</u>

### 16.2 Revenue from contracts with service recipients

	2018/19 Re-stated £000	2019/20 £000
Amounts included in the Comprehensive Income and Expenditure Statement for contracts with service recipients:		
Revenue from contracts with service recipients	(41,264)	(44,814)

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.

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).

# Notes to the Comprehensive Income and Expenditure Statement



## 17. Members' Allowances

	2018/19 £000	2019/20 £000
Basic Allowances	420	436
Special Responsibility Allowances	208	211
Travel expenses & subsistence	19	15
<b>Total Members' Allowances</b>	<b>647</b>	<b>662</b>

## 18. Officer Remuneration

### 18.1 Senior Officer Remuneration

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

- the designated head of paid service, a statutory chief officer or a non-statutory chief officer of a relevant body, as defined under the Local Government and Housing Act 1989.
- any person having responsibility for the management of the relevant body, to the extent that the person has power to direct or control the major activities of the body, in particular activities involving the expenditure of money, whether solely or collectively with other persons.

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

Post	2019/2020			Total Remuneration incl. pension contributions £
	Salary (incl. fees & allowances) £	Payments made in respect of NSC elections £	Pension Contributions £	
Chief Executive - Jo Walker	156,060	250	43,697	200,007
Director of People and Communities	129,939	250	36,383	166,572
Director of Development and Environment (from 03/06/2019)	103,531	0	27,289	130,820
Director of Public Health and Regulatory Services (from 08/07/2019)	64,098	0	17,948	82,046
Interim Director of Finance and Resources (from 02/07/2019 - Interim Head of Finance and Property until 01/07/2019)	100,453	0	28,127	128,580
Head of Performance Improvement and HR	88,895	153	24,891	113,939
Head of Legal & Democratic Services	85,245	5,000	23,861	114,106
	<b>728,221</b>	<b>5,653</b>	<b>202,196</b>	<b>936,070</b>

# Notes to the Comprehensive Income and Expenditure Statement



Post	2018/2019			Total Remuneration incl. pension contributions £
	Salary (incl. fees & allowances) £	Payments made in respect of NSC elections £	Pension Contributions £	
Chief Executive - Mike Jackson (to 30 June 2018)	39,602	0	0	<b>39,602</b>
Chief Executive - Jo Walker (from 16 January 2019)	32,081	0	8,678	<b>40,759</b>
Director of People and Communities	127,391	0	34,459	<b>161,850</b>
Director of Development and Environment (to 21 May 2018)	19,762	0	5,346	<b>25,108</b>
Head of Finance and Property (to 28 October 2018)	64,117	0	17,309	<b>81,426</b>
Interim S151 Officer (from 31 October 2018)	37,959	0	10,268	<b>48,227</b>
Head of Performance Improvement and HR	87,152	0	23,575	<b>110,727</b>
Head of Legal & Democratic Services	79,593	0	21,530	<b>101,123</b>
	<b>487,657</b>	<b>0</b>	<b>121,165</b>	<b>608,822</b>

The Chief Executive post was filled on a temporary basis by Helen Bailey who was an agency employee, rather than a directly employed member of the Council staff. The cost payable to the agency was £138,454 and covered the period 1 July 2018 to 11 January 2019.

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

## 18.2 Officers' Remuneration

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

Remuneration Band	No. of Employees		Remuneration Band	No. of Employees	
	2018/19	2019/20		2018/19	2019/20
£50,000 - £54,999	28	<b>23</b>	£95,000 - £99,999	0	<b>0</b>
£55,000 - £59,999	24	<b>26</b>	£100,000 - £104,999	0	<b>1</b>
£60,000 - £64,999	9	<b>11</b>	£105,000 - £109,999	1	<b>0</b>
£65,000 - £69,999	5	<b>6</b>	£110,000 - £114,999	1	<b>1</b>
£70,000 - £74,999	3	<b>3</b>	£115,000 - £119,999	0	<b>0</b>
£75,000 - £79,999	5	<b>2</b>	£120,000 - £124,999	0	<b>0</b>
£80,000 - £84,999	2	<b>3</b>	£125,000 - £129,999	1	<b>0</b>
£85,000 - £89,999	3	<b>3</b>	£130,000 - £134,999	0	<b>1</b>
£90,000 - £94,999	0	<b>3</b>	£155,000 - £159,999	0	<b>1</b>

# Notes to the Comprehensive Income and Expenditure Statement



## 19. Termination Benefits

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

	2018/2019		2019/2020	
	No. of Packages	£000	No. of Packages	£000
Charged and Accrued for within the Comprehensive Income & Expenditure Statement				
- Severance Payments		477		216
- Pension Strain Costs		37		48
	28	<u>514</u>	22	<u>264</u>

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

	2018/2019		2019/2020	
	No of redundancies	£000	No of redundancies	£000
Up to £20,000	17	101	18	128
£20,001 to £40,000	8	238	3	83
£40,001 to £60,000	2	106	1	53
£60,001 to £80,000	1	69	0	0
	28	<u>514</u>	22	<u>264</u>

## 20. External Audit Costs

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

	2018/19 £000	2019/20 £000
Fees payable to Grant Thornton UK LLP with regard to the external audit and services carried out as the appointed auditor *	86	119
Fees payable in respect of any other services provided by the appointed auditor - certification of other grant claims and returns:		
- Housing Benefit subsidy claim	14	16
- Teachers Pension claim	4	4
PSAA Ltd refund	0	(10)
<b>Total external audit costs</b>	<u>104</u>	<u>129</u>

\* The fees recorded in 2019/20 include £12,000 in respect of additional fees paid in the year that relate to 2018/19.

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

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

	2018/19 £000	2019/20 £000
Section 75 Agreement - Funding for services commissioned by the Council and included within the Council's Comprehensive Income and Expenditure Statement:		
- Reablement Funding	952	0
- Integrated Community Equipment (ICES) Contribution	859	0
- Integrated Health and Social Care Teams	368	0
- Support to People with Mental Health Needs	1,820	0
- Support to Carers	1,000	0
- 7-Day working for Health and Social Care	321	0
- Home from Hospital Partnership	667	0
- Single Point of Access	594	0
- Enabling Elderly People to Stay Well at Home	2,687	0
- Contingency Allocation	194	0
- Assistive Technologies and Equipment	0	429
- Care Act Related Duties	0	794
- Carers Services	0	641
- Community Based Schemes	0	301
- DFG Related Schemes	0	2,081
- Domiciliary Care	0	202
- Enablers for Integration	0	615
- HICM for Managing Transfer of Care	0	257
- Integrated Care Planning & Navigation	0	2,021
- Intermediate Care Services	0	438
- Personalised Care at Home	0	25
- Personalised Budgeting & Commissioning	0	1,488
- Prevention/Early Intervention	0	1,138
- Residential Placements	0	266
- Improved Better Care Fund	2,618	4,554
- Additional Improved Better Care Fund	2,299	1,303
- Winter Pressure Grant	0	924
	14,379	17,477

# Notes to the Comprehensive Income and Expenditure Statement



	2018/19 £000	2019/20 £000
Section 75 Agreement - Funding for services commissioned by the Bristol, North Somerset & South Gloucestershire CCG - not included within the Council's Comprehensive Income and Expenditure Statement:		
- Reablement Funding	1,030	0
- Integrated Community Equipment (ICES) Contribution	1,529	0
- Integrated Health and Social Care Teams	42	0
- Support to People with Mental Health Needs	2,446	0
- Support to Carers	121	0
- 7-Day working for Health and Social Care	957	0
- Community Rehabilitation Service	1,495	0
- Specialist Older People Team	397	0
- Pay for Performance	777	0
- Contingency Allocation	194	0
- Carers Services	0	125
- Community Based Schemes	0	4,077
- Enablers for Integration	0	164
- HICM for Managing Transfer of Care	0	498
- Integrated Care Planning & Navigation	0	408
- Personalised Budgeting & Commissioning	0	2,446
- Prevention/Early Intervention	0	1,407
	8,988	9,125
<b>Total funding identified within Section 75 Agreement</b>	<b>23,367</b>	<b>26,602</b>

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

A Section 256 agreement was also in place during the 2019/20 financial year to enable the joint commissioning of services in respect of Free Nursing and Continuing Health Care on behalf of the Bristol, North Somerset and South Gloucestershire Clinical Commissioning Group (BNSSG CCG).

	2018/19 £000	2019/20 £000
Section 256 Agreement - Funding for services commissioned on behalf of the Bristol, North Somerset & South Gloucestershire CCG - not included within the Council's Comprehensive Income and Expenditure Statement:		
- Continuing Health Care (CHC) Commissioning	8,450	9,600
- Funded Nursing Care (FNC) Funding	5,850	5,500
<b>Total funding identified within Section 256 Agreement</b>	<b>14,300</b>	<b>15,100</b>

# Notes to the Comprehensive Income and Expenditure Statement



Funding identified within the Agreements, by parties, are as follows:

	2018/19 £000	2019/20 £000
<b>Section 75 Agreement:</b>		
- Funding from North Somerset Council	2,116	<b>2,879</b>
- Funding from Department for Communities and Local Government	6,847	<b>8,862</b>
- Funding from Department of Health	7,459	<b>7,717</b>
- Funding from Bristol, North Somerset and South Gloucestershire CCG	6,946	<b>7,144</b>
	23,368	<b>26,602</b>
<b>Section 256 Agreement:</b>		
- Funding from Bristol, North Somerset and South Gloucestershire CCG	14,300	<b>15,100</b>
<b>Total</b>	37,668	<b>41,702</b>

Expenditure included within the Council's Comprehensive Income and Expenditure Account includes £17.477m (2018/19 £14.380m) 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 £15.100m (2018/19 £14.300m) identified within the Section 256 agreement remain the liability of the North Somerset Clinical Commissioning Group with any such balances being reflected within the Council's balance sheet. Similarly, any surplus balances remaining where expenditure has been lower than the estimated funding provision given, will be returned after the year-end.

## 22. Business Rate Arrangements – City Region Deal

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

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

# Notes to the Comprehensive Income and Expenditure Statement



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

	CASH TRANSACTIONS		REVENUE	
	Business Rates Pool Total £000	of which the Council's Share £000	Council Expenditure £000	Council Revenue £000
Funds held by BRP at 1 April	(29,086)	(3,825)	0	0
Analysed between:				
- Uncommitted cash (Tier 2 including contingency)	(5,831)	(3,351)		
- Committed cash not yet allocated	(23,254)	(475)		
Receipts into the Pool in-year:				
- Growth sums payable by councils to BRP in-year	(26,605)	(1,833)	1,328	0
Distributions out of the Pool in-year:				
- Tier 1 no worse off	9,508	904	0	(904)
- BRP management fee	37	9	0	0
- EDF management fee	69	17	0	0
- Tier 2 EDF funding	3,738	245	0	(146)
- Tier 3 demographic and service pressures	2,705	154	0	(262)
Total Distributions out of the Pool in-year	16,057	1,329		
<b>Funds held by BRP at 31 March</b>	<b>(39,634)</b>	<b>(4,329)</b>		
Analysed between:				
- Uncommitted cash (Tier 2 including contingency)	(12,332)	(1,287)	(2,064)	n/a
- Committed cash not yet allocated	(27,301)	(3,043)	2,568	n/a
	<b>(39,633)</b>	<b>(4,330)</b>		
<b>Expenditure / (Revenue) recognised</b>			<b>1,832</b>	<b>(1,312)</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 £3.738m (2018/19 £1.677m) on behalf of the EDF, of which the Council received £0.146m (2018/19 £0.150m).

The uncommitted and unallocated cash of £4.330m (2018/19 £3.825m) 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

# Notes to the Comprehensive Income and Expenditure Statement



paid by the Council of £1.832m (2018/19 £1.281m) and the expenditure recognised of £1.328m (2018/19 £0.830m) is equivalent to the £0.505m (2018/19 £0.452m) 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 £3.043m (2018/19 £0.475m), of the total £27.301m (2018/19 £3.550m) committed pool balance.

The Council itself has recognised revenue income of £1.312m (2018/19 £0.987m) from the BRP and expenditure of £1.328m (2018/19 £0.830m) to the BRP for the year.

## 23. Related party transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

### Central Government

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

Details of grants received from Government departments and carried in the Balance Sheet at 31 March 2020 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 2019/20 is shown in Note 17.

All Members, together with the Council's Corporate Management Team, are required to sign a declaration detailing any relevant transactions entered into by them or close members of their family during the financial year. The Interim S151 Officer, in conjunction with the Monitoring Officer, has reviewed the returned declarations.

During 2019/20, services to the value of £21k (2018/19 £221k) were commissioned from one company in which a member had an interest. 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:

<http://www.n-somerset.gov.uk/my-council/councillors/councillor/membersinterests/members-interests/>

### 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.

# Notes to the Comprehensive Income and Expenditure Statement



## West of England Local Enterprise Partnership (LEP)

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. He 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 a Section 256 agreement in respect of Free Nursing and Continuing Health Care, with the Bristol, North Somerset and South Gloucestershire Clinical Commissioning Group. Income and expenditure are detailed in Note 21.

## Other Public Bodies

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

## Entities controlled or significantly influenced by the Council

**Wyvern SW Limited** - the Council is the owner of a private limited company which was incorporated on 9 October 2017, with a share capital of 100 ordinary shares of £1 each. The primary aim of Wyvern SW Ltd is the development of building projects to facilitate economic growth in North Somerset.

During the financial year the following Council officers held the following positions: Director – Alex Hearn (Assistance Director of Development and Environment); Director (resigned 1 May 2019) – Malcolm Coe – former Head of Finance and Property; Director (resigned 1 May 2019) David Carter (former Director of Development & Environment); Company Secretary (resigned 23 December 2019)– Joanne Butcher (former Finance Business Partner, Development & Environment). 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, and therefore the Council had no significant transactions with this company during the year.

# Notes to the Comprehensive Income and Expenditure Statement



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

During the financial year the following Council officers held the following positions: Director – Stuart Anstead (Interim Head of Support Services); Company Secretary – Mike Riggall (Client ICT Officer). 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, and therefore the Council had no significant transactions with this company during the year.

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

Each council has a 1/6th shareholding in the company and is required to fund costs in accordance with membership proportions agreed in the “Commissioning Agreement” between the parties. North Somerset Council’s membership proportion is 12.41%. Decisions require the unanimous consent of the parties sharing control.

The service commenced on 1st March 2019. The Council's transactions with this company during the year were not material.

# Notes to the Comprehensive Income and Expenditure Statement



# Notes to the Balance Sheet



## 24. Property, Plant and Equipment and Intangibles

### 24.1 Movements on Balances

Movements in 2019/2020	Land & Buildings £000	Infrastructure Assets £000	Community Assets £000	Vehicles, Plant & Equipment £000	Assets Under Construction £000	Surplus £000	Total Property, Plant & Equip. £000	Intangible Assets £000	TOTAL £000
<b>Cost or Valuation</b>									
At 1 April 2019	164,250	220,768	6,100	36,203	25,539	629	453,489	500	<b>453,989</b>
Additions	3,790	12,099	173	1,112	24,610	0	41,784	0	<b>41,784</b>
Revaluations - Revaluation Reserve	5,992	0	559	0	0	0	6,551	0	<b>6,551</b>
Revaluations - CI&ES	(2,057)	0	(250)	0	0	0	(2,307)	0	<b>(2,307)</b>
Derecognition - Disposals	(4,393)	0	0	(144)	(822)	0	(5,359)	0	<b>(5,359)</b>
Assets reclassified	0	0	0	0	0	0	0	0	<b>0</b>
<b>At 31 March 2020</b>	<b>167,582</b>	<b>232,867</b>	<b>6,582</b>	<b>37,171</b>	<b>49,327</b>	<b>629</b>	<b>494,158</b>	<b>500</b>	<b>494,658</b>
<b>Accumulated Depreciation &amp; Impairment</b>									
At 1 April 2019	(6,520)	(92,405)	(1,763)	(25,384)	0	0	(126,072)	(200)	<b>(126,272)</b>
Depreciation for the year	(4,251)	(4,999)	(28)	(1,737)	0	0	(11,015)	(50)	<b>(11,065)</b>
Depreciation written out - Revaluation Reserve	5,113	0	139	0	0	0	5,252	0	<b>5,252</b>
Impairment (Losses) / Reversals - Revaluation Reserve	(1,767)	0	0	0	0	0	(1,767)	0	<b>(1,767)</b>
Impairment (Losses) / Reversals - CI&ES	(463)	(6,996)	0	0	0	0	(7,459)	0	<b>(7,459)</b>
Derecognition - Disposals	289	0	0	117	0	0	406	0	<b>406</b>
Assets reclassified	0	0	0	0	0	0	0	0	<b>0</b>
<b>At 31 March 2020</b>	<b>(7,599)</b>	<b>(104,400)</b>	<b>(1,652)</b>	<b>(27,004)</b>	<b>0</b>	<b>0</b>	<b>(140,655)</b>	<b>(250)</b>	<b>(140,905)</b>
<b>Net Book Value at 1 April 2019</b>	<b>157,730</b>	<b>128,363</b>	<b>4,337</b>	<b>10,819</b>	<b>25,539</b>	<b>629</b>	<b>327,417</b>	<b>300</b>	<b>327,717</b>
<b>Net Book Value at 31 March 2020 - Current Value</b>	<b>159,983</b>	<b>128,467</b>	<b>4,930</b>	<b>10,167</b>	<b>49,327</b>	<b>629</b>	<b>353,502</b>	<b>250</b>	<b>353,752</b>

# Notes to the Balance Sheet



Movements in 2018/19	Land & Buildings £000	Infrastructure Assets £000	Community Assets £000	Vehicles, Plant & Equipment £000	Assets Under Construction £000	Surplus £000	Total Property, Plant & Equip. £000	Intangible Assets £000	TOTAL £000
<b>Cost or Valuation</b>									
At 1 April 2018	198,721	212,289	6,093	35,449	15,507	0	468,059	500	<b>468,559</b>
Additions	4,125	8,479	57	1,024	10,368	0	24,053	0	<b>24,053</b>
Revaluations - Revaluation Reserve	(4,539)	0	(10)	0	0	(411)	(4,960)	0	<b>(4,960)</b>
Revaluations - CI&ES	(1,494)	0	0	0	0	140	(1,354)	0	<b>(1,354)</b>
Derecognition - Disposals	(31,998)	0	(40)	(271)	0	0	(32,309)	0	<b>(32,309)</b>
Assets reclassified	(564)	0	0	0	(336)	900	0	0	<b>0</b>
<b>At 31 March 2019</b>	<b>164,250</b>	<b>220,767</b>	<b>6,100</b>	<b>36,203</b>	<b>25,539</b>	<b>629</b>	<b>453,489</b>	<b>500</b>	<b>453,989</b>
<b>Accumulated Depreciation &amp; Impairment</b>									
At 1 April 2018	(5,318)	(81,836)	(1,697)	(23,310)	0	0	(112,161)	(150)	<b>(112,311)</b>
Depreciation for the year	(5,660)	(5,066)	(32)	(2,278)	0	(21)	(13,057)	(50)	<b>(13,107)</b>
Depreciation written out - Revaluation Reserve	3,602	0	0	0	0	91	3,693	0	<b>3,693</b>
Impairment (Losses) / Reversals - Revaluation Reserve	(538)	0	0	0	0	0	(538)	0	<b>(538)</b>
Impairment (Losses) / Reversals - CI&ES	(185)	(5,502)	(34)	0	0	0	(5,722)	0	<b>(5,722)</b>
Derecognition - Disposals	1,509	0	0	204	0	0	1,713	0	<b>1,713</b>
Assets reclassified	70	0	0	0	0	(70)	0	0	<b>0</b>
<b>At 31 March 2019</b>	<b>(6,520)</b>	<b>(92,405)</b>	<b>(1,764)</b>	<b>(25,384)</b>	<b>0</b>	<b>0</b>	<b>(126,072)</b>	<b>(200)</b>	<b>(126,272)</b>
<b>Net Book Value at 1 April 2018</b>	<b>193,403</b>	<b>130,452</b>	<b>4,396</b>	<b>12,139</b>	<b>15,507</b>	<b>0</b>	<b>355,898</b>	<b>350</b>	<b>356,248</b>
<b>Net Book Value at 31 March 2019 - Current Value</b>	<b>157,730</b>	<b>128,363</b>	<b>4,337</b>	<b>10,819</b>	<b>25,539</b>	<b>629</b>	<b>327,416</b>	<b>300</b>	<b>327,716</b>

# Notes to the Balance Sheet



## 24.2 Revaluations

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

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

All valuations are carried out in accordance with the Royal Institution of Chartered Surveyors Red Book, and are arranged by the Council's Property Estates and Regeneration Manager, who is A.R.I.C.S. qualified. The revaluations undertaken in 2019/20 have been carried out by professionally qualified staff from within the Council's in-house team, except of one of our investment properties which, due to its specialist nature, was valued by an independent valuer. The PPE valuations were applied with a revaluation date of 1 January 2020, and 31 March 2020 for Investment Property. Valuations are accounting estimates, which include review of impairments and estimated remaining useful lives of the assets.

As noted in Note 2, the Valuer's valuations have been reported as subject to a 'material valuation uncertainty'.

In addition, 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	532	128,467	1,837	10,167	49,327	0	190,330	250	0	0
Valued at Current Value in year										
2019/20	58,896	0	1,405	0	0	0	60,301	0	0	45,517
2018/19	54,097	0	10	0	0	629	54,736	0	0	0
2017/18	40,714	0	0	0	0	0	40,714	0	0	0
2016/17	5,576	0	0	0	0	0	5,576	0	0	0
2015/16	1	0	562	0	0	0	563	0	0	0
2014/15	167	0	920	0	0	0	1,086	0	0	0
2013/14 or prior	0	0	196	0	0	0	196	0	288	0
<b>Total</b>	<b>159,983</b>	<b>128,467</b>	<b>4,930</b>	<b>10,167</b>	<b>49,327</b>	<b>629</b>	<b>353,502</b>	<b>250</b>	<b>288</b>	<b>45,517</b>

As can be seen, the majority of the Council's Land & Buildings assets are held at carrying value, with a small proportion held at Historical cost. Any assets held at Historical cost at the year-end will be incorporated into the annual rolling revaluation programme process, but for 2019/20 have been reviewed by the professional valuation staff to ensure that the asset values are not materially mis-stated, and will not be subject to material impairment when revalued.

# Notes to the Balance Sheet



## 24.3 Disposal of Non-Current Assets

### Academy Schools

During the year three primary schools transferred from the Council's control to Academy status which means that the school assets were written out of the accounts and reflected as a disposal. All such asset disposals are reflected 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 2019 £000
All Saints East Clevedon C of E Primary School	01 April 2019	3,407
Blagdon Primary School	01 October 2019	1,039
Parklands	01 April 2019	822
		<u>5,269</u>

Other assets disposed of during the year were not material.

## 24.4 Capital Commitments

At 31 March 2020, the authority has entered into contracts for the construction or enhancement of property, plant and equipment in 2020/21 and future years. The major commitments were:

	2018/19 £000	2019/20 £000
Parklands Primary	4,550	5
Yatton Primary	1,238	0
Foodworks	874	5
North South Link	10,798	3,379
Locking Parklands - Utilities	0	711
Other	1,617	1,421
<b>Total Commitments</b>	<u>19,077</u>	<u>5,520</u>

# Notes to the Balance Sheet



## 25. Investment Properties

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

	2018/29 £000	2019/20 £000
Rental income from investment property	(4,004)	<b>(4,662)</b>
Direct operating expenses arising from investment property	3,408	<b>3,439</b>
<b>Net (gain) / loss</b>	<b>(596)</b>	<b>(1,223)</b>

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

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

	2018/19 £000	2019/20 £000
Balance at 1 April	56,403	<b>75,562</b>
Additions:		
- Purchases	21,018	<b>0</b>
- Subsequent expenditure	0	<b>341</b>
Disposals	(14)	<b>(2,500)</b>
Net gains / (losses) from fair value adjustments	(1,845)	<b>(27,886)</b>
<b>Balance at 31 March</b>	<b>75,562</b>	<b>45,517</b>

A significant proportion of the decrease in year relates to the revaluation of the Council's commercial investment properties at the year-end, notably the Sovereign Centre and North Worle District Centre, both in Weston-super-Mare, and are reflective of market conditions prevailing at that time as well as considerations relating to future forecasts.

Gains or losses arising from changes in the fair value of the investment property are recognised in the Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure - Note 12.

### Fair value hierarchy

Details of the fair value of the Council's investment properties, and information about their fair value hierarchy, are as follows. There were no transfers between the levels during the year:

# Notes to the Balance Sheet



	Fair Value 31 March 2019			Fair Value 31 March 2020		
	Other significant observable inputs	Significant unobservable inputs	Total	Other significant observable inputs	Significant unobservable inputs	Total
	Level 2	Level 3		Level 2	Level 3	
	£000	£000	£000	£000	£000	£000
Smallholdings	2,383	5,080	7,463	2,458	3,827	6,285
Commercial Units	62,125	5,975	68,100	35,373	3,859	39,232
<b>Total</b>	<b>64,508</b>	<b>11,055</b>	<b>75,563</b>	<b>37,831</b>	<b>7,686</b>	<b>45,517</b>

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

	2018/19 £000	2019/20 £000
Balance at 1 April	12,796	11,055
Net gains / losses from fair value adjustments (recognised in the Surplus or Deficit on the Provision of Services - Note 12)	(1,727)	(3,369)
Disposals	(14)	0
<b>Balance at 31 March</b>	<b>11,055</b>	<b>7,686</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

Seven of the commercial properties, and five of the 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

Two commercial units and two smallholdings 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 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. The yield is based on comparable market yields.

# Notes to the Balance Sheet



	Fair Value 31 March 2020 £000	Valuation Technique Used to Measure Fair Value	Unobservable Inputs	Range (weighted average)	Sensitivity
Commercial Units	3,859	Combination of income and market approach	Yield Rate % of MV attributable to Land Discount Rate	4.5% - 6.5% 90% - 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
Smallholdings	3,827	Combination of income and market approach	Discount Rate Development Land Values Deferment Period	5% - 72% £90k per acre 7 - 10 years	
<b>Total</b>	<b>7,686</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.

As noted in Note 2, the Valuer's valuations have been reported as subject to a 'material valuation uncertainty'.

# 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.

	2018/19 £000	2019/20 £000
<b>Opening Capital Financing Requirement</b>	174,590	<b>190,572</b>
<b>Capital Investment in Year</b>		
Property, Plant and Equipment	24,053	<b>41,783</b>
Investment Properties	21,018	<b>341</b>
Revenue Expenditure Funded from Capital Under Statute	5,071	<b>8,764</b>
	50,142	<b>50,888</b>
<b>Source of Finance</b>		
Capital Receipts and Reserves	(3,497)	<b>(2,871)</b>
Government Grants and Contributions	(23,837)	<b>(44,435)</b>
Revenue Provisions and Reserves	(1,190)	<b>(1,039)</b>
Minimum Revenue Provision and Voluntary Set Aside	(5,636)	<b>(5,759)</b>
	(34,160)	<b>(54,104)</b>
<b>Net Increase / (Decrease) in Capital Financing Requirement</b>	15,982	<b>(3,216)</b>
<b>Closing Capital Financing Requirement</b>	190,572	<b>187,356</b>
<b>Explanation of movement in year:</b>		
Increase in underlying need to borrow unsupported by Government assistance	599	<b>2,543</b>
Minimum Revenue Provision and Voluntary Set Aside	(5,636)	<b>(5,759)</b>
Assets acquired under finance leases	21,018	<b>0</b>
	15,981	<b>(3,216)</b>

The Minimum Revenue Provision shown above comprises:

	2018/19 £000	2019/20 £000
Supported Borrowing Minimum Revenue Provision	(900)	<b>(900)</b>
Prudential Borrowing Minimum Revenue Provision	(3,978)	<b>(4,018)</b>
Ex-Avon Loan Debt Minimum Revenue Provision	(554)	<b>(532)</b>
Finance Leases Minimum Revenue Provision	(204)	<b>(309)</b>
	(5,636)	<b>(5,759)</b>

# Notes to the Balance Sheet



## 27. Debtors

	2018/19 £000	2019/20 £000
Central Government Bodies	3,996	<b>6,892</b>
Other Local Authorities	7,668	<b>7,139</b>
NHS Bodies	5,260	<b>6,669</b>
Public Corporations and Trading Funds	236	<b>207</b>
Other Entities and Individuals	13,642	<b>15,363</b>
<b>Total Short Term Debtors</b>	<b>30,802</b>	<b>36,270</b>
Prepayments	<b>11,244</b>	<b>6,874</b>
<b>Total Short Term Debtors and Prepayments</b>	<b>42,046</b>	<b>43,144</b>

## 28. Creditors

	2018/19 £000	2019/20 £000
Central Government Bodies	(12,717)	<b>(8,877)</b>
Other Local Authorities	(1,637)	<b>(2,588)</b>
NHS Bodies	(928)	<b>(434)</b>
Public Corporations and Trading Funds	(263)	<b>(697)</b>
Other Entities and Individuals	(40,449)	<b>(36,469)</b>
<b>Total Short Term Creditors</b>	<b>(55,994)</b>	<b>(49,065)</b>
Finance lease obligations due within 12 months	(309)	<b>(322)</b>
<b>Total Short Term Creditors including finance lease obligations</b>	<b>(56,303)</b>	<b>(49,387)</b>

# Notes to the Balance Sheet



## 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 2019 £000	Additional Provisions Made £000	Amounts Used & Reversed £000	Balance 31 March 2020 £000
Insurance Provisions	(1,625)	(502)	429	<b>(1,698)</b>
NNDR Appeals Provision	(4,440)	(5,610)	4,440	<b>(5,610)</b>
Other	(1,137)	(19)	529	<b>(627)</b>
<b>Total Provisions</b>	<b>(7,202)</b>	<b>(6,131)</b>	<b>5,398</b>	<b>(7,935)</b>
<b>Expected future timing of associated outflows of economic benefit:</b>				
Less than 1 year	(5,818)			<b>(6,413)</b>
Over 1 year, less than 5 years	(1,179)			<b>(1,297)</b>
Over 5 years	(205)			<b>(225)</b>
	<b>(7,202)</b>			<b>(7,935)</b>

<b>Significant provisions</b>	<b>Description</b>
Insurance Provisions	To finance the estimated costs of known insurance claims, where uncertainties remain over the timing or amounts of likely settlements.
NNDR Appeals	To finance the estimated costs of known NNDR business rate appeals which have been lodged with the Valuation Office, where uncertainties remain over the timing or amounts of likely settlements. The provision is based on the number of appeals received, and an estimate of the likelihood of success of the appeals.

## 30. Contingent Liabilities

### National Non-Domestic Rating – Unlodged Appeals

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

# 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:

2019/20	Non-Current		Current			Total £000
	Investments £000	Debtors £000	Investments £000	Debtors £000	Cash £'000	
<b>Financial Assets</b>						
Fair value through profit or loss	9,088	0	0	0	0	9,088
Amortised cost	0	788	115,292	14,591	0	130,671
Cash and cash equivalents	0	0	0	0	2,595	2,595
<b>Total financial assets</b>	<b>9,088</b>	<b>788</b>	<b>115,292</b>	<b>14,591</b>	<b>2,595</b>	<b>142,354</b>
<b>Non-financial Assets:</b>						
Statutory & Government Debtors	0	3,099	0	21,679	0	24,778
Payments in advance	0	0	0	6,874	0	6,874
<b>Total non-financial assets</b>	<b>0</b>	<b>3,099</b>	<b>0</b>	<b>28,553</b>	<b>0</b>	<b>31,652</b>
<b>Total on Balance Sheet</b>	<b>9,088</b>	<b>3,887</b>	<b>115,292</b>	<b>43,144</b>	<b>2,595</b>	<b>174,006</b>
	Non-Current		Current			Total £000
	Borrowing £000	Creditors £000	Borrowing £000	Creditors £000	Overdraft £000	
<b>Financial Liabilities</b>						
Amortised cost	(148,721)	0	(890)	(17,773)	0	(167,384)
<b>Total Financial Liabilities</b>	<b>(148,721)</b>	<b>0</b>	<b>(890)</b>	<b>(17,773)</b>	<b>0</b>	<b>(167,384)</b>
<b>Non-financial Liabilities:</b>						
Statutory & Government Creditors	0	0	0	(12,364)	0	(12,364)
Receipts in Advance	0	(417)	0	(5,909)	0	(6,326)
Contributions and Deposits	0	0	0	(13,019)	0	(13,019)
Finance lease liabilities	0	(22,428)	0	(322)	0	(22,750)
<b>Total non-financial liabilities</b>	<b>0</b>	<b>(22,845)</b>	<b>0</b>	<b>(31,614)</b>	<b>0</b>	<b>(54,459)</b>
<b>Total on Balance Sheet</b>	<b>(148,721)</b>	<b>(22,845)</b>	<b>(890)</b>	<b>(49,387)</b>	<b>0</b>	<b>(221,843)</b>

# Notes to the Balance Sheet



2018/19	Non-Current		Current			Total £000
	Investments £000	Debtors £000	Investments £000	Debtors £000	Cash £'000	
<b>Financial Assets</b>						
Fair value through profit or loss	9,843	0	0	0	0	9,843
Amortised cost	2	827	70,683	11,101	0	82,613
Cash and cash equivalents	0	0	0	0	7,577	7,577
<b>Total financial assets</b>	<b>9,845</b>	<b>827</b>	<b>70,683</b>	<b>11,101</b>	<b>7,577</b>	<b>100,033</b>
<b>Non-financial Assets:</b>						
Statutory & Government Debtors	0	2,506	0	19,701	0	22,207
Payments in advance	0	0	0	11,244	0	11,244
<b>Total non-financial assets</b>	<b>0</b>	<b>2,506</b>	<b>0</b>	<b>30,945</b>	<b>0</b>	<b>33,451</b>
<b>Total on Balance Sheet</b>	<b>9,845</b>	<b>3,333</b>	<b>70,683</b>	<b>42,046</b>	<b>7,577</b>	<b>133,484</b>
	Non-Current		Current			Total £000
	Borrowing £000	Creditors £000	Borrowing £000	Creditors £000	Overdraft £000	
<b>Financial Liabilities</b>						
Amortised cost	(147,305)	0	(1,547)	(19,895)	0	(168,747)
<b>Total Financial Liabilities</b>	<b>(147,305)</b>	<b>0</b>	<b>(1,547)</b>	<b>(19,895)</b>	<b>0</b>	<b>(168,747)</b>
<b>Non-financial Liabilities:</b>						
Statutory & Government Creditors	0	0	0	(11,342)	0	(11,342)
Receipts in Advance	0	(437)	0	(11,726)	0	(12,163)
Contributions and Deposits	0	0	0	(13,031)	0	(13,031)
Finance Lease Liabilities	0	(22,749)	0	(309)	0	(23,058)
<b>Total non-financial liabilities</b>	<b>0</b>	<b>(23,186)</b>	<b>0</b>	<b>(36,408)</b>	<b>0</b>	<b>(59,594)</b>
<b>Total on Balance Sheet</b>	<b>(147,305)</b>	<b>(23,186)</b>	<b>(1,547)</b>	<b>(56,303)</b>	<b>0</b>	<b>(228,341)</b>

# Notes to the Balance Sheet



## 31.2 Income, Expense, Gains and Losses

	2018/19		2019/20	
	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	(55)	0	609	0
Financial assets measured at amortised cost	55	0	9	0
<b>Total net (gains) / losses</b>	<b>0</b>	<b>0</b>	<b>618</b>	<b>0</b>
<b>Interest income</b>				
Financial assets measures at amortised cost	(906)	0	(1,153)	0
Other investment income	(461)	0	(447)	0
<b>Interest receivable and investment income</b>	<b>(1,367)</b>	<b>0</b>	<b>(1,600)</b>	<b>0</b>
<b>Interest expense re borrowing</b>	<b>5,888</b>	<b>0</b>	<b>5,860</b>	<b>0</b>

## 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 2019 £000	31 March 2020 £000
<b>Fair Value through Profit or Loss</b>				
Property funds	2	Inputs other than quoted prices that are observable for the asset or liability	4,950	4,721
Multi-Asset funds	1	Unadjusted quoted prices in active markets for identical units	4,893	4,367
<b>Total</b>			<b>9,843</b>	<b>9,088</b>

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

The Council's investment in the CCLA property fund, totalling £4.72m, has been moved from level 1 to level 2 of the hierarchy for 2019/20, reflecting that trading in the fund was suspended on 25th March 2020, and there was therefore not an active market in this instrument at the year end. Fund managers suspended redemptions before the year end, reflecting market conditions for underlying properties caused by the economic consequences of the coronavirus pandemic.

# Notes to the Balance Sheet



There has been no change in the valuation technique used during the year for the financial instruments. The value of the CCLA property fund remains based on valuations of the underlying property assets and other net assets held by the fund.

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

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

	Fair Value Level	31 March 2019 Carrying value £000	31 March 2019 Fair Value £000	31 March 2020 Carrying value £000	31 March 2020 Fair Value £000
<b>Financial Assets</b>					
<i>Financial assets held at Amortised cost</i>					
Short term investments	2	70,683	70,683	115,292	115,292
Non-current investments	2	2	2	0	0
Current debtors	2	11,101	11,101	14,591	14,591
Non-current debtors	2	827	827	788	788
Cash and cash equivalents	1	7,577	7,577	2,595	2,595
<b>Total Financial Assets</b>		<b>90,190</b>	<b>90,190</b>	<b>133,266</b>	<b>133,266</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.

	Fair Value Level	31 March 2019 Balance Sheet £000	31 March 2019 Fair Value £000	31 March 2020 Balance Sheet £000	31 March 2020 Fair Value £000
<b>Financial Liabilities</b>					
<i>Financial Liabilities held at amortised cost</i>					
Long term borrowing from PWLB	2	(147,305)	(180,767)	(146,967)	(181,019)
Long term borrowing from Salix	2	0	0	(1,754)	(1,754)
Short term borrowing	2	(1,547)	(1,570)	(890)	(890)
Short term creditors	2	(19,895)	(19,895)	(17,773)	(17,773)
<b>Total Financial Liabilities</b>		<b>(168,747)</b>	<b>(202,232)</b>	<b>(167,384)</b>	<b>(201,436)</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.

# Notes to the Balance Sheet



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.

## 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.

### Amounts arising from expected credit losses

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	Total £000
Opening balance as at 1 April 2019	(5)	(917)	(83)	<b>(1,005)</b>
New financial assets originated or purchased	(8)	(50)	(1)	<b>(59)</b>
<b>Closing balance as at 31 March 2020</b>	<b>(13)</b>	<b>(967)</b>	<b>(84)</b>	<b>(1,064)</b>

	Investments (12 month ECL) £000	Trade debtors (Simplified approach ECL) £000	Non-current debtors (Lifetime ECL) £000	Total £000
Opening balance - 1 April 2018	0	(616)	0	<b>(616)</b>
New financial assets originated or purchased	(5)	(917)	(83)	<b>(1,005)</b>
Amounts written off	0	616	0	<b>616</b>
<b>Closing balance - 31 March 2019</b>	<b>(5)</b>	<b>(917)</b>	<b>(83)</b>	<b>(1,005)</b>

# Notes to the Balance Sheet



## 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 2019		As at 31 March 2020	
	Non-current £000	Current £000	Non-current £000	Current £000
Credit Rating				
AA-	0	8,000	0	3,000
A+	0	3,000	0	0
A	0	5,000	0	3,000
BBB+	0	0	0	5,000
Unrated local authorities and Central Government	0	54,500	0	104,000
<b>Total subject to Credit rating</b>	<b>0</b>	<b>70,500</b>	<b>0</b>	<b>115,000</b>
Credit risk not applicable*	9,845	0	9,088	0
<b>Total investments</b>	<b>9,845</b>	<b>70,500</b>	<b>9,088</b>	<b>115,000</b>

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

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 150% to adjust for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a "D" credit rating or equivalent. At 31st March 2020, £13k of loss allowances related to treasury investments (2018/19: £5k).

## 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.

# Notes to the Balance Sheet



	Range of Loss Allowance	31 March 2019 £000	31 March 2020 £000
Neither past due nor impaired	1%	2,709	4,195
Past due 31 - 60 days	1%	172	700
Past due 61 - 90 days	1%	302	277
Past due 91 - 120 days	25%	194	696
Past due over 120 days	50% - 100%	2,832	3,293
<b>Total Receivables</b>		<b>6,209</b>	<b>9,161</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 2019		31 March 2020	
		Gross receivable £000	Loss allowance £000	Gross receivable £000	Loss allowance £000
Central Government	0%	-19	0	0	0
Other LA's	0%	268	0	250	0
NHS Bodies	0%	1,831	0	3,449	0
Other entities and individuals	1%-100%	4,129	(917)	5,462	(967)
<b>Total</b>		<b>6,209</b>	<b>(917)</b>	<b>9,161</b>	<b>(967)</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.

## 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:

	2018/19			2019/20		
	PWLB £000	Other £000	Total £000	PWLB £000	Other £000	Total £000
Less than one year	(1,000)	(547)	(1,547)	(340)	(550)	(890)
Between one and two years	(340)	0	(340)	(6,500)	(1,754)	(8,254)
Between two and five years	(20,000)	0	(20,000)	(24,260)	0	(24,260)
Between five and ten years	(36,930)	0	(36,930)	(31,170)	0	(31,170)
More than ten years	(89,952)	0	(89,952)	(84,953)	0	(84,953)
<b>Total borrowing</b>	<b>(148,222)</b>	<b>(547)</b>	<b>(148,769)</b>	<b>(147,223)</b>	<b>(2,304)</b>	<b>(149,527)</b>

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

## 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 2020, 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 (2018/19 Nil)
- Increase in interest receivable on variable rate investments of £0.889m (2018/19 £0.53m)
- Decrease in fair value of investments held at FVP&L of £0.05m (2018/19 £0.06m)
- Total impact on the Surplus or Deficit on the Provision of Services of £0.84m (2018/19 £0.46m)
- 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 £18.21m (2018/19 £18.94m)

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 2020 would result in a £0.23m (2018/19: £0.25m) 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 2020 would result in a £0.06m (2018/19: £0.07m) 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.

	2018/19 £000	2019/20 £000
North Somerset Council share of Ex-Avon Loan Debt Outstanding	(13,294)	<b>(12,762)</b>
Interest Paid in Year	702	<b>654</b>
Debt Repayments - Minimum Revenue Provision	554	<b>532</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 2019/20 the Council paid £1.779m to Teachers' Pensions in respect of teachers' retirement benefits (2018/19 £1.589m), representing 21.57% of pensionable pay (2018/19 16.75%). Contributions of £0.171m were payable at the year-end (2018/19 £0.125m). The expected contributions to the plan in 2020/21 are £1.915m (2018/19 £1.371m).

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.

# Notes to the Balance Sheet



## 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:

	2018/19			2019/20		
	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	(680,168)	(18,111)	(698,279)	<b>(651,695)</b>	<b>(14,846)</b>	<b>(666,541)</b>
Fair value of plan assets	462,436	0	462,436	<b>419,708</b>	<b>0</b>	<b>419,708</b>
Net liability arising from defined benefit obligation	(217,732)	(18,111)	(235,843)	<b>(231,987)</b>	<b>(14,846)</b>	<b>(246,833)</b>
<b>Unfunded Teachers' Discretionary Benefits</b>						
Present value of the defined benefit obligation	0	(23,459)	(23,459)	<b>0</b>	<b>(21,402)</b>	<b>(21,402)</b>
Net liability arising from defined benefit obligation	0	(23,459)	(23,459)	<b>0</b>	<b>(21,402)</b>	<b>(21,402)</b>
<b>Net liability arising from defined benefit obligation - Total</b>	<b>(217,732)</b>	<b>(41,570)</b>	<b>(259,302)</b>	<b>(231,987)</b>	<b>(36,248)</b>	<b>(268,235)</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:

# Notes to the Balance Sheet



	2018/19 Teachers			2019/20 Teachers		
	LGPS	disc. benefits	Total	LGPS	disc. benefits	Total
	£000	£000	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>						
<i>Cost of Services:</i>						
- Current Service Cost	12,633	0	12,633	<b>13,646</b>	<b>0</b>	<b>13,646</b>
- Past service cost (gain)	3,660	0	3,660	<b>2,414</b>	<b>0</b>	<b>2,414</b>
- (Gains) / Losses from Settlements & Curtailments	(6,019)	0	(6,019)	<b>12</b>	<b>0</b>	<b>12</b>
<i>Financing and Investment Income and Expenditure:</i>						
- Net Interest Cost	4,942	592	5,534	<b>5,476</b>	<b>543</b>	<b>6,019</b>
- Administration Expense	192	0	192	<b>234</b>	<b>0</b>	<b>234</b>
Net interest on net defined benefit pension liability & administration costs	5,134	592	5,726	<b>5,710</b>	<b>543</b>	<b>6,253</b>
<b>Net Charge to Surplus or Deficit on Provision of Services</b>	<b>15,408</b>	<b>592</b>	<b>16,000</b>	<b>21,782</b>	<b>543</b>	<b>22,325</b>
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:</i>						
- Return on Plan Assets (Gains) / Losses, excluding the amount included in the net interest expense	(11,686)	0	(11,686)	<b>46,767</b>	<b>0</b>	<b>46,767</b>
- Experience (Gains) / Losses	0	0	0	<b>(3,324)</b>	<b>604</b>	<b>(2,720)</b>
- Actuarial (Gains) / Losses arising on changes in financial assumptions	33,906	951	34,857	<b>(14,386)</b>	<b>(437)</b>	<b>(14,823)</b>
- Actuarial (Gains) / Losses arising on changes in demographic assumptions	0	0	0	<b>(28,563)</b>	<b>(1,073)</b>	<b>(29,636)</b>
Remeasurement of the net defined benefit liability	22,220	951	23,171	<b>494</b>	<b>(906)</b>	<b>(412)</b>
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>37,628</b>	<b>1,543</b>	<b>39,171</b>	<b>22,276</b>	<b>(363)</b>	<b>21,913</b>
<b>Movement in Reserves Statement</b>						
Reversal of Net charge made to the Surplus or Deficit on Provision of Services for post employment benefits in accordance with the Code	(15,408)	(592)	(16,000)	<b>(21,782)</b>	<b>(543)</b>	<b>(22,325)</b>
Actual amount charged against the General Fund Balance for pensions in the year: Employers' contributions payable to the scheme	10,884	1,710	12,594	<b>11,286</b>	<b>1,694</b>	<b>12,980</b>
Amount by which Pension costs charged to the Comprehensive Income Statement is different from that chargeable in accordance with statutory requirements	(4,524)	1,118	(3,406)	<b>(10,496)</b>	<b>1,151</b>	<b>(9,345)</b>

# Notes to the Balance Sheet



## 35.2 Local Government Pension Scheme

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

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

	2018/19 £000	2019/20 £000
Opening Fair Value of Scheme Assets	447,093	462,436
Interest Income	11,723	11,066
Administration Expenses	(192)	(234)
Remeasurement Gains / (Losses)		
- The return on plan assets, excluding any amount in the net interest expense	11,686	(46,767)
Employers' Contributions	10,884	11,286
Employee Contributions	2,537	2,618
Settlements	(1,066)	0
Benefits Paid	(20,229)	(20,697)
<b>Closing Balance at 31 March</b>	<b>462,436</b>	<b>419,708</b>

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

	2018/19			2019/20		
	Funded £000	Unfunded £000	Total £000	Funded £000	Unfunded £000	Total £000
Opening Balance at 1 April	(638,093)	(18,099)	(656,192)	(680,168)	(18,111)	(698,279)
Current Service Cost	(12,633)	0	(12,633)	(13,646)	0	(13,646)
Past service cost	(3,660)	0	(3,660)	(2,414)	0	(2,414)
Interest Cost	(16,207)	(458)	(16,665)	(16,119)	(423)	(16,542)
Contributions by Scheme participants	(2,537)	0	(2,537)	(2,618)	0	(2,618)
Remeasurement Gains / (Losses);						
- Experience Gains / (Losses)	0	0	0	1,416	1,908	3,324
- Gains / (Losses) on financial assumptions	(33,301)	(605)	(33,906)	14,195	191	14,386
- Gains / (Losses) on demographic assumption	0	0	0	28,021	542	28,563
Benefits Paid	19,178	1,051	20,229	19,650	1,047	20,697
Settlements / Curtailments	7,085	0	7,085	(12)	0	(12)
<b>Closing Balance at 31 March</b>	<b>(680,168)</b>	<b>(18,111)</b>	<b>(698,279)</b>	<b>(651,695)</b>	<b>(14,846)</b>	<b>(666,541)</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)	2018/19 £000	2019/20 £000
<b>Cash and Cash Equivalents:</b>			
- Cash Accounts	Y	7,861	<b>9,234</b>
<b>Equity Instruments:</b>			
- UK	Y	34,683	<b>29,275</b>
- Global	Y	130,869	<b>135,314</b>
- Emerging markets	Y	21,272	<b>18,215</b>
<b>Bonds:</b>			
- UK Government Indexed	Y	55,955	<b>23,504</b>
- Sterling Corporate Bonds	Y	54,105	<b>37,985</b>
<b>Property:</b>			
- UK Property Funds	Y	23,584	<b>21,825</b>
- Overseas Property Funds	Y	21,272	<b>19,726</b>
<b>Alternatives:</b>			
- Hedge Funds	Y	22,659	<b>24,133</b>
- Diversified Growth Funds	Y	57,805	<b>56,577</b>
- Infrastructure	Y	32,371	<b>33,632</b>
- Secured Income	Y	0	<b>6,331</b>
- Exchange Traded Funds	Y	0	<b>3,957</b>
<b>Closing Balance at 31 March</b>		<b>462,436</b>	<b>419,708</b>

## Basis for Estimating Assets and Liabilities

### *Pensions Assets – Property Investments*

For the pooled UK property funds, the Avon Pension Fund's independent valuers consider that less weight can be attached to previous market evidence for comparison purposes to inform opinions of value, and as a result have reported the values on the basis of "Material Valuation Uncertainty" as per VPGA 10 of the RICS Red Book-Global Standards in the Pension Fund's accounts. Consequently, for these assets, less certainty and a higher degree of caution should be attached to the valuation than would normally be the case.

The value of the UK Property funds held in relation to North Somerset Council is £21.8m. Based on advice from the Pension Fund's fund manager of the UK Property Portfolio, detailed in the Avon Pension Fund accounts, the indicative effect of COVID-19 pandemic on these valuations could result in a reduction of 10-15% in the reported value which is between £2.2m and £3.3m. A change in valuation of the order of 30% would be likely to be considered material to the Council's accounts.

### *Pensions Liabilities*

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

# Notes to the Balance Sheet



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

	2018/19	2019/20
Rate of CPI inflation	2.2%	<b>2.1%</b>
Rate of increases in salaries	3.7%	<b>3.6%</b>
Rate of increases in pensions	2.3%	<b>2.2%</b>
Rate for discounting scheme liabilities	2.4%	<b>2.4%</b>
<b>Mortality Assumptions</b>		
Longevity at 65 for current pensioners	Years	<b>Years</b>
Men	23.7	<b>23.2</b>
Women	26.2	<b>25.3</b>
Longevity at 65 for future pensioners in 20 years time	Years	<b>Years</b>
Men	26.3	<b>24.7</b>
Women	29.0	<b>27.3</b>

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

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

	2018/19	2019/20
<b>Impact of the Defined Benefit Obligation in the Scheme:</b>	£000	£000
Longevity - 1 year increase in life expectancy	13,568	<b>18,066</b>
Rate of inflation - 0.1% increase	11,995	<b>10,339</b>
Rate of increase in salaries - 0.1% pay growth	1,301	<b>946</b>
Rate for discounting Scheme Liabilities - 0.1% increase in discounting rate	(11,793)	<b>(10,181)</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.

# Notes to the Balance Sheet



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

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

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

The Council's contribution rate for 2019/20 was 15.7% (2018/19 15.2%) and, along with other employers in the Fund, is paying additional contributions (equivalent to 12.3% for 2019/20 (2018/19 11.85%) over a period of up to 13 years in order to meet the shortfall. The Council estimates its employer contributions to the Fund for 2020/21 will be £9.748m, including £2.33m (equivalent to 6.9% of pensionable pay) in respect of deficit recovery.

## *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.

### Pension Assets and Liabilities Recognised in the Balance Sheet

The present value of the defined benefit obligation in the Balance Sheet as at 31 March 2020 is £21.4m (31 March 2019 £23.5m). There are no assets associated with the scheme.

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

	2018/19 £000	2019/20 £000
Opening Balance at 1 April	(23,626)	<b>(23,459)</b>
Interest Cost	(592)	<b>(543)</b>
Remeasurement Gains / (Losses)	(951)	<b>906</b>
Employers contribution / Benefits Paid	1,710	<b>1,694</b>
<b>Closing Balance at 31 March</b>	<b>(23,459)</b>	<b>(21,402)</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 2019. The estimated duration of liabilities (at later of 31 March 2019 and admission date) is 9 years.

The main assumptions used in their calculations have been:

	2018/19 £000	2019/20 £000
Rate of CPI inflation	2.3%	<b>2.1%</b>
Rate of increases in pensions	2.4%	<b>2.2%</b>
Rate for discounting scheme liabilities	2.4%	<b>2.4%</b>
<b>Mortality Assumptions</b>		
Longevity at 75 for current pensioners	Years	Years
Men	14.7	<b>14.3</b>
Women	16.7	<b>16.1</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.

# Notes to the Balance Sheet



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

	2018/19 £000	2019/20 £000
<b>Impact of the Defined Benefit Obligation in the Scheme:</b>		
Longevity - 1 year increase in life expectancy	774	<b>834</b>
Rate of inflation - 0.1% increase	244	<b>193</b>
Rate for discounting Scheme Liabilities - 0.1% increase in discounting rate	(241)	<b>(193)</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 amount of pensions depends on how long employees are active members of the scheme and their salary when they leave the scheme ("final salary scheme") for service up to 31 March 2015, and on revalued average salary ("career average scheme") for service from 1 April 2015. The Council's involvement is limited to additional discretionary pension benefits to retired teachers which were awarded at the point of retirement.

### *Risks 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:

	2018/19 £000	2019/20 £000
<u>Asset carrying values</u>		
Other land and buildings	1,194	<b>1,163</b>
Investment properties	21,123	<b>4,100</b>
Vehicles, plant, furniture & equipment	4	<b>0</b>
<b>Total</b>	<b>22,321</b>	<b>5,263</b>
<u>Other long term liabilities</u>		
Finance lease liabilities	(22,749)	<b>(22,427)</b>
Lease premiums in advance	(437)	<b>(417)</b>
<b>Total</b>	<b>(23,186)</b>	<b>(22,844)</b>

# Notes to the Balance Sheet



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:

	2018/19 £000	2019/20 £000
Finance lease liabilities		
- Current	(309)	(322)
- non Current	(22,749)	(22,427)
Finance costs payable in future years	(23,214)	(22,365)
<b>Total Minimum Lease Payments</b>	<b>(46,272)</b>	<b>(45,114)</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	
	2018/19 £000	2019/20 £000	2018/19 £000	2019/20 £000
Not later than one year	(1,158)	(1,165)	(309)	(322)
Later than one year and not later than five years	(4,705)	(4,735)	(1,375)	(1,433)
Later than five years	(40,409)	(39,214)	(21,375)	(20,994)
<b>Total</b>	<b>(46,272)</b>	<b>(45,114)</b>	<b>(23,059)</b>	<b>(22,749)</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 5 years for vehicles and equipment and 208 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 33 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:

	2018/19 £000	2019/20 £000
Unguaranteed residual value of property	51,014	51,207
<b>Gross investment in the lease</b>	<b>51,014</b>	<b>51,207</b>

# Notes to the Balance Sheet



## Operating Leases

The Council owns various commercial and investment property that it leases out with typical lives of 36 years under operating leases for the following purposes:

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

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

	2018/19 £000	2019/20 £000
Not later than one year	5,568	<b>5,960</b>
Later than one year and not later than five years	15,603	<b>13,216</b>
Later than five years	7,971	<b>7,697</b>
<b>Total future Minimum lease payments receivable</b>	<b>29,142</b>	<b>26,873</b>

The gross value of assets which were held for use in operating leases was £44.750m, valued at 31st March 2020 (31st March 2019 £57.531m).

# 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

	2018/19 £000	2019/20 £000
Depreciation and impairment	20,182	20,831
Increase / (decrease) in creditors	9,030	(4,247)
(Increase) / decrease in debtors	(4,280)	(2,909)
(Increase) / decrease in inventories	(5)	82
(Increase) / decrease in impairment for bad debts	187	0
Movement in Pension liability	3,406	9,345
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recogni	31,220	7,453
Increase / (decrease) in provisions	2,135	733
Movements in the value of investment properties	1,845	28,650
<b>Net adjustments for non-cash movements</b>	<b>63,720</b>	<b>59,938</b>

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

	2018/19 £000	2019/20 £000
Capital grants applied to the financing of capital expenditure	(23,919)	(45,958)
Proceeds from the sale of property, plant and equipment, investment property and intangible as:	(3,638)	(5,104)
<b>Net adjustments for investing and financing activities</b>	<b>(27,557)</b>	<b>(51,062)</b>

# Notes to the Cash Flow Statement



## 37.3 Operating Activities

The cash flows for operating activities include the following:

	2018/19 £000	2019/20 £000
Interest received	1,374	1,600
Interest paid	(6,479)	(5,851)

## 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.

	2018/19 £000	2019/20 £000
Cash subject to netting arrangement	15,262	20,664
Overdraft subject to netting arrangement	(8,272)	(18,503)
<b>Net cash subject to netting arrangement</b>	<b>6,990</b>	<b>2,161</b>
Other cash and cash equivalents	587	434
<b>Cash and cash equivalents presented in the Balance Sheet</b>	<b>7,577</b>	<b>2,595</b>

## 37.5 Total liabilities from financing activities

	31 March 2019 £000	Financing cash flows £000	Non-cash changes Aquisition £000	Other £000	31 March 2020 £000
Long term borrowings	(147,305)	(1,754)	0	340	(148,719)
Short term borrowings	(1,547)	997	0	(340)	(890)
Short term creditors	(19,895)	0	0	2,142	(17,753)
Finance lease liabilities	(309)	309	0	(322)	(322)
<b>Total liabilities from financing activities</b>	<b>(169,056)</b>	<b>(448)</b>	<b>0</b>	<b>1,820</b>	<b>(167,684)</b>

# Notes to the Cash Flow Statement







# Notes to the Collection Fund



## CF1. Council Tax

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

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

In order to set the council tax, we estimate the number of dwellings in each of eight valuation bands and convert these estimates into an "equivalent number of Band D dwellings". The table below shows the calculation for 2019/20:

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	11,231	6/9	7,487.6
B - £40,001 to £52,000	18,633	7/9	14,492.3
C - £52,001 to £68,000	20,616	8/9	18,325.6
D - £68,001 to £88,000	15,820	9/9	15,820.2
E - £88,001 to £120,000	11,806	11/9	14,429.6
F - £120,001 to £160,000	5,962	13/9	8,612.1
G - £160,001 to £320,000	3,149	15/9	5,248.0
H - over £320,001	233	18/9	466.5
	<b>87,450</b>		<b>84,881.9</b>
Reduction for Council Tax Support Scheme			(6,082.2)
Allowance for Losses on Collection			(639.0)
Allowance for New Properties			1,211.1
<b>Council Tax Base for 2019/20</b>			<b>79,371.8</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 £1,730.92 per dwelling (2018/19 £1,666.65) after taking into account Parish variations and providing a 0.80% provision for unpaid bills (2018/19 0.80%), movement in council tax support claimants and new build properties not as planned.

The actual council tax income for 2019/20 was £136.181m, dividing this figure by the "average Band D Tax" results in an actual tax base of 78,676.1 dwellings. The difference between this and the total "equivalent Band D dwellings" of 79,371.8 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 Fire Authority.

	2018/19	2019/20
Total Non-domestic Rateable Value at 31 March	£163,379,736.00	<b>£163,457,324.00</b>
National Non-domestic Rate Multiplier - Standard	0.493	<b>0.504</b>
National Non-domestic Rate Multiplier - Small Business	0.480	<b>0.491</b>

The Business Rates receivable amount on the face of the Collection Fund Account of £64.716m, is lower than the total of Non-domestic Rateable Value multiplied by the Non-domestic Rate Multiplier due to the award of various reliefs including Small Business Rate Relief and other mandatory and discretionary rate reliefs.

## CF3. Taxpayers' arrears

	2018/19 £000	2019/20 £000	
Council Tax Arrears	11,870	<b>11,497</b>	
Business Rate Arrears	3,520	<b>3,929</b>	
<b>Gross Tax Payers' Arrears at 31 March</b>	<b>15,390</b>	<b>15,426</b>	
Council Tax Prepayments	(6,019)	<b>(5,229)</b>	
Business Rates Prepayments	(1,771)	<b>(1,609)</b>	
<b>Gross Tax Payers' Prepayments at 31 March</b>	<b>(7,790)</b>	<b>(6,838)</b>	
<b>Net Tax Payers' Arrears as at 31 March</b>	<b>7,600</b>	<b>8,588</b>	
<u>Allowance for Bad Debts</u>	2018/19 £000	2019/20 £000	% of arrears at 31 March
Council Tax	(6,150)	<b>(6,349)</b>	<b>-55.22%</b>
Business Rates	(1,785)	<b>(2,205)</b>	<b>-56.12%</b>
<b>Total Tax Payers' Bad Debt Allowance</b>	<b>(7,935)</b>	<b>(8,554)</b>	

# Notes to the Collection Fund



## CF4. Balance Sheet items apportionment

2019/20	Total £000	North Somerset Council £000	Police & Crime Commissioner £000	Central Government £000	Avon Fire Authority £000
<b>Council Tax</b>					
Debtors	11,496	9,576	1,445	N/A	475
Bad Debt Allowance	(6,349)	(5,288)	(798)	N/A	(263)
Prepayments & Overpayments	(5,229)	(4,356)	(657)	N/A	(216)
(Surplus) / Deficit at 31 March	2,022	1,682	254	N/A	86
<b>Business Rates</b>					
Debtors	3,928	1,925	N/A	1,964	39
Bad Debt Allowance	(2,204)	(1,080)	N/A	(1,102)	(22)
Prepayments & Overpayments	(1,609)	(788)	N/A	(805)	(16)
Appeals Provision	(11,450)	(5,610)	N/A	(5,725)	(115)
(Surplus) / Deficit at 31 March	(1,712)	(839)	N/A	(856)	(17)

2018/19	Total £000	North Somerset Council £000	Police & Crime Commissioner £000	Central Government £000	Avon Fire Authority £000
<b>Council Tax</b>					
Debtors	11,870	9,872	1,493	N/A	505
Bad Debt Allowance	(6,150)	(5,115)	(774)	N/A	(261)
Prepayments & Overpayments	(6,019)	(5,006)	(757)	N/A	(256)
(Surplus) / Deficit at 31 March	(155)	(136)	(12)	N/A	(7)
<b>Business Rates</b>					
Debtors	3,520	1,725	N/A	1,760	35
Bad Debt Allowance	(1,785)	(875)	N/A	(892)	(18)
Prepayments & Overpayments	(1,771)	(868)	N/A	(885)	(18)
Appeals Provision	(9,062)	(4,440)	N/A	(4,531)	(91)
(Surplus) / Deficit at 31 March	954	467	N/A	477	10

## 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).

# Notes to the Collection Fund



	2018/19 £000	2019/20 £000
Renewable Energy	104	<b>357</b>
Enterprise Area - transfer to City Region Deal	525	<b>606</b>
	<b>629</b>	<b>963</b>

# Statement of Accounting Policies



## Accounting Policies

### i. General Principles

The Statement of Accounts summarises the Council's transactions for the financial year 2019/20, and its position at the year-end of 31 March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts & Audit Regulations 2015. These regulations require the accounts to be prepared in accordance with proper accounting policies, which primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code), supported by International Financial Reporting Standards (IFRS).

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

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

### ii. Recognition of Income and Expenditure

The Council recognises its revenue and capital income and expenditure on an accruals basis. Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations of the contract, in line with IFRS 15 'Revenue from contracts with service recipients'.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Revenue relating to council tax and non-domestic rates is measured at the full amount receivable (net of any impairment losses).

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

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

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

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.

# Statement of Accounting Policies



## iv. Government Grants and Contributions

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

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

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

## v. Accounting for Schools

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

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

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

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

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

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

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

## vii. Employee Benefits

### Benefits Payable during Employment

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

# Statement of Accounting Policies



## Termination Benefits

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

## Post-Employment Benefits

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

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

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

### a) 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 pensions liability is analysed into the following components:

#### Service cost comprising:

*Current service cost* – the increase in liabilities as a result of years of service earned this year – 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

*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

# Statement of Accounting Policies



*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.

## b) Teachers' Pension Scheme and NHS Superannuation Scheme

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

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

## c) Discretionary Benefits

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

## viii. Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

## ix. Property, Plant and Equipment

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

### Recognition

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

# Statement of Accounting Policies



## *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:

- infrastructure, 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:

- 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.

# Statement of Accounting Policies



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

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

## Impairment

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

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

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

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

## Depreciation

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

Depreciation is calculated asset at 1 April each year calculated on the following bases:

- buildings – straight-line allocation over the useful life of the property as estimated by the valuer (between 1 and 60 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)
- infrastructure – straight-line allocation over the estimated useful life of the asset (between 20 and 60 years)
- community assets – straight-line allocation over the useful life of the property as estimated by the valuer (between 1 and 50 years)
- surplus assets not held for sale – straight-line allocation over the useful life of the property as estimated by the valuer (between 1 and 60 years)

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

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

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

# Statement of Accounting Policies



## Disposals

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

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

The net loss or gain on disposal is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement. Disposals are reflected as transactions at the end of the financial year.

## **x. Revenue Expenditure Funded from Capital Under Statute**

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

## **xi. 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.

## **xii. Financial Instruments**

### Financial Assets

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)

# Statement of Accounting Policies



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

## Financial Assets Measured at Amortised Cost

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

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

## Expected Credit Loss Model

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

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

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

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

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

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

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

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

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

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

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

# Statement of Accounting Policies



## Financial Liabilities

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

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

### **xiii. 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

### **xiv. Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in 30 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

### **xv. 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.

# Statement of Accounting Policies



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.

## **xvi. 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

### a) Finance Leases

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

Lease payments are apportioned between:

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

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

### b) 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).

# Statement of Accounting Policies



## The Council as Lessor

### a) 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).

### xvii. 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.

### xviii. Events After the Reporting Period

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

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

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

### xix. VAT

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

### xx. 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.

### xxi. 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.

# Statement of Accounting Policies



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.

## xxii. Joint Operations

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

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



# Annual Governance Statement



# Annual Governance Statement



## 1. Scope of Responsibility

- 1.1 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.
- 1.2 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.
- 1.3 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 <http://www.n-somerset.gov.uk/>.
- 1.4 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.
- 1.5 The governance framework described in this Statement has been in place at the Council for the year ended 31 March 2020, and up to the date of the approval of the statement of accounts.

## 2. The Purpose of the Governance Framework

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



# Annual Governance Statement



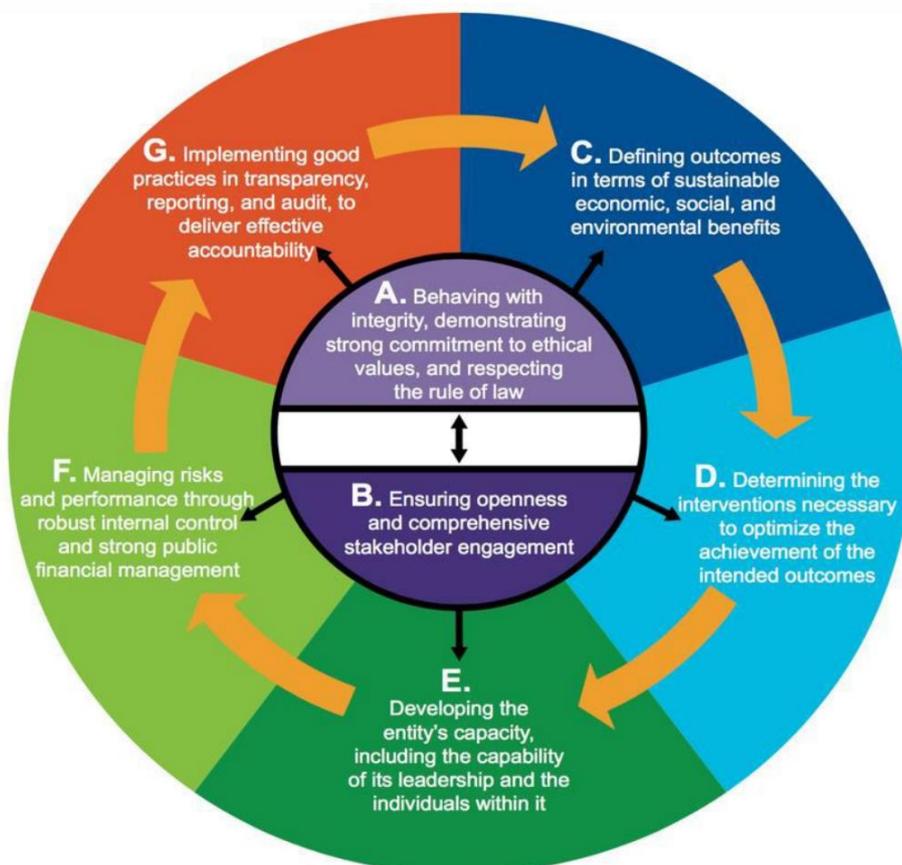
The Council's Local Code of Corporate Governance aims to ensure that in conducting its business the Council:

- 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 and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control 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 2020, and will be up to the date of approval of the statement of accounts.

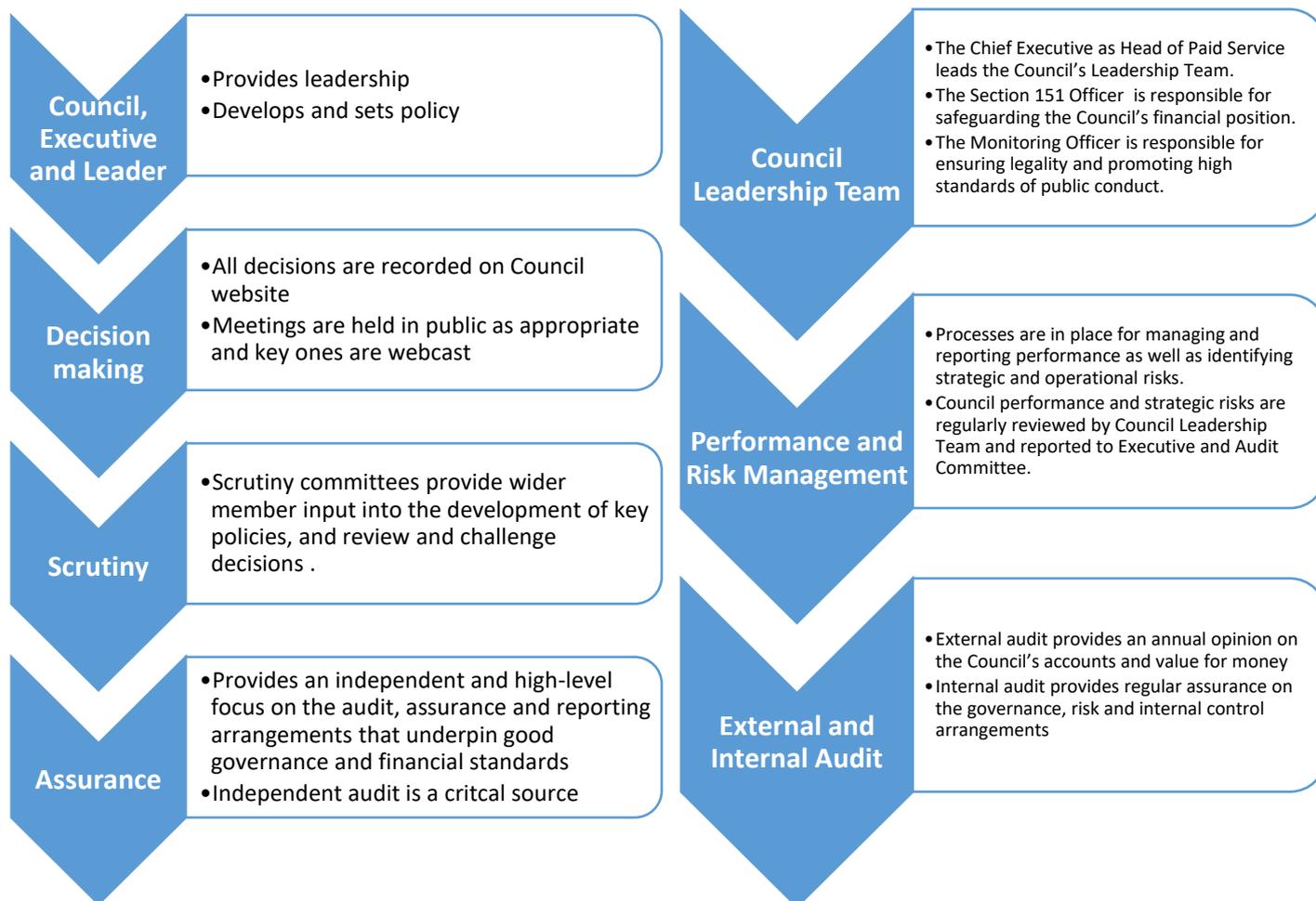
Source: CIPFA/SOLACE

# Annual Governance Statement



## 3. Key Elements of our Code of Corporate Governance

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 2019/20 financial year were:



### How we have fulfilled the principles of good governance

#### Review of the Council's Code of Governance

As shown above the Council's Code of Corporate Governance is made up of the arrangements that the Council has in place to deliver of the requirements of each principle of the Framework. The Code is not a document, it is the sum total of all these systems and processes, culture and values and structures by which the Council is directed and controlled.

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 2019/20. However, it is not intended to be exhaustive.



# 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 the documents are available on the Council's website <http://www.n-somerset.gov.uk/>

### 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 has been substantially updated and approved by Council during the year setting 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 for local people is part of the ongoing democratic processes through the Executive reporting structures as well as through the Council's normal communication channels.

##### 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. 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.

# Annual Governance Statement



## 5.2 Principle 2

### BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES, AND RESPECTING THE RULE OF LAW

#### 5.2.1 DEFINING AND DOCUMENTING THE ROLES AND RESPONSIBILITIES OF THE EXECUTIVE, NON-EXECUTIVE, SCRUTINY AND OFFICER FUNCTIONS, WITH CLEAR DELEGATION ARRANGEMENTS AND PROTOCOLS FOR EFFECTIVE COMMUNICATION.

The Constitution explains how the Council operates, how it makes decisions and the procedures followed to ensure the Council is efficient, transparent and accountable.

The Constitution includes descriptions of how the Council, Executive, Scrutiny and other groups operate and how they work with officers. It describes the rules for how meetings work and how decisions are made. The Constitution is reviewed annually and its outcomes reported back to Council.

During the year – following the local elections in May 2019 - the new Executive carried out a review of its governance arrangements with support from the Local Government Association to ensure it remained fit for purpose moving forward. The results of this review were reported through to the Executive but no fundamental changes were made to core decision making or governance.

#### 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 Community Partnership is an overarching partnership for the area 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. Governance arrangements are well established and now include the Infrastructure and Local Economy Board and People and Communities Board. The Partnership is chaired by the Leader of North Somerset Council.
- North Somerset Safeguarding Children's Board and North Somerset Safeguarding Adults Partnership Board work to reduce the risk of abuse and neglect for local people. Both the Children's and Adults Boards are governed by statute.
- Schools are important partners and at high level the Council works with local schools including Academy Schools and other providers through the Strategic Schools Forum (SSF) to support children to achieve their full potential.
- The Council works with its three local Unitary Authorities 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
- In addition, whilst full Council decided not to join the new West of England Mayoral Combined Authority, extensive co-operation and engagement has continued to ensure North Somerset can maximise where possible opportunities to work across the sub-region on infrastructure, skills, employment and housing.
- The Council has a Strategic Partnership with Agilisys since 2010 (Agilisys and Liberata) and this partnership delivers much of the council's support services such as ICT and the revenue and benefits service. Through the

# Annual Governance Statement



partnership the Council has increasingly used private sector expertise and innovation in its day to day business to drive up value for money and deliver better services. Governance is through a Strategic Partnership Board which has Member representation and an Operations Board.

## 5.2.3 DEVELOPING, COMMUNICATING AND EMBEDDING CODES OF CONDUCT, DEFINING THE STANDARDS OF BEHAVIOUR FOR MEMBERS AND OFFICERS.

The Council's values are defined in the Corporate Plan. They influence the way the Council goes about its business through its strategies, plans and behaviours. The values form the Council's leadership standards. These are promoted to all officers and form part of the induction process. All managers are assessed against the leadership standards within the annual appraisal process.

The Council has previously adopted a Code of Conduct in response to the Localism Act and also established a Standards Sub Committee whose remit is to consider any allegations of breaches of the Code. Members are required to disclose any interests and these are posted on the Council's website. Officers are also required to comply with a Code of Conduct and Customer Care Charter and Standards. On an annual basis officers are required to register any interests.

The Constitution includes a member-officer protocol which defines how officers & members work together.

## 5.3 Principle 3

### **MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT & IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY, REPORTING AND AUDIT TO DELIVER ACCOUNTABILITY**

#### 5.3.1 REVIEWING AND UPDATING STANDING ORDERS, FINANCIAL REGULATIONS, A SCHEME OF DELEGATION AND SUPPORTING PROCEDURE NOTES / MANUALS, WHICH CLEARLY DEFINE HOW DECISIONS ARE TAKEN AND THE PROCESSES AND CONTROLS TO MANAGE RISKS.

The Council periodically updates its Constitution, Standing Orders and Financial Regulations. These incorporate the scheme of delegation and describe how decisions are taken.

The Medium Term Financial Plan details how the Council intends to spend its financial resources over the short and medium term. Our Procurement Strategy, rules and procedures has been recently refreshed, and Contract Management arrangements reviewed. All contract opportunities are advertised on the website and through the recognised government recommended portals.

The Council's Risk Management Strategy describes the Council's approach to the management of risk and it was revised and updated during the year. 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. The Council recognises and accepts that the environment means it must tolerate a higher level of risk than in the past. All formal decisions are accompanied by an assessment of the risks involved and the assessments are documented in reports and decision papers.

#### 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 Interim Director of Finance and Property is the Council's Section 151 Officer. He attends the Corporate Leadership Team meetings. He ensures all decisions are in accordance with the medium term financial strategy and that public money is properly safeguarded. He is 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.

# Annual Governance Statement



The Financial Strategy Board supports the Director of Finance & Property and is a key forum for challenge and formulation of financial strategy and decisions. The group considers short and long term budget plans, and the prioritisation of revenue and capital expenditure as well as the use of reserves.

## 5.3.3 CARRYING OUT THE CORE FUNCTIONS OF AN AUDIT COMMITTEE, AS IDENTIFIED IN CIPFA'S AUDIT COMMITTEE – PRACTICAL GUIDANCE FOR LOCAL AUTHORITIES.

The Audit Committee comprises five elected Members. The Committee's responsibilities are described in its terms of reference which form part of the Council's constitution. These terms of reference were extensively updated and re-written following the elections in May 2019 after which a new Committee formed. 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.

## 5.3.4 ENSURING COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS, INTERNAL POLICIES AND PROCEDURES, AND THAT EXPENDITURE IS LAWFUL.

The Chief Executive, Monitoring Officer, Director of Finance and Property and Director and Chief Audit Executive 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 Director of Finance and Property 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 which were refreshed during the year including a revised 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 wrong doing. They work with other council's services or partner organisations to investigate any allegations of improper behaviour and take action as necessary.

The Council's complaints process is advertised on its website and the public is able to make compliments, suggestions or complaints on line, in person or by phone. The process describes what a member of the public can do if they are unhappy with the way their complaint has been handled.

## 5.4 Principle 4

### DEVELOPING THE ENTITY'S CAPACITY INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT

#### 5.4.1 IDENTIFYING THE DEVELOPMENT NEEDS OF MEMBERS AND SENIOR OFFICERS IN RELATION TO THEIR STRATEGIC ROLES, SUPPORTED BY APPROPRIATE TRAINING.

Every officer is entitled to an annual appraisal where their performance is reviewed and development needs identified. For managers the appraisal process includes an evaluation against the Council's leadership standards.

The appraisal is accompanied by a training and development plan. Mandatory training for managers includes

# Annual Governance Statement



Managing and Leading in North Somerset. A range of mechanisms are in place to meet officer's individual training and development needs including a suite of e-learning activities.

5.4.2 The Council puts on a programme of extensive 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 takes its responsibilities for listening to what local people want very seriously. All consultations are usually advertised on the website through eConsult. The Council accesses groups with particular needs or interests through established forums such as the Citizens' panel and minority group networks.

Results from consultation exercises and resident's survey have been used to inform the Council's future direction and priorities and North Somerset Life has been an important mechanism for communication.

5.5.2 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.

## 6. Review of Effectiveness

### 6.1 PROCESSES FOR MAINTENANCE AND REVIEW OF THE EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

The process for the Annual Governance Statement is a continuous process and Senior officers and Members consider emerging issues during the course of the year. This means that controls issues and risks can be addressed more quickly.

Publication of this Annual Governance Statement is the culmination of this work. The Council's Chief Executive signs the Statement as a summary of the effectiveness of the Council's governance framework.

### 6.2 OTHER CONTRIBUTORY REVIEW / ASSURANCE MECHANISMS

In evaluating the effectiveness of the Council's governance, information is available from a wide range of sources. These include the Internal Audit Service, the Information Governance Group, the External Auditors, inspectorates such as the Care Quality Commission and directorates themselves.

The Head of Audit & Assurance (Audit West) in conjunction with Statutory Officers reviews the effectiveness of the governance framework during the year and the draft Annual Governance Statement. The Statement is signed by the Chief Executive and Leader of Council and formally reviewed by the Audit Committee as part of the Financial Statements.

# Annual Governance Statement



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. Work to manage risk in 2019/20 has included –

- Meeting the Financial Challenge & Delivery of Savings
- Tackling the Climate Emergency and planning to meet future challenges
- Preparing for and meeting significant emergencies and business interruptions
- Supporting and stimulating Economic Growth and Regeneration through its economic plan
- Working across the West of England region to stimulate housing needs, skills and employment
- Managing and Investing in the key infrastructure and assets of the area and wider sub-region
- Safeguarding Children and Vulnerable Adults
- Delivering joined up commissioning of social care through the (Improved) Better Care Fund
- Supporting Council Services through an increase in its digital approach and effective use of IT
- Managing increased cyber security risks and protection of personal data

This list is not exhaustive but will now be extended to include the Covid-19 pandemic.

## 7. Head of Audit and Assurance Opinion

The Head of Audit and Assurance is satisfied that the risk, governance and control environment of the council is adequate to ensure delivery of the Council's priorities. Through the work of the Internal Audit Service and delivery of the Annual Audit Assurance Plan, some control issues have been identified, however none are deemed significant when assessed against the key criteria. The Chief Audit Executive is content that management have accepted responsibility to address the control weaknesses.

The Audit & Assurance Plan for 2019/20 was developed to give an independent opinion to the Council on reasonable assurance through a systematic detailed risk assessment of the totality of systems, processes, plans and resources which make up the council.

The Plan focused on core financial and other systems and areas presenting the greatest risk to the council and was designed to ensure sufficient depth and breadth of audit coverage to meet the requirements of those charged with governance. In forming an opinion on the governance, risk and control environment, in addition to the Audit & Assurance Plan, the Chief Audit Executive also considered other sources of assurance including reports from external regulators, external audit and commissioned reviews.

At the time of writing this opinion the impacts of the Covid-19 pandemic were just being felt both locally and nationally and the situation remains fast-moving and unpredictable. Whilst it is too early to say what the long-term impacts will be on the Council and the Community it is clear they will be significant and long-lasting. It will therefore be important that whilst this situation continues to unfold the Council adopts a flexible and agile approach to risk management to ensure that it continues to deliver its most critical services and protect the most vulnerable in the Community.

**Signed:**

**Jeff Wring**  
Head of Audit and Assurance

**Date:** 1 July 2020

# Annual Governance Statement



## 8. Update on Significant Issues raised in the 2018/19 Annual Governance Statement

Issue in 2018/19	Mitigating actions for 2018/19	Update position 2019/20
<p><b><u>Capacity Challenge</u></b></p> <p>As detailed for the last three years the significant issue identified around the financial challenge continues to be severe, with public sector austerity and a range of economic challenges likely to continue into the next decade.</p> <p>The Council has responded positively with almost £100M of savings already delivered and a positive financial outturn position in 2017/18 and 2018/19 reflecting the significant work achieved by Members and Officers. However, the success of this delivery requires substantial input and overview by Senior Management and during 2018/19 a number of the most senior roles at the Council were vacant or filled by interims for a long period. This included the roles of Chief Executive, Director of Development &amp; Environment, Assistant Director (Operations), Director of Public Health and S151 Officer (Director of Finance and Property).</p> <p>Continued delivery of the Council's savings programme, maintaining business-as-usual and driving improvements in our community does not come without risks and senior management</p>	<p><b>Senior Management</b></p> <p>The Council has considered a range of options and following a thorough appointment process has recruited Jo Walker to the post of Chief Executive and she commenced the role in January 2019. Additionally, Lucy Shomali has been appointed Director of Development &amp; Environment and will start her new role in June 2019.</p> <p>The roles of Assistant Director Neighbourhood Management, Director of Public Health and Director of Finance have all been advertised with the aim of making permanent appointments. It has proved challenging to recruit into the Director of Public Health and Director of Finance posts however interim arrangements have continued to support the organisation positively whilst permanent replacements are sought.</p> <p><b>Financial Management</b></p> <p>As with previous years the Council has already set out many of its plans to deliver services into the future against the backdrop of significant financial reductions. One of the key principles of the 2019/20 budget was to provide growth to meet existing and</p>	<p><b>Senior Management</b></p> <p>The Chief Executive and Director of Development &amp; Environment have now been in post for 14 months and 9 months, respectively.</p> <p>Successful appointments were also made to the roles of Assistant Director Neighbourhood Management and Director of Public Health, whilst an Interim Director of Finance and Property remains in place.</p> <p><b>Financial Management</b></p> <p>The Council's financial performance has been reviewed, assessed and challenged by the Corporate Leadership team on a regular basis, together with the key risks and assumptions that were included within the medium-term financial plan.</p>

# Annual Governance Statement



Issue in 2018/19	Mitigating actions for 2018/19	Update position 2019/20
<p>oversight and leadership is critical to mitigating the risks we face.</p> <p>During the year the Council's financial challenges remained ever present along with a number of challenges around contract management which have become apparent leading to a need for increased management support and attention.</p> <p>Whilst again no significant governance failures have occurred, the Council acknowledges that the level of challenges in the delivery of its core business requires sufficient capacity to enable not just the priorities of the Council to be delivered but core internal controls to be managed successfully.</p> <p>The Council has recognised the issues and the actions and positions including the Chief Executive have now been filled and a new Director of Development &amp; Environment will start during 2019/20. The actions column details a high level summary of progress being made to address these challenges.</p>	<p>new demands, particularly in relation to transport, parking, social care and children's services in order to improve the robustness and sustainability of the budget.</p> <p>The budget also includes over £10M of savings that will need to be delivered in order to achieve a balanced outturn. Overseeing delivery against this agenda is a key role for the Executive and Senior Management and they will continue to be pro-active in working to ensure that significant risks to the organisation are appropriately mitigated &amp; controlled</p> <p><b>Contract Management</b></p> <p>Ongoing challenges to control costs and secure efficiencies remain, along with a need to upgrade the level of skills and capacity to manage contracts. Senior management have recently reviewed planned improvements for delivery in 2019/20, which include –</p> <ul style="list-style-type: none"> <li>• New comprehensive training programme</li> <li>• Review of governance, including reporting and assurance</li> <li>• Introduction of Contract Management plans</li> </ul>	<p>This resulted in a series of significant savings initiatives and at the end of the financial year revenue out-turn was recorded as in line with the budget.</p> <p><b>Contract Management</b></p> <p>The Council has rolled out its programme of training and plans to strengthen and improve its contract management arrangements. Revised reporting arrangements are also allowing greater oversight from Senior Management. Whilst these actions have increased the robustness of control in this area, this will require continued effort in order to embed the principles of good contract management throughout the Council.</p>

# Annual Governance Statement



## 9. Significant Issues for 2019/20

Issue in 2019/20	Commentary & Mitigating actions for 2020/21
<p><b><u>Coronavirus Pandemic (Covid-19)</u></b></p> <p>North Somerset Council has worked to respond to this public health emergency since declaring a major incident in mid-March. It has been supporting the community including vulnerable residents and local businesses whilst maintaining critical services from refuse collection to child-protection. Throughout we have been following Public Health England advice and guidance.</p> <p>The lock down which commenced in March 2020, requiring residents to ‘stay at home’ impacted on the provision of Council services, and its democratic business. These issues have amounted to a significant and unprecedented situation facing the Council, and its local community. Whilst the Covid-19 pandemic started in 2019/20, most of the impacts have occurred in the following financial year. It is however important these are noted for transparency as they are directly affecting current Council activity.</p> <p>A summary of the key risks to the Council arising from the Coronavirus pandemic are set out below:</p>	<p>As at the time of writing this statement the Pandemic is still ongoing. Its impacts are likely to be felt for many years. This commentary is a position statement at the time of the approval of the accounts, as the situation remains extremely fluid on a range of issues.</p> <p>Since the start of the crisis the Council has responded extensively to meet the demands placed on it from the Pandemic. Mitigating actions taken by the Council are set out below:</p>
<p><b>i) Impact on Council’s democratic business</b></p> <p>Lockdown has prevented members from physically attending meetings to make and scrutinise decisions.</p>	<p>The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 provided guidance around the provision of online meetings and allowed decisions to be made that way. Under Article 15.4 (b) of the Council’s Constitution, the Monitoring Officer processed a decision on 28<sup>th</sup> April 2020 to adopt the Virtual Meetings Procedure Rules (VMPR). In addition, the Monitoring Officer amended the public speaking scheme in time</p>

# Annual Governance Statement



Issue in 2019/20	Commentary & Mitigating actions for 2020/21
	for the 6 <sup>th</sup> May 2020 Planning Committee. Since that time the Council has facilitated virtual meetings and also used You-Tube, webinars and online consultations to ensure communities have full access to democracy.
<p><b>ii) Contract Management</b></p> <p>Covid-19 has impacted on the viability of our providers, contractors, and suppliers, raising concerns around the sustainability of key markets and potential failure of providers to provide essential services.</p>	<p>Known areas that represent significant risks around the viability and sustainability of service providers are the care sector; transport and leisure centre operators. The procurement team are working with Service Leads and contract managers to assess the ongoing viability of providers and market sectors, and reporting back to Directorate Leadership Teams as part of the contract monitoring performance reporting.</p>
<p><b>iii) Council's financial viability – reaching a sustainable budget position and maintaining liquidity</b></p> <p>The most significant organisational implication of the lockdown is the impact on the Council's finances, in particular its local economy and sources of income. The Council and its local economy is heavily reliant on visitors and tourism, and these have been significantly impacted since the beginning of the lockdown as local measures mirror national government advice. Cash-flow and funding issues linked to the payments of Council Tax and Business Rates, and the associated reliefs announced by the Government are also a key area of risk.</p>	<p>Covid- 19 impacts are being tracked and modelled by the S151 Officer and Business Partners, with regular updates presented to CLT and the Executive Members. CLT have approved a strategy to respond to the indicative financial gap for 2020/21, which includes lobbying for additional government support, and Directorate Leadership Teams are working on mitigations to bring in a balanced budget.</p> <p>Cash-flow forecasts are being continually reviewed and amendments made to the ongoing treasury management activities in order to increase liquidity.</p> <p>Financial impacts on the Medium-Term Financial Plan continue to be assessed, including indicative in-year budget gap being quantified, dependent on future level of Government funding.</p>
<p><b>iv) Safeguarding of vulnerable adults &amp; children during lockdown</b></p> <p>Safeguarding is an existing key risk in the Council's Strategic Risk Register. However, Covid-19 impacts on these risks, and therefore further mitigating actions have been undertaken.</p>	<p>The Safeguarding Adults Board and the Safeguarding Children's Partnership are in place with a range of sub-groups and multi-agency quality assurance systems which inform their strategic challenge of all organisations with responsibilities for safeguarding vulnerable children and adults. Both of these groups have met during the Covid-19 'lockdown' period, and received qualitative and quantitative data in regard to how agencies are discharging their responsibilities. Officers have continued to respond to all referrals of concern, although these have been much reduced in number, particularly in relation to children. The Council has sought to mitigate this by maintaining close contact</p>

# Annual Governance Statement



Issue in 2019/20	Commentary & Mitigating actions for 2020/21
	<p>with schools and early years settings so that there has been oversight of the most vulnerable children. Whilst not all families have been seen physically as much as in this period, workers have used digital devices to keep in contact where face to face visits have not been possible.</p> <p>All child protection referrals have been responded to, with visits taking place and workers using PPE when appropriate. Workers undertook risk assessments on all children who had a social worker, but it is important to recognise that there may be children in the community who are 'hidden' because they aren't in school and who may be in stressful, harmful situations. Clearly when 'lockdown' is eased we may see an increase in referrals – already the number of referrals is slowly going up but we are confident that a return to previous levels can be responded to in a timely manner. It will only be if the number goes above the norm that additional mitigations would need to be put in place.</p>
<p><b>v) Impact on the local economy</b></p> <p>Wider economic impact, including impacts on the housing market, town centres and high streets.</p>	<p>Lockdown has exacerbated and accelerated existing trends toward the contraction, consolidation and diversification, and the increase of online trading.</p> <p>The Council's Weston Placemaking Strategy and package of post lockdown measures will focus priorities. A new Economic Plan is in preparation to set out the Council's ambition. A Future Economy Steering Group is being set up for series of workshops to work towards publication later in summer. The Council is actively engaging with regional partners and Homes England about interventions in housing market, and working with housebuilders and Hosing Associations to understand how to keep building.</p> <p>The Council has supported local businesses through a variety of measures including; financial relief to suppliers, providing flexibility and cash-flow support to Business Improvement Districts and Community Enterprise Companies, administration of the government grant scheme to small businesses and those in the retail, hospitality and leisure sectors, designing and implementing a discretionary business support grant scheme specifically tailored to the local economy.</p>

# Annual Governance Statement



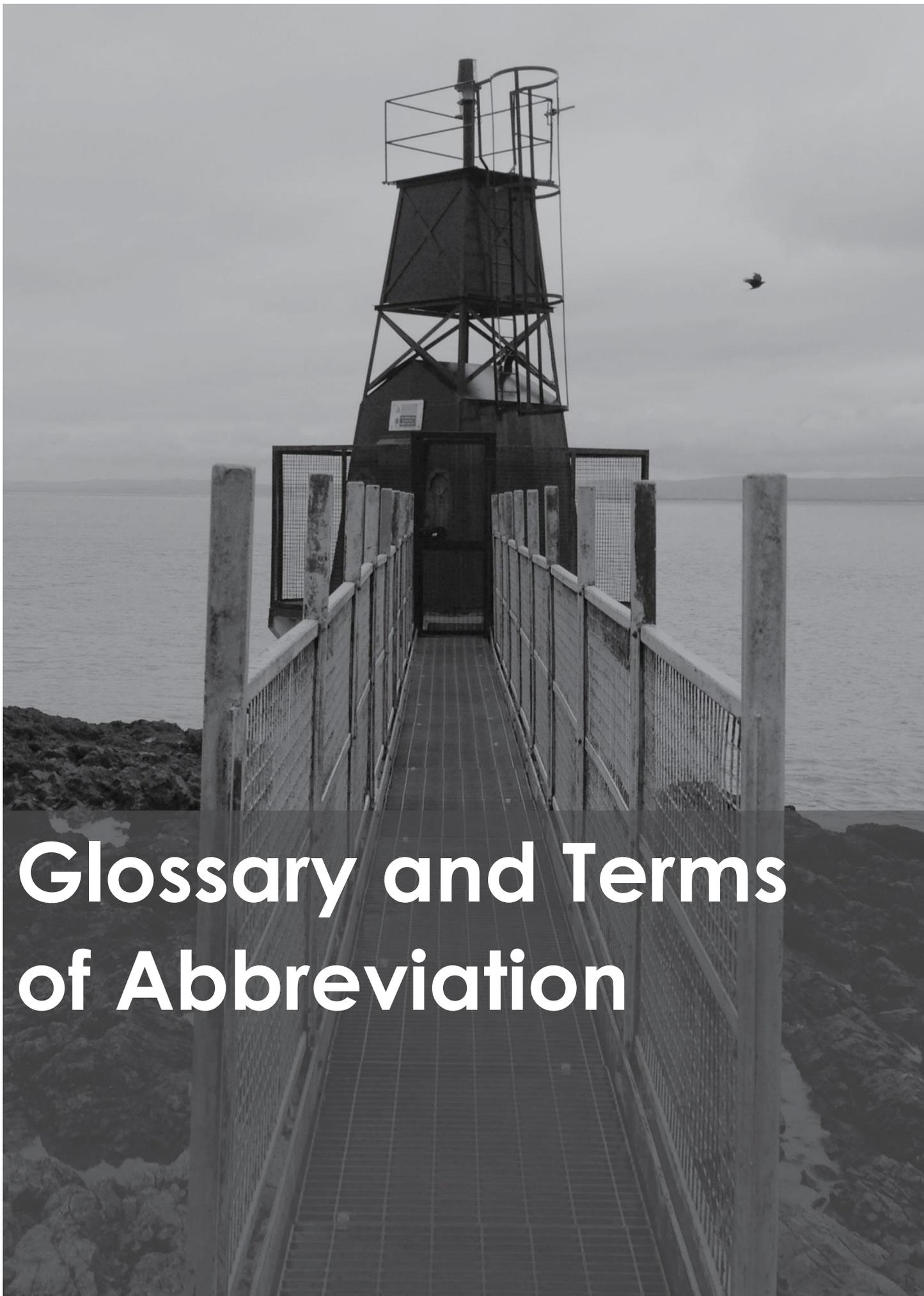
## Chief Executive and Leader of the Council's Declaration

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.

**Signed:** Don Davies  
Leader of the Council

**Signed:** Jo Walker  
Chief Executive Officer

**Date:** 19 November 2020



# Glossary and Terms of Abbreviation



# Glossary and Terms of Abbreviation



## A

### **Accounting Period**

The period covered by the accounts, normally 12 months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

### **Accounting Statements**

The Council's Core Financial Statements and Supplementary Financial Statements.

### **Accruals**

Sums included in the final accounts to cover income or expenditure attributable to the accounting period but for which no payment has yet been made or received at the Balance Sheet date.

### **Actuarial Gains and Losses (Pension Schemes)**

Changes in the net pensions liability that arise because events have not matched assumptions at the last actuarial valuation or because actuarial assumptions have changed.

### **Amortisation**

A term used to refer to the charging of the value of a transaction or asset (usually related to intangible assets or deferred charges) to the Income and Expenditure Account over a period of time, reflecting the value to the authority; similar to the depreciation charge for Non-Current Assets.

### **Appointed Auditors**

The appointment of external auditors to local authorities is undertaken by Public Sector Audit Appointments Limited (PSAA), an independent company limited by guarantee and incorporated by the Local Government Association. Grant Thornton UK LLP have been appointed as the Council's external auditors.

### **Approved Institutions**

Funds that are not immediately required may be invested but only with third parties meeting the credit rating criteria approved annually as part of the Council's Treasury Management Policies and Practices.

### **Asset**

An asset is a resource controlled by the Council as a result of past events, and from which future economic benefits are expected to flow to the Council. An item having value in monetary terms. See also Current Assets, Non-Current Assets and Financial Asset.

### **Audit of Accounts**

An independent examination of the Council's financial affairs.

## B

### **Billing Authority**

A local authority responsible for collecting Council Tax and National Non-Domestic Rates.

### **Budget**

The forecast of net revenue and capital expenditure over an accounting period.

## 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.

# Glossary and Terms of Abbreviation



## C

### **Capital Financing**

The raising of money to pay for capital expenditure through borrowing, usable capital receipts, capital grants and contributions or use of reserves.

### **Capital Financing Requirement (CFR)**

The underlying need for the Council to borrow to fund capital investment which has not been funded immediately from resources such as grants, capital receipts and direct funding from revenue.

### **Capital Programme**

The capital schemes the Council intends to carry out over a specified time period.

### **Capital Receipts**

Money received from the disposal of non-current assets or the repayment of grants and loans, which is available for financing future capital expenditure.

### **Collection Fund**

A statutory fund maintained by a billing authority, which is used to record local taxes and Non-Domestic Rates collected by the authority, along with payments to precepting authorities, the national pool of Non-Domestic Rates and the billing authority's General Fund

### **Community Assets**

Assets which the Council intends to hold in perpetuity, that have no determinable finite useful life, and that may have restrictions on their disposal, e.g. parks, historical buildings. See also Non-Current Assets.

### **Consistency**

The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same

### **Contingency**

Money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income.

### **Contingent Asset**

A possible asset that arises from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

### **Contingent Liability**

A contingent liability is either:

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or
- a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount cannot be measured with sufficient reliability.

### **Council Tax**

The main source of local taxation for local authorities. Council Tax is levied on households within its area by the billing authority and the proceeds are paid into the Collection Fund for distribution to precepting authorities and the Council's General Fund.

# Glossary and Terms of Abbreviation



## C

### **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.

### **Curtailment (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.

### **Direct Revenue Financing (DRF)**

Resources provided from the Council's revenue budget to finance the cost of capital projects.

## E

### **Equity**

The Council's value of total assets less total liabilities.

### **Equity Instrument (Financial instruments)**

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

### **Events After the Reporting Period**

Those events, both favourable and unfavourable, of such materiality that either their disclosure, or amendment to the accounts, is required for the fair presentation of the Statement of Accounts, which occur between the Balance Sheet date and the date on which the Accounts are signed by the responsible financial officer.

### **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

.....

# Glossary and Terms of Abbreviation



losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

## **Experience gain (Pension schemes)**

The actuarial gains and losses element arising where actual events have not coincided with the actuarial assumptions made at the last assessment.

## **External Audit**

The independent examination of the activities and accounts of local authorities in order to give an opinion as to whether the Statement of Accounts have been prepared in accordance with legislative requirements and proper practices, and to ensure the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

## **F**

### **Fair Value (FV)**

The price an asset could be exchanged for in an orderly transaction between market participants at the measurement date.

### **Fees and Charges**

Income raised by charging users of services, e.g. leisure centres, trade refuse, etc.

### **Finance Leases**

A lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee. Accounting guidance requires that it should be presumed that such transfer of risks and rewards occurs if at the inception of a lease the present value of the minimum lease payments including any initial payment, amounts to substantially all (normally 90% or more) of the fair value of the leased asset. The present value is calculated using the interest rate implicit in the lease.

### **Financial Asset**

A right to future economic benefits controlled by the Council that is represented by:

- cash
- an equity instrument of another entity
- a contractual right to receive cash (or another financial asset) from another entity
- a contractual right to exchange financial assets/liabilities with another entity under conditions that are potentially favourable to the Council.

### **Financial assumptions (Pensions)**

Finance related assumptions used by the actuary in assessing pension scheme liabilities (e.g. rates of inflation)

### **Financial Instruments**

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### **Financial Liability**

An obligation to transfer economic benefits controlled by the Council that is represented by:

- a contractual obligation to deliver cash (or another financial asset) to another entity
- 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 fund of a billing Council, used to meet day-to-day spending.

# Glossary and Terms of Abbreviation



## **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 be restricted to be used towards the cost of particular capital schemes or revenue expenditure of the Council.

## **Gross Expenditure**

The total cost of providing the Council's services before taking into account income from government grants and fees and charges for services.

## **Growth**

Any increase in spending from one year to another which enables the Council to pay for more services rather than to meet higher costs.

## **H**

### **Housing Benefit (Rent Allowance)**

An allowance to persons on low (or no) income to meet, in whole or part, their rent. Benefit is allowed or paid by local authorities but central government refunds part of the cost of the benefit provided and of the running costs of the service to local authorities.

## **I**

### **Impairment**

A permanent reduction in the value of an asset, below its carrying amount on the Balance Sheet.

### **Income**

Amounts that the Council receives or expects to receive from any source, including fees and charges, sales and grants.

### **Individual Schools Budget**

That part of the local schools' budget which must be delegated to schools via the school's funding formula.

### **Infrastructure Assets**

Non-current assets belonging to the Council which do not necessarily have a resale value e.g. highways, and for which a useful life span cannot be readily determined.

### **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.

# Glossary and Terms of Abbreviation



## L

### **Liability**

A liability is where the Council owes payment to an individual or another organisation. See also Contingent Liability, Current Liabilities and Financial Liability.

### **Local Council Tax Support Scheme**

Assistance provided by billing authorities to adults on low incomes to help pay their Council Tax bill. The cost is borne by the Council.

### **Local Management in Schools (LMS)**

A system of delegation of management responsibility and budgets to schools, which has applied since 1990/91, introduced by the Education Reform Act 1988.

### **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 accounting period.

### **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)**

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.

# Glossary and Terms of Abbreviation



## **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 Leases**

A lease other than a Finance Lease (see above). The future obligations relating to operating leases are disclosed to provide the reader with an estimate of the outstanding un-discharged obligations in relation to such leases.

### **Operational Assets**

Non-current assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has a statutory or discretionary responsibility.

### **Out-turn**

Actual income and expenditure in a financial year (accounting period).

## **P**

### **Past Service Costs (Pensions)**

The increase in the present value of the defined benefit scheme liabilities, related to employee service in prior periods, arising as a result of, or improvement to, retirement benefits.

### **Pension Fund**

An employees' pension fund maintained by an authority, or group of authorities, in order to make pension payments on the retirement of its participants. It is financed from contributions from the employing authority, the employee and from investment income.

### **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.

## **P**

### **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.

# Glossary and Terms of Abbreviation



## **Prudential Code**

The CIPFA Prudential Code for Capital Finance in Local Authorities – the guidance applicable from April 2004 for the greater freedom for authorities to borrow to fund capital investment (under the Local Government Act 2003). This Code requires the Council to set and monitor a suite of Prudential Indicators, including its Affordable Borrowing Limit, and establish its policy for using the new freedoms.

## **Public Works Loan Board (PWLB)**

A central government agency which provides long and medium-term loans to local authorities at interest rates only slightly higher than those at which the Government itself can borrow. The Council is able to borrow a proportion of their requirements to finance capital expenditure from this source.

## **R**

### **Rateable Value**

The annual assumed rental value of a property that is used for NNDR purposes.

### **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.

# Glossary and Terms of Abbreviation



## R

### **Retirement Benefits**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

### **Return on Plan Assets (Pensions)**

Changes during the period in the net benefit liability that arises from the passage of time, excluding amounts included in Net Interest on the Net Defined Benefit Liability.

### **Revenue Expenditure**

Spending on day-to-day items including employees' pay, premises and transport costs and supplies and services.

### **Revenue Reversion**

Revenue reversion may occur if a capital project is discontinued before the asset is constructed – any previously incurred costs, having produced no asset, cannot be capitalised, and need to be charged to revenue i.e. reverted to revenue.

### **Revenue Support Grant**

A general grant paid by the Government to Council's contributing towards the costs of its services.

## S

### **Settlements (Pension schemes)**

A gain or loss on settlement arises when an authority enters into a transaction that eliminates all further obligation for the benefits provided under a defined benefit plan. Settlements have the effect of extinguishing a portion of the plan liabilities, usually by transferring plan assets to or on behalf of plan members to their new employer.

### **Specific grants**

The term used to describe all government grants to local authorities, including revenue and capital grants, where the use of the grant is specified by central government.

### **Supported Borrowing**

The amount of Council borrowing towards which the Government provides financial support through the annual Revenue Support Grant.

## T

### **Temporary Borrowing**

Money borrowed for a period of less than one year.

### **Total Cost**

The actual cost of services reflecting all of the direct, indirect and overhead costs that have been incurred in providing the service, even where the expenditure is not under the control of the service's chief officer.

## U

### **Unsupported (or Prudential) Borrowing**

Any borrowing the Council undertakes that is above and beyond the level of Supported Borrowing (which the Government helps to fund), and which therefore the Council has to fund from its own resources.

# Glossary and Terms of Abbreviation



## Abbreviations used in the Statement of Accounts

B&NES	Bath & North East Somerset Council
BCF	Better Care Fund
CCG	Clinical Commissioning Group
CIPFA	Chartered Institute of Public Finance and Accountancy
DFE	Department for Education
DFT	Department for Transport
DEFRA	Department for Environment, Food & Rural Affairs
IFRS	International Financial Reporting Standard
LAAP	CIPFA's Local Authority Accounting Panel
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LEP	Local Enterprise Partnership
LSTF	Local Sustainable Transport Fund
MHCLG	Ministry of Housing, Communities and Local Government
PWLB	Public Works Loans Board
SERCOP	Service Expenditure Reporting Code of Practice

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