



**North Somerset Council
Financial Report
2023/2024**

Accessibility and Contents

Accessibility

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

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

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

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Narrative Report

Executive summary

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

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

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

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

We have a strong record of demonstrating good financial management, meaning that over recent years savings plans have been identified and delivered, and more importantly, budgets have been set and balanced without the need to call on the General Fund reserve balance. The Council has also been successful in managing our assets, understanding financial risk and adopting a resilient reserves strategy all of which stand us in good stead for the future.

Whilst this has been a year of continued change and uncertainty, we can see that the Council has not only achieved a balanced budget, but delivered an underspend, thereby increasing its General Fund reserve balance. Looking to the future, the cost of delivering our services alongside a significant increase in demand from people in need will make delivering a sustainable budget very challenging, as we had to rely on one off resources to balance 2024/25. We therefore expect our reserves balances to begin to fall as we face unprecedented risks as a Council.

The Council is acutely aware that uncertainty will continue into the future, and will need to make difficult decisions whilst remaining focused on delivering against the strategic vision and Corporate Plan aims which will improve the lives of residents in the local communities that we serve.



Amy Webb

Director of Corporate Services and s151 officer

28 November 2024

Narrative Report

1. An Overview of North Somerset

Our services

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



Our Constitution

The Council's Constitution sets out how it operates, how decisions are made, and the procedures which are followed to ensure that these are efficient, transparent, and accountable to local people. The Constitution can be found on the Council's website at [Constitution](#).

Our Leadership and Workforce

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

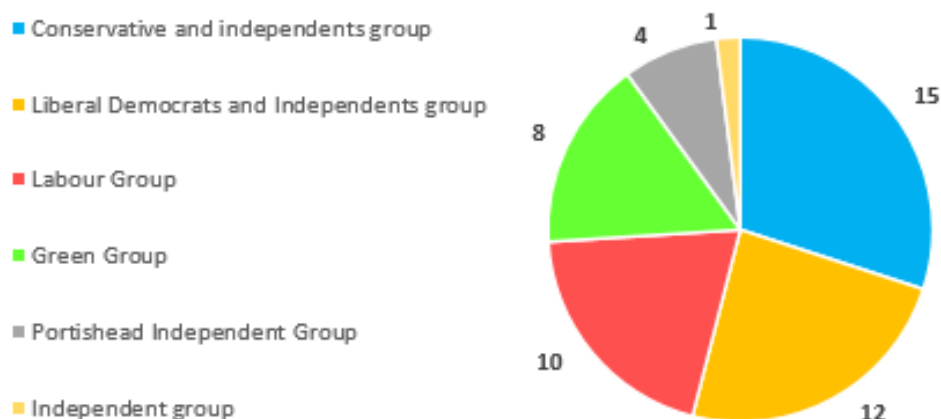
Following the local elections in May 2023, no single political group has enough seats to secure an overall majority, so a partnership administration has been formed between the following groups:

- Liberal Democrats and Independents Group
- Labour Group
- Green Group
- Portishead Independent Group
- Independent Group

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This partnership holds 35 of the 50 seats on the Council.

As at 31 March 2024, the numbers of members controlling the Council is as follows:



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

The Audit Committee monitors the effectiveness of the Council's overall governance arrangements, and the adequacy of the Council's Annual Governance Statement.

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

The Council employs around 1,550 full time equivalent staff, approximately 100 of these staff work in our maintained schools.

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

Our Corporate Plan and Vision

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

Our vision

An Open, Fair, Green North Somerset

Open
You told us open means being honest and transparent. It means listening to you and your views on the decisions we make. It means being accountable for how we spend your money and ensuring we provide the very best value we can.

Fair
You told us fair means being accessible and inclusive in how we work. It means listening to the views of all groups and acting on local issues. It means ensuring equity in access to services.

Green
You told us green means we take our responsibility to respond to the climate emergency seriously. It means we do all we can to understand the impact our actions have on the environment and mitigate them where possible.

Our ambitions

- 1.** Our children and young people are cared for, safe, supported, and are given equality of opportunity to thrive
- 2.** Our communities are caring, healthy and safe, where people help each other to live well
- 3.** Our towns and villages are thriving and sustainable places to live, work and visit
- 4.** Our council delivers consistently good services and value for money to support our community

Our values

We act with **INTEGRITY**

We **RESPECT** each other

We **INNOVATE**

We **CARE**

We **COLLABORATE**

The Corporate Plan was reviewed and updated following the Local Government elections and appointment of the new Administration in May 2023. The latest plan, which covers the period 2024-2028 can be found at [Corporate Plan](#). Progress against the plan is monitored quarterly.

Everything we do as a Council links back to this plan. It guides our work and explains why we focus on specific areas.

We have reached a tipping point in tackling climate change. As part of its commitment to addressing Climate Change, the Council has declared a climate emergency, and developed an action plan. Whilst technology is transforming how we live and work, we need to focus on shaping where we live as our High Streets change, and the need for housing and employment land increases.

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

2. Our Performance and Risk Management framework

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

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

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Risk management

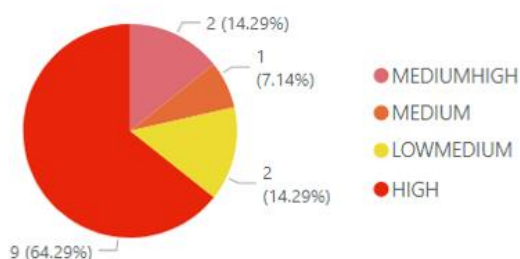
Risk monitoring and reporting is embedded in the Business Planning and Performance Management cycle, through our Risk Management Strategy, which was reviewed and updated during 2023/24. This ensures a clear link between how we identify, manage and report risks which might impact on achievement of the commitments set out in the Corporate Plan.

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

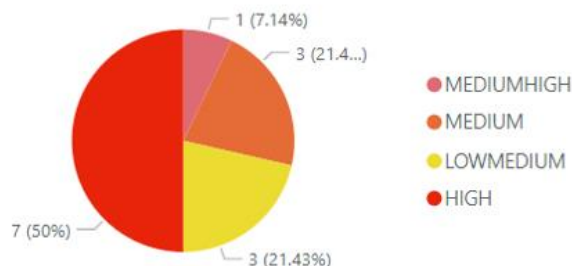
The High residual risks identified at quarter 4 include:

- cyber-attack on the Council’s critical services
- coastal flooding in North Somerset
- failing to meet the 2030 net zero target
- the condition of some of our assets
- delivery of capital projects within approved budgets
- not being able to successfully recruit when needed, leading to capacity issues in service delivery
- not being able to balance our budget due to cost pressures, demand for services, and delivery of our medium term financial plan savings

64% of all strategic risks were HIGH at inherent scoring



50% of all strategic risks were HIGH at residual scoring



Performance in 2023/24

The following graphics show the Council’s progress, as at 31st March 2024, with a direction of travel compared to the prior year for its Aims, Priorities and Key Performance Indicators:

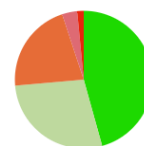
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High level summary progress against our aims

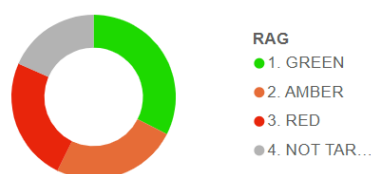
Summary of progress against the commitments we made to help achieve our aims of being empowered and caring, open and enabling, and a thriving and sustainable place

| AIM | 2021/22 COMPLETED, GREEN and GREEN/AMBER | 2022/23 COMPLETED, GREEN and GREEN/AMBER | 2023/24 COMPLETED, GREEN and GREEN/AMBER |
|--------------------------|--|--|--|
| Empowered and Caring | 71.79% | 58.73% | 73.00% |
| Open and Enabling | 75.00% | 71.60% | 74.00% |
| Thriving and Sustainable | 82.76% | 70.91% | 73.00% |

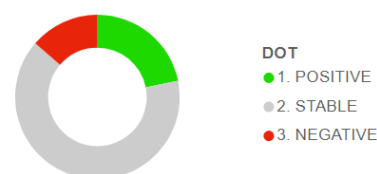
73% of all commitments were COMPLETED, GREEN or GREEN/AMBER by end year



40% of the reportable and targeted KCPIs aligned to our commitments were GREEN by end year



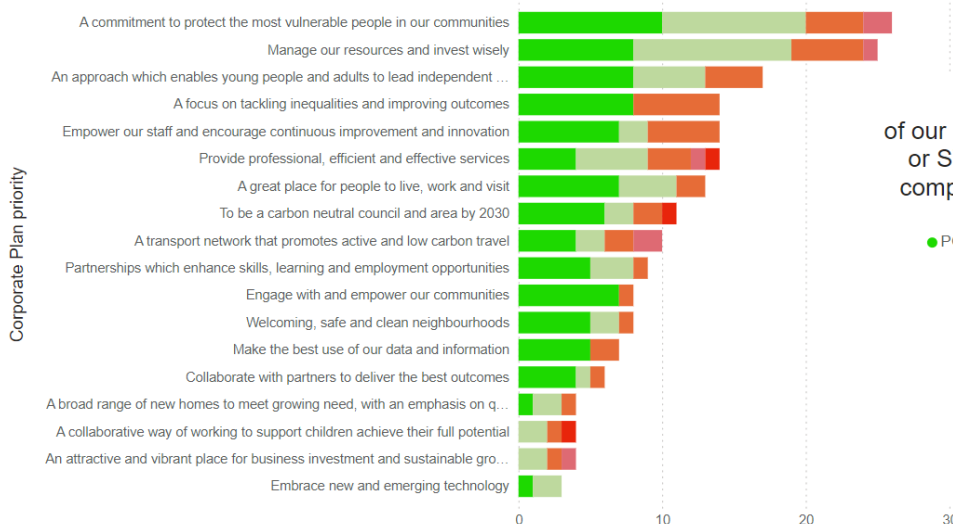
86% of the reportable and targeted KCPIs have a stable or positive direction



High level summary progress against our priorities

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

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



67% of our priorities have a POSITIVE or STABLE direction of travel compared to the previous year

1. POSITIVE 2. NEGATIVE 3. STABLE



3. Where your money goes - Financial performance in 2023/24

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

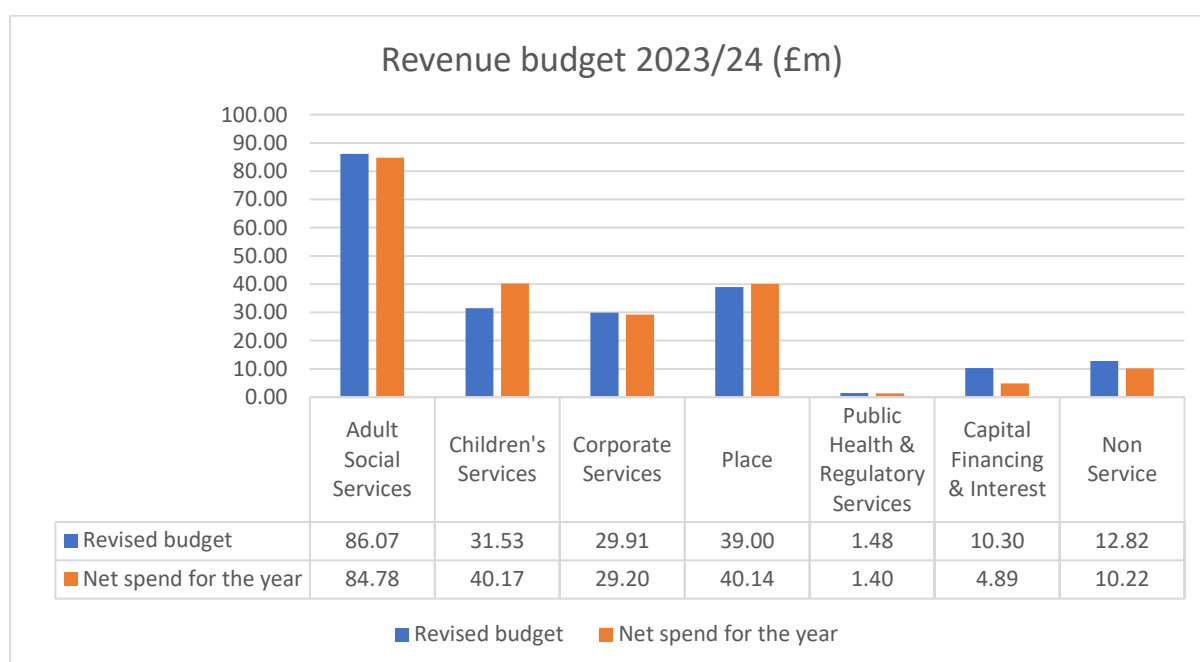
We set our annual revenue and capital budgets in the February before the start of each financial year, but financial planning is a continuous process throughout the year. The budget is set to deliver priorities decided by members and identified in our Corporate Plan.

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The statement of accounts is a complex financial document. Here is a summary of the Council's financial performance for 2023/24.

Revenue out-turn against budget 2023/24

The chart below shows the Council's budgeted and actual spending plans for the year across each of its directorates. The final out-turn position achieved by the Council was net expenditure of £211.1m, which is an under-spend of £0.3m compared to the approved budget for the year. The Council was therefore able to contribute £0.3m into its General Revenue Reserve at the year-end.



Although the overall out-turn position for the revenue budget was an underspend, the Council continued to face significant cost pressures within several areas of the budget. Children's social care placement budgets were overspent by £8.6m, and home to school transport budgets were overspent by £1.5m, largely due to increased levels of demand for these services.

The Council was able to mitigate some of these overspends by generating additional returns on its investments as a result of higher interest rates, and releasing budget contingencies. We also implemented controls to reduce non-essential spending, and, following a detailed review of balances, released £2m of earmarked reserves.

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

Schools spending in 2023/24

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

Spending on the high needs block of the DSG has been increasing in recent years, which means that the Council has been carrying a deficit in its DSG Reserve. The deficit on this reserve at the start of the year was £9.7m.

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The out-turn position for schools shows a deficit for the year of £6.5m. This was largely as a result of increased spending on services within the High Needs Block, although this was partially offset by additional income of £2.9m from the DfE through the Safety Valve programme. This resulted in a net increase in the DSG deficit balance by £3.6m during the year, leaving a deficit balance of £13.3m in the reserve.

Capital spending in 2023/24

Capital investments continued to be a prominent feature of North Somerset Council's finances during 2023/24 with more than £64m being spent on improving existing assets and delivering new facilities.

Capital spending in 2023/24:

| What the money was spent on... | 2022/23 | 2023/24 | Where the money comes from... | 2022/23 | 2023/24 |
|------------------------------------|-------------|-------------|-------------------------------------|-------------|-------------|
| | £m | £m | | £m | £m |
| Schools | 28.9 | 20.2 | Government grants and contributions | 53.3 | 52.1 |
| Transport / Infrastructure | 11.1 | 19.1 | Borrowing | 5.9 | 9.2 |
| Road maintenance & street lighting | 9.5 | 9.4 | Sale of assets (capital receipts) | 3.1 | 1.8 |
| Housing | 5.4 | 5.7 | Reserves and balances (revenue) | 4.1 | 1.3 |
| Community & Open spaces | 1.7 | 3.6 | | | |
| Other capital investment | 9.8 | 6.4 | | | |
| Total | 66.4 | 64.4 | Total | 66.4 | 64.4 |

Investment in new major transport projects continues, with further progress being made on the delivery of the Bus Service Improvement Plan (BSIP), as well as Portishead MetroWest Rail link and the new Banwell bypass. During the year the Council completed two new schools; the new Baytree Special School supporting those children with Special Educational Needs and Disabilities (SEND) and the Winterstoke Hundred Academy, which will support secondary age pupils. The Council also started to deliver projects within its SEND programme, which is designed to create specialist and nurture provision within mainstream school sites. The Council continued to invest in the existing road network, as well as improvements in play and leisure facilities across the district.

Climate change initiatives remain a key priority for the Council. We are continuing to invest in electric vehicles for the transport fleet, and make changes to our buildings through decarbonisation projects which will bring improvements such as a lower carbon footprint and also lower costs.

Balance Sheet

The Balance Sheet shows the council's financial position at 31 March 2024, the end of the financial year. It is a snapshot of the assets the Council owns, the liabilities it owes, and the reserves it has available to fund future expenditure.

Despite growing budget pressures, the Council maintained a Balance Sheet with a positive net worth of £288.2 million at the year end, which is comparable to the previous year.

A summary of the Council's Balance Sheet:

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| The council's net assets | Note | 31/03/2023 | 31/03/2024 | Which are financed by: | Note | 31/03/2024 | 31/03/2024 |
|-----------------------------|-------------|--------------|---------------|------------------------|------|--------------|--------------|
| | | £m | £m | | | £m | £m |
| Property, Plant & Equipment | 24 | 411.3 | 395.2 | General Fund balance | 8 | 10.2 | 10.5 |
| Current assets | 27,31 | 229.4 | 263.3 | Earmarked reserves | 8 | 89.6 | 91.1 |
| Investment property | 25 | 51.1 | 44.9 | Other Usable reserves | 8 | 20.0 | 24.3 |
| Other long term assets | 31 | 13.1 | 12.8 | Unusable Reserves | 9 | 168.4 | 162.3 |
| Other long term liabilities | 29,36 | -23.2 | -23.4 | | | | |
| Current liabilities | 14,28,29,31 | -151.2 | -200.3 | | | | |
| Long term borrowing | 29,31,33,36 | -139.8 | -127.8 | | | | |
| Pension liabilities | 35 | -102.5 | -76.5 | | | | |
| Net assets | | 288.2 | 288.2 | Total reserves | | 288.2 | 288.2 |

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

The total reserves held by the Council includes £162.3m 'unusable' reserves which are not available to spend. The most significant variances in Unusable reserves relate to an increase in the Capital Adjustment Account, due to increased amounts of capital expenditure financed from capital grant, and a decrease in the debit balance on the Pensions Reserve (see 'Pensions assets and liabilities' below).

The 'usable' reserves balance is slightly increased over last year at £125.9m at the end of the financial year. A large proportion of these balances relate to monies set aside to cover financial risk, investment in key projects, and to smooth impacts of transactions across financial years.

Held within usable reserves is the council's General Fund balance, which is the reserve the Council uses to cover immediate or unplanned financial risks. At the year-end, the balance was increased by the underspend of £0.3m and stands at £10.5m, which equates to approximately 5.2% of the 2023/24 original net revenue budget excluding town and parish council precepts, in line with our Reserves Strategy.

Given the financial pressures we are facing, reserves levels will need to be reviewed on an on-going basis.

Collection Fund

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

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

At the end of the year the council's share of the Collection Fund account showed a deficit of £0.1m in respect of council tax and £1.7m in respect of business rates. The deficit for business rates largely relates to the Valuation Office resolving outstanding challenges against the 2017 rating list and an increase in reliefs claimed by business ratepayers during the year.

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Treasury Management

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

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

Pensions assets and liabilities

The Council's pension liabilities exceed the value of the related pension fund assets by £76.5m at 31 March 2024, which is a net reduction of £25.9m from the previous year's deficit of £102.4m. The movement largely relates to increases in pension asset values, due to interest income and upwards gains in the value of investments exceeding benefits paid out. Pension liabilities remained similar to the prior year, as movements in the actuarial valuation largely offset.

The pension contributions payable by the Council are reviewed every 3 years by independent expert actuaries. The Council made employers pension contributions of 18.5% of pensionable pay in 2023/24 and, is making contributions at the same rate in 2024/25. The next triennial review is due in 2025/26.

4. Looking ahead

Revenue budget planning in the medium term

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

The latest Medium-Term Financial Plan, which was published in February 2024, covers the four years 2024 to 2028, which is the same period as the new Corporate Plan. The details are summarised below:

| | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|-------------------------------------|--------------|--------------|--------------|--------------|
| | £m | £m | £m | £m |
| <u>Projected Revenue Resources</u> | | | | |
| Government Grants | 25.8 | 22.8 | 22.9 | 22.9 |
| Council Tax & Business Rates | 191.9 | 195.8 | 201.6 | 207.7 |
| Other | (0.1) | 0.0 | 0.0 | 0.0 |
| Total Resources | 217.6 | 218.6 | 224.5 | 230.6 |
| <u>Net Revenue Budget</u> | | | | |
| Base Budget | 202.8 | 217.6 | 218.6 | 224.5 |
| Growth items and spending pressures | 31.0 | 20.9 | 16.8 | 15.4 |
| Grant Income and Savings Proposals | (16.2) | (10.7) | (8.4) | (7.2) |
| Savings Requirement | 0.0 | (9.2) | (2.5) | (2.1) |
| Revised Base Budget | 217.6 | 218.6 | 224.5 | 230.6 |

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The Council's financial planning has been updated to reflect the additional spending pressures that have arisen over the past 18 months relating to both rising inflation and increased demand for services. These additional pressures increased the budget gap to over £50m across the four year period, although this short-fall has subsequently been reduced to £13.8m after the council introduced savings plans of over £42m into the budget in February 2024.

The Council is currently working on plans to balance the MTFP across the remaining years by February 2025, establishing a firm plan which will allow officers more time to focus on service delivery. We will need to review and update the funding and cost forecasts within the plan and recognise that this will need to use the most accurate information as a basis for future decisions.

Given the national political landscape and the recent General Election, the council's ability to accurately forecast funding levels beyond 2024/25 clearly presents a challenge. In addition there are further uncertainties which could also result in changes to national policy and legislation, which could impact on the core responsibilities and duties across the wider local government sector.

Being able to accurately forecast the cost and demand for services remains a further challenge particularly as these are often driven by factors outside of our control. The greatest concern remains the recent rising demand for children's social care services, as although we included over £5m additional funding into the 2024/25 budget to support children in February, the council has continued to see an increase in the numbers of children being looked after, which will impact on our budget in the months ahead. Whilst this is a national issue, the council faces additional issues regarding the sufficiency of available provision of residential places and foster carers in the local area.

The government itself recognises these pressures, and made a change to the final local government finance settlement for 2024/25, which resulted in an increase of £0.3m in the council's social care grant allocation. Whilst welcome, this was not of the scale needed to fund the ongoing impacts.

Where possible, the Council has set monies aside in the General Fund working balance and other risk-based reserves, to help to mitigate risk, maintain financial stability, and protect services in future years, although it does not rule out the need to once again take action to deliver a balanced budget in the future. This could involve further decisions to reduce areas of non-essential spending, and potentially make changes to service provision.

The latest Plan includes over £42m of savings, and there remains a budget gap of £14m, which means that further savings will be required. Whilst the Council has a strong record of demonstrating good financial management, and savings plans have been identified and delivered, this is becoming more difficult to do each year. We will continue to update and publish such forecasts on a rolling basis.

Against the back drop of an increasing number of councils issuing s114 notices, it should be noted that North Somerset Council is not considered to be in similar financial territory at this time, due to effective financial planning and controls in previous years. However, this position is reviewed and updated on a regular basis to ensure that it is based on the latest risks and associated management mitigations, which includes having reasonable reserves to cover known risks. Risks relating to rising demand for services could significantly impact on this assessment in the future.

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Capital strategy

The Council's Capital Strategy was approved in February 2024 and sets out a five-year capital investment programme from 2024/25 to 2027/28, totalling £457m. North Somerset Council continues to have ambitious plans for investment in the region which will deliver sustainable projects with a tangible benefit to our communities.

Significant projects in the Capital Strategy include:

- MetroWest £120m
- Banwell Bypass and infrastructure £81m
- Bus service improvement plan £47m
- Local transport plan projects, including pot holes £30m
- Major Road Network A38 improvements £23m
- Levelling Up projects £20m

5. Explanation of the Financial Statements

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2024. 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 2023/24 ("the Code") and incorporates the requirements of International Financial Reporting Standards.

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

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

The Core Statements are:

The **Movement in Reserves Statement (MIRS)** shows the movement from the start of the year to the end on the different reserves held by the authority, analysed between 'usable reserves' and 'unusable reserves'.

The **Comprehensive Income and Expenditure Statement (CIES)** shows the Council's income and expenditure for the year. The top half of the statement provides an analysis by service area. Non-service expenditure relates to income and expenditure not allocated to specific services, including the City-Region Deal Business Rate Pooling scheme, some levies and precepts, and contingency budgets. The bottom half of the statement deals with corporate transactions and funding. The Expenditure and Funding Analysis (Note 10) compares the CIES with income and expenditure taken into account when setting the budget and Council Tax, adjusting for certain amounts which are disregarded by statute. An analysis by nature, often referred to as a subjective analysis, of the CIES is given in Note 16.

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

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

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The supplementary financial statements are:

- The **Collection Fund** shows the billing authority transactions relating to the collection of Council Tax and Business Rates, and the relevant distributions to precepting bodies. North Somerset's Council Tax precepting bodies are the Council itself, the Avon and Somerset Police and Crime Commissioner, and the Avon Fire and Rescue Service. The Business Rate precepting bodies are the Council, Central Government and Avon Fire and Rescue Service.
- The **Accounting Policies** set out the policies that have been followed in preparing the accounts, in line with Code requirements.
- The **Group accounts** reflect the combined financial position of the Council and its subsidiary company, North Somerset Environment Company Limited, as the use of this separate company means that the Council's single entity financial statements on their own do not fully reflect the income and expenditure associated with its activities.
- The **Annual Governance Statement** sets out the governance structures of the Council and its key internal controls.

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

A **Glossary** of key terms and abbreviations can be found at the end of this publication.

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

Accounting changes in the year and looking ahead – Note 5 of the financial statements details the impact of accounting standards which have not yet been adopted into the Code of Local Government accounting on future year's accounts. The implementation of a new accounting standard IFRS16 Leases is due in 2024/25. The impact of this implementation on the Council's accounts is currently not expected to be material.



Amy Webb

Director of Corporate Services and s151 officer

28 November 2024

Statement of Responsibilities

North Somerset Council's responsibilities

North Somerset Council is required:

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

During 2023/24 these responsibilities were undertaken by Amy Webb, the Director of Corporate Services and Section 151 officer.

The Director of Corporate Services' core responsibilities

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

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

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

The Director of Corporate Services has also:

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

Certificate

I hereby certify that the following Statement of Accounts gives a true and fair view of the financial position of North Somerset Council at the reporting date, and of its expenditure and income for the year ended 31 March 2024, and hereby authorise the issue of the accounts.



Amy Webb FCCA

Director of Corporate Services

28 November 2024



Cllr Patrick Keating

Chair of Audit Committee

28 November 2024

Independent auditors report to the members of North Somerset Council

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of North Somerset Council (the 'Authority') and its subsidiary North Somerset Environment Company (the 'group') for the year ended 31 March 2024, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet, the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. 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 2023/24.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2024 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; 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, as required by the Code of Audit Practice (2024) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Corporate Services and Section 151 Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

In our evaluation of the Director of Corporate Services and Section 151 Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 that the Authority's and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Director of Corporate Services and Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Independent auditors report to the members of North Somerset Council

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's and the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Corporate Services and Section 151 Officer with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Financial Report, other than the financial statements and our auditor's report thereon. The Director of Corporate Services and Section 151 Officer is responsible for the other information. 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.

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 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 themselves. 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 in April 2020 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 requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, 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.

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, the other information published together with the financial statements in the Financial Report 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.

Independent auditors report to the members of North Somerset Council

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

Responsibilities of the Authority and the Director of Corporate Services and Section 151 Officer

As explained more fully in the Statement of Responsibilities, 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 Corporate Services and Section 151 Officer. The Director of Corporate Services and Section 151 Officer is responsible for the preparation of the Financial Report, 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 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Director of Corporate Services and Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Corporate Services and Section 151 Officer is responsible for assessing the Authority's and the group'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 they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003).

We enquired of management and the Audit Committee, concerning the group and Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to manual journal entries, management estimates and judgements, and transactions outside the normal course of business. Our audit procedures involved:

Independent auditors report to the members of North Somerset Council

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on manual journals, as well as large and unusual journals,
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of land and buildings, investment properties, and pension liability
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including management override of controls. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team and component auditors included consideration of the engagement team's and component auditor's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector in which the group and Authority operates
- understanding of the legal and regulatory requirements specific to the Authority and group including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAAC and SOLACE
 - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

For components at which audit procedures were performed, we requested component auditors report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements. No such matters were identified by the component auditors.

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

Independent auditors report to the members of North Somerset Council

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

Matter on which we are required to report by exception – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in respect of the above matter except on 14 November 2024 we identified:

A significant weakness in how the Authority plans and manages its resources to ensure it can continue to deliver its services. This was in relation to the dedicated schools grant (DSG) deficit. The DSG deficit is projected to increase each year up until 2027-28 with the cumulative deficit forecast to rise to £43.5m by 31 March 2028. The Council has identified significant issues with delivering the agreed reductions to the annual DSG deficit as part of the safety valve agreement. We recommend that the authority:

- Take action to reduce the annual DSG deficit.
- Seek to agree a revised safety valve agreement with the department of Education that provides for a realistic trajectory to achieve financial balance for DSG.

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.

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 undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of ‘proper arrangements’. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor’s Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Independent auditors report to the members of North Somerset Council

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for North Somerset Council for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2024.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2024.

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 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Grace Hawkins

Grace Hawkins, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

28 November 2024



Primary Financial Statements

Primary Financial Statements

Movement in Reserves Statement

| | Note | Usable Reserves | | | | | | | Unusable Reserves | | | | | | | | | | TOTAL RESERVES | |
|--|------|---------------------------------|---------------------|------------------------|----------------------------------|----------------------------|--------------------------|--------------------------|-----------------------|---------------------|----------------------------|------------------------------------|------------------|--|--|------------------------------|-----------------------------------|--|----------------|-------------------------|
| | | General Fund Earmarked Reserves | | | | | | | Total Usable Reserves | Revaluation Reserve | Capital Adjustment Account | Collection Fund Adjustment Account | Pensions Reserve | Dedicated Schools Grant Adjustment Account | Financial Instruments Adjustment Account | Accumulated Absences account | Deferred Capital Receipts Reserve | Pooled Investment Funds Adjustment Account | | Total Unusable Reserves |
| | | General Fund Balance | LMS School Balances | Other Schools Balances | Other Earmarked Revenue Reserves | Earmarked Capital Reserves | Capital Receipts Reserve | Capital Grants Unapplied | | | | | | | | | | | | |
| Balance at 1 April 2023 | 8, 9 | (10,162) | (3,062) | (396) | (77,829) | (8,341) | (12,515) | (7,474) | (119,779) | (84,164) | (197,049) | (1,920) | 102,458 | 9,685 | 206 | 1,253 | (47) | 1,206 | (168,372) | (288,151) |
| Restatement of opening balances | | (3,762) | | | | | | | (3,762) | | | | | 3,762 | | | | | 3,762 | 0 |
| Balance at 1 April 2023 (restated) | | (13,924) | (3,062) | (396) | (77,829) | (8,341) | (12,515) | (7,474) | (123,541) | (84,164) | (197,049) | (1,920) | 102,458 | 13,447 | 206 | 1,253 | (47) | 1,206 | (164,610) | (288,151) |
| Total Comprehensive Income and Expenditure | CIES | 26,587 | 0 | 0 | 0 | 0 | 0 | 0 | 26,587 | (1,341) | 0 | 0 | (25,300) | 0 | 0 | 0 | 0 | 0 | (26,641) | (54) |
| Adjustments between accounting basis & funding basis under regulations | 7 | (24,602) | 0 | 0 | 0 | 0 | (2,836) | (1,489) | (28,927) | 4,469 | 21,603 | 3,709 | (660) | (152) | 24 | (260) | 8 | 186 | 28,927 | 0 |
| Transfers between Usable Reserves | 8.1 | 1,469 | 859 | (74) | (300) | (1,954) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (Increase) / Decrease in 2023/24 | 8, 9 | 3,454 | 859 | (74) | (300) | (1,954) | (2,836) | (1,489) | (2,340) | 3,128 | 21,603 | 3,709 | (25,960) | (152) | 24 | (260) | 8 | 186 | 2,286 | (54) |
| Balance at 31 March 2024 - carried forward | 8, 9 | (10,470) | (2,203) | (470) | (78,129) | (10,295) | (15,351) | (8,963) | (125,881) | (81,036) | (175,446) | 1,789 | 76,498 | 13,295 | 230 | 993 | (39) | 1,392 | (162,324) | (288,205) |

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

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

Primary Financial Statements

Movement in Reserves Statement

| | Note | Usable Reserves | | | | | | | | Unusable Reserves | | | | | | | | | | TOTAL RESERVES |
|--|------|---------------------------------|---------------------|------------------------|----------------------------------|----------------------------|--------------------------|--------------------------|-----------------------|---------------------|----------------------------|------------------------------------|------------------|--|--|------------------------------|-----------------------------------|---|-------------------------|----------------|
| | | General Fund Earmarked Reserves | | | | | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves | Revaluation Reserve | Capital Adjustment Account | Collection Fund Adjustment Account | Pensions Reserve | Dedicated Schools Grant Adjustment Account | Financial Instruments Adjustment Account | Accumulated Absences account | Deferred Capital Receipts Reserve | Funds Investment Funds Adjustment Account | Total Unusable Reserves | |
| | | General Fund Balance | LMS School Balances | Other Schools Balances | Other Earmarked Revenue Reserves | Earmarked Capital Reserves | | | | | | | | | | | | | | |
| Balance at 1 April 2022 | 8, 9 | (9,744) | (3,001) | (387) | (78,439) | (7,316) | (13,471) | (8,184) | (120,542) | (91,462) | (162,981) | 4,547 | 265,987 | 13,447 | 160 | 1,133 | (53) | (44) | 30,734 | (89,808) |
| Total Comprehensive Income and Expenditure | CIES | (16,028) | 0 | 0 | 0 | 0 | 0 | 0 | (16,028) | (5,137) | 0 | 0 | (177,178) | 0 | 0 | 0 | 0 | 0 | (182,315) | (198,343) |
| Adjustments between accounting basis & funding basis under regulations | 7 | 15,126 | 0 | 0 | 0 | 0 | 957 | 710 | 16,793 | 12,435 | (34,069) | (6,467) | 13,649 | (3,762) | 45 | 120 | 6 | 1,250 | (16,793) | 0 |
| Transfers between Usable Reserves | 8.1 | 484 | (61) | (9) | 610 | (1,024) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (Increase) / Decrease in 2022/23 | 8, 9 | (418) | (61) | (9) | 610 | (1,024) | 957 | 710 | 765 | 7,298 | (34,069) | (6,467) | (163,529) | (3,762) | 45 | 120 | 6 | 1,250 | (199,108) | (198,343) |
| Balance at 31 March 2023 - carried forward | 8, 9 | (10,162) | (3,062) | (396) | (77,829) | (8,340) | (12,514) | (7,474) | (119,777) | (84,164) | (197,050) | (1,920) | 102,458 | 9,685 | 205 | 1,253 | (47) | 1,206 | (168,374) | (288,151) |

Primary Financial Statements

Comprehensive Income and Expenditure Statement

| | Note | 2022/2023 As re-stated | | | 2023/2024 | | |
|--|-------|------------------------------|-------------------------|----------------------------|------------------------------|-------------------------|----------------------------|
| | | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| Adult Social Services | 6 | 121,822 | (45,440) | 76,382 | 138,871 | (50,992) | 87,879 |
| Children's Services | | | | | | | |
| Children's Services | | 42,871 | (10,418) | 32,453 | 51,067 | (13,761) | 37,306 |
| Schools Budgets & Grants | | 63,030 | (63,492) | (462) | 62,016 | (58,159) | 3,857 |
| | | 105,901 | (73,910) | 31,991 | 113,083 | (71,920) | 41,163 |
| Place | | 86,132 | (26,145) | 59,987 | 104,674 | (34,418) | 70,256 |
| Corporate Services | | 85,884 | (58,823) | 27,061 | 86,891 | (56,073) | 30,818 |
| Public Health & Regulatory services | | 16,672 | (13,385) | 3,287 | 16,025 | (13,591) | 2,434 |
| Non Service | | 3,698 | (7,253) | (3,555) | 3,148 | (2,839) | 309 |
| Cost of Services | 10 | 420,109 | (224,956) | 195,153 | 462,692 | (229,833) | 232,859 |
| Other Operating Expenditure | 11 | 22,268 | 0 | 22,268 | 44,009 | 0 | 44,009 |
| Financing and investment income and expenditure | 12 | 10,611 | (4,664) | 5,947 | 15,421 | (11,081) | 4,340 |
| Taxation and non-specific grant income | 13 | 0 | (239,396) | (239,396) | 0 | (254,621) | (254,621) |
| (Surplus) / Deficit on Provision of Services | 10,16 | 452,988 | (469,016) | (16,028) | 522,122 | (495,535) | 26,587 |
| (Surplus) / deficit on revaluation of non-current assets | 9.2 | | | (5,137) | | | (1,341) |
| Remeasurements of net defined benefit liability | 9.5 | | | (177,178) | | | (25,300) |
| Other Comprehensive (Income) and Expenditure | | | | (182,315) | | | (26,641) |
| Total Comprehensive (Income) and Expenditure | | | | (198,343) | | | (54) |

The increase in Adults net spend relates to inflationary impacts and uplifts on payments to care providers.

The increase in Place net expenditure relates largely to adjustments to capital asset values.

Non-service expenditure relates to income and expenditure not allocated to specific services, including the City-Region Deal Business Rate Pooling scheme, some levies and precepts, and contingency budgets.

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

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

Primary Financial Statements

Balance Sheet

| | Note | 31 March 2023 £000 | 31 March 2024 £000 |
|--|------|-----------------------|-----------------------|
| Property, Plant and Equipment | | | |
| Other Land and Buildings | 24.1 | 158,607 | 175,712 |
| Infrastructure Assets | 24.2 | 150,100 | 155,006 |
| Community Assets | 24.1 | 4,950 | 4,621 |
| Vehicles, Plant, Furniture and Equipment | 24.1 | 10,672 | 12,609 |
| Assets Under Construction | 24.1 | 86,711 | 47,243 |
| Surplus assets | 24.1 | 272 | 42 |
| Intangible Assets | 24.1 | 100 | 50 |
| Heritage Assets | | 288 | 288 |
| Investment Property | 25 | 51,053 | 44,894 |
| Long Term Investments | 31.1 | 8,833 | 8,647 |
| Long Term Debtors | 31.1 | 3,895 | 3,844 |
| Long Term Assets | | 475,481 | 452,956 |
| Short Term Investments | 31.1 | 145,250 | 189,621 |
| Inventories | | 1,538 | 1,501 |
| Short Term Debtors | 27 | 82,620 | 72,134 |
| Current Assets | | 229,408 | 263,256 |
| Cash and Cash Equivalents | CFS | (5,832) | (773) |
| Short Term Borrowing | 31.1 | (8,877) | (42,047) |
| Short Term Creditors | 28 | (65,629) | (74,941) |
| Short Term Provisions | 29 | (5,001) | (4,597) |
| Grants Received in Advance - Revenue | 14 | (6,636) | (1,158) |
| Grants & Contributions Received in Advance - Capital | 14 | (59,194) | (76,742) |
| Current Liabilities | | (151,169) | (200,258) |
| Long Term Provisions | 29 | (1,624) | (2,154) |
| Long Term Borrowing | 31.1 | (128,475) | (116,945) |
| Long Term Borrowing - Ex Avon Debt | 33 | (11,291) | (10,839) |
| Pensions Liabilities | 35.1 | (102,458) | (76,499) |
| Other Long Term Liabilities | 36.1 | (21,721) | (21,312) |
| Long Term Liabilities | | (265,569) | (227,749) |
| Net Assets | | 288,151 | 288,205 |
| Usable Reserves | 8.1 | (119,777) | (125,881) |
| Unusable Reserves | 9.1 | (168,374) | (162,324) |
| Total Reserves | | (288,151) | (288,205) |

The unaudited accounts were issued on 31 May 2024, and the audited accounts were authorised for issue on 28 November 2024.



Amy Webb

Director of Corporate Services and s151 officer

Movements in Cash and Cash Equivalents, Short term investments, short term borrowing, Debtors, Creditors, Grants received in advance and Usable Reserves relate largely to the timing of grant funding, and cash management around the year end.

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

Primary Financial Statements

Cash Flow Statement

| | Note | 2022/2023 £000 | 2023/2024 £000 |
|---|------|-------------------|-------------------|
| Net surplus / (deficit) on the provision of services | CIES | 16,028 | (26,587) |
| Adjustments to the net surplus / (deficit) on the provision of services for non-cash movements | 37.1 | 17,122 | 80,731 |
| Adjustments for items included in the net surplus / (deficit) on provision of services that are investing or financing activities | 37.2 | (56,946) | (58,203) |
| Net cash flows from Operating Activities | | (23,796) | (4,059) |
| Investing Activities | | | |
| Purchase of Property, Plant and Equipment, Investment property and Intangible Assets | | (55,617) | (56,685) |
| Proceeds from sale of Property, Plant and Equipment, Investment property and Intangible Assets | | 2,181 | 4,601 |
| | | (53,436) | (52,084) |
| Purchase of short and long term investments | | (636,800) | (881,500) |
| Proceeds from sale of short and long term investments | | 659,800 | 840,000 |
| | | 23,000 | (41,500) |
| Other payments for Investing Activities | | 13 | 19 |
| Other receipts from Investing Activities - Capital Grants and Contributions | 14 | 56,307 | 81,473 |
| | | 56,320 | 81,492 |
| Net cash flows from Investing Activities | | 25,884 | (12,092) |
| Financing Activities | | | |
| Cash receipts from short and long term borrowing | | 2,012 | 30,028 |
| Repayments of short and long term borrowing | | (9,282) | (8,940) |
| | | (7,270) | 21,088 |
| Finance lease repayments | | (370) | (383) |
| Other net (payments) / receipts for Financing Activities | | 4,137 | 505 |
| | | 3,767 | 122 |
| Net cash flows from Financing Activities | | (3,503) | 21,210 |
| Net increase / (decrease) in cash and cash equivalents | | (1,415) | 5,059 |
| Cash and cash equivalents at the beginning of the reporting period | | (4,417) | (5,832) |
| Cash and cash equivalents at the end of the reporting period comprising: | | (5,832) | (773) |
| Cash held by the Council | 37.4 | (5,832) | (773) |
| | | (5,832) | (773) |

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



Notes to the accounts

Technical Notes, Judgements and Assumptions

1. Critical judgements in applying accounting policies

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

Joint funding arrangements

The Section 75 and Section 256 agreements by which joint funding resources have been agreed between the Council and the Bristol, North Somerset and South Gloucestershire Integrated Care Board (ICB) has been assessed against the appropriate standards, mainly IFRS 10 and IFRS 11.

Following consideration of the control and governance arrangements of the underlying transaction streams, officers have judged that the arrangement should be classified as a 'joint operation'. As such, the Council and ICB account for the assets, liabilities, revenues, and expenses relating to their involvement in the joint operation. Further details are set out in Note 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 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.

Due to on-going transfer of schools to academy status, the value of schools not owned by the Council recognised in the Balance Sheet is reducing over time. At 31 March 2024, only 1 Trust school, Westhaven Special School, remained in the Council's Balance Sheet when the school's land and buildings are legally owned by the Trust. The Net Book Value of the school's land and buildings at 31 March 2024 was £6.3m. Hence the accounting treatment of this school remains bordering on materiality, and may influence the user of the accounts, and hence is disclosed as a critical judgement.

Investment Property

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

Hence investment property assets continue to be valued at fair value, at 'highest and best' use, rather than at current existing use value, and are not depreciated but are revalued annually according to market conditions at the year end. The impact on the valuation and other accounting entries arising from this judgement cannot be readily quantified without formal valuation using both methodologies, which would incur significant costs for the Council.

Group accounting

The Council has interests in entities which fall within the group boundary of the Council on the grounds of control under the Code and relevant accounting standards (IFRS10 Subsidiaries, and

Technical Notes, Judgements and Assumptions

IFRS11 Joint Ventures). Narrative disclosures regarding these relationships have been made in the related party transactions note (Note 23).

The majority of these interests are judged not to significantly impact on the Council's overall net assets or the Comprehensive Income and Expenditure Statement. However, the transactions of the Council's wholly owned subsidiary, North Somerset Environmental Company Ltd are material. When consolidated with the Council's single entity accounts, the analysis of income and expenditure on the face of the Group Comprehensive Income and Expenditure Statement, and movements in reserves on the Group Movements in Reserves Statement, are judged to differ materially from the single entity accounts, although the 'bottom line' of these statements are not materially affected. The Council has therefore made a judgement that consolidated group financial statements are required.

Substantive disposal of Winterstoke Hundred Academy Expansion (WHAE) in 2023/24

The WHAE secondary school site was financed and built by North Somerset Council, and was transferred to and has been occupied by the Cabot Learning Federation Academy Trust since January 2024 (i.e. during 2023/24). Although the 125-year Academy lease agreement has not yet been signed, the handover is judged to give rise to a substantive disposal, by way of a finance lease, after considering the substance of the transaction over the legal form.

The transfer has therefore been accounted for as a disposal with a Gross Book Value disposed of £34.7m, and with nil sales proceeds. This substantive disposal is also included in the Note 3 Material accounting entries, and Note 36 Finance Leases as the lessor, regarding disposals to academies.

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

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

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

Whilst Brexit, the war in Ukraine, and changes in the wider economic outlook may have impacted on the value of these estimates, there have been no significant changes to the basis of these estimates compared to the previous year. The items in the Council's Balance Sheet at 31 March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Fair Value Measurements - Investment Property

Investment properties are measured at Fair Value in line with the Council's accounting policies. The value of these assets is determined using calculations and estimation techniques by the Council's valuers following Royal Institution of Chartered Surveyors (RICS) guidance. Asset values are influenced by market forces, income or cost related information, all of which may be subject to volatility and estimation uncertainties. In reaching their valuations, and in assessing whether asset values have been impaired, the Council's valuers have considered wider economic factors such as reductions in property rental values and occupancy rates.

Where possible, the inputs to these valuations are based on observable data. However, where unobservable inputs are required in establishing fair values, estimation techniques are used. These estimates typically include considerations such as uncertainty and risk. The significant unobservable

Technical Notes, Judgements and Assumptions

inputs used in the fair value measurement of Investment Property include management assumptions regarding rent growth, vacancy levels and discount rates.

Significant changes in any of the unobservable inputs would result in a significant change in the fair value measurement for the properties. As noted in Note 25, the carrying value of Investment Property assets at the Balance Sheet date is £44.9m (2022/23 £51.1m). A 1% change in the Fair Values of investment property would result in a change of £0.4m in asset values (2022/23 £0.5m). Hence a change of around 18% (2022/23 15%) in valuations would have a material impact on 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 valuers provided valuations as at 1 January 2024 for a proportion of its operational portfolio. All operational properties were also reviewed to ensure values reflect current values. This was done by undertaking a desktop re-valuation of those assets, using national indices (notably IPD and BCIS), and consideration of other local factors. This review confirmed that the net book value of PPE assets in the accounts is materially in line with their current value.

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

As noted in Note 24, the carrying value of Property, Plant and Equipment assets held at a valuation (Land and Buildings and Surplus assets) at the Balance Sheet date is £175.8m (2022/23 £158.9m). If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls.

It is estimated that the annual depreciation charge for buildings would increase by £0.1m for every year that useful lives had to be reduced.

Based on the assets which were revalued in the year as part of the five year rolling revaluation programme, the average decrease in the value of assets was 5.1%. If this percentage decrease was also applied to the assets that were not revalued in the year, this would decrease their Balance Sheet value by £4.1m.

It is estimated that a 1% change in net book asset values would result in a change of approximately £1.8m (2022/23 £1.6m). Hence a change in net book value of the order of 4.8% (2022/23 5.3%) would be likely to be considered material to the Council's accounts.

Technical Notes, Judgements and Assumptions

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged by the Avon Pension Fund to provide the Council and other member bodies with expert advice about the assumptions to be applied.

As noted in Note 35, the carrying value of net liability arising from defined benefit pensions obligations at the Balance Sheet date is £76.5m (2022/23 £102.5m). The effects of changes in individual assumptions can have a significant impact on the value of the net pensions liability, and are set out in the Pensions Note 35. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension deficit of the Local Government Pension Scheme of £37.1m (2022/23 £41.1m), and a decrease of £0.5m (2022/23 £0.5m) of the Teachers Unfunded Discretionary Benefits.

3. Material items of income and expenditure

Losses on disposal of schools transferring to academy status - As in previous years, the Council has incurred losses on disposal as schools transfer to academy status with nil sales proceeds. The loss totals £36.8m (2022/23 £17.7m). £34.7m of the loss relates to the transfer of a new secondary school, the Winterstoke Hundred Academy. A further loss of £2.9m relates to the transfer of Worlebury St Paul's CofE Primary School. These losses are included Note 11 Other Operating Expenses. The total losses increased over the previous year due to the transfer of one high value secondary school and one primary school to academy status in the current year, compared to six primary schools in 2022/23. The value of the Property, Plant and Equipment assets disposed of is set out in Note 24.4. The loss does not impact on the Council's usable reserves, as it is charged to the unusable Capital Adjustment Account in Note 9.3.

4. Events after the reporting period

The draft Statement of Accounts were authorised for issue by the Chief Financial Officer on 31 May 2024. 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 2024, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

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

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (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 2024/25 are:

- IFRS 16 Leases (but only for those local authorities that have decided to voluntarily implement IFRS 16 in the 2023/24 year).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020.
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022.
- Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022.

Technical Notes, Judgements and Assumptions

- International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023.
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023.

The CIPFA/LASAAC Local Authority Accounting Code Board (CIPFA/LASAAC) has deferred the implementation of IFRS 16 - Leases to the 2024/25 Code. IFRS16 will now be applied from 1 April 2024. An appendix to the 2023/24 Code sets out the expected changes by CIPFA/LASAAC in relation to the adoption of IFRS 16. The contents of this appendix do not have the authority of the Code. The Council has not undertaken early adoption of IFRS 16.

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

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

The impact of implementation of IFRS 16 on the Council's financial statements has been estimated by officers as not being likely to be material to the Council's assets and liabilities values, or revenue charges, including depreciation and lease charges.

None of the other changes are expected to have a material effect on the Council's Statement of Accounts from 1 April 2024.

6. Prior Period Adjustments

In previous year's accounts, sub-totals for the income and expenditure relating to the Housing sub-directorate and Adult Social Care were separately disclosed on the face of the Comprehensive Statement of Income and Expenditure and related notes.

Housing sub-directorate performance ceased to be reported separately to members, and senior officers in the Corporate Leadership Team, in budget monitoring reports during 2023/24.

Therefore, in order that the service analyses in the Comprehensive Income and Expenditure Statement and the Expenditure and Funding Analysis are presented on the basis of the authority's internal management reporting, the comparators to these statements and notes have been re-stated to present only the totals for the Adult Social Services directorate as a whole.

No changes in the underlying coding of the relevant income and expenditure have been made.

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.

| 2023/2024 ADJUSTMENTS | Note | General Fund Balance Capital Receipts Reserve Capital Grants Unapplied £000 | Receipts Reserve Capital Grants Unapplied £000 | Capital Grants Unapplied £000 | Unusable Reserves £000 |
|--|----------|--|---|--|------------------------------|
| Adjustments to Revenue Resources | | | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements: | | | | | |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account): | | | | | |
| Charges for depreciation of non-current assets | 9.3 | (12,953) | 0 | 0 | 12,953 |
| Charges for impairment of non-current assets | 9.3 | (17,765) | 0 | 0 | 17,765 |
| Revaluation losses on Property, Plant and Equipment | 9.3 | (2,649) | 0 | 0 | 2,649 |
| Movements in the fair value of Investment Properties | 9.3 | (4,868) | 0 | 0 | 4,868 |
| Revenue expenditure funded from capital under statute | 9.3 | (8,461) | 0 | 0 | 8,461 |
| Net gain or loss on sale or de-recognition of non-current assets and non-current assets held for sale | 9.3 | (41,366) | 0 | 0 | 41,366 |
| Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement | 9.3 | 51,784 | 0 | 0 | (51,784) |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | 8.4 | 1,826 | 0 | (1,826) | 0 |
| Financial instruments (transferred to the Financial Instruments Adjustments Account) | 9.1 | (25) | 0 | 0 | 25 |
| Council tax and NDR (transfers to or from Collection Fund Adjustment Account) | 9.4 | (3,709) | 0 | 0 | 3,709 |
| Pensions costs (transferred to or from the Pensions Reserve) | 9.5 | 660 | 0 | 0 | (660) |
| Holiday pay (transferred to or from the Accumulated Absences Reserve) | 9.1 | 261 | 0 | 0 | (261) |
| Remeasurement of pooled Financial Instruments (transferred to the Pooled Investment Funds Adjustment Account) | 9.1 | (186) | 0 | 0 | 186 |
| Dedicated School Grant Deficit | 9.6 | 152 | 0 | 0 | (152) |
| Total Adjustments to Revenue Resources | | (37,299) | 0 | (1,826) | 39,125 |
| Adjustments between Revenue and Capital Resources | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | 8.3 | 4,593 | (4,593) | 0 | 0 |
| Payments to the Government housing capital receipts pool (funded by a transfer from the Capital Receipts Reserve) | 8.3 | (6) | 6 | 0 | 0 |
| Statutory provision for the repayment of debt (MRP) (transfer from the Capital Adjustment Account) | 9.3 | 6,779 | 0 | 0 | (6,779) |
| Capital expenditure financed from General Fund revenue balances (transfer from the Capital Adjustment Account) | 9.3 | 1,331 | 0 | 0 | (1,331) |
| Total Adjustments between Revenue and Capital Resources | | 12,697 | (4,587) | 0 | (8,110) |
| Adjustments to Capital Resources | | | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure | 8.3, 9.3 | 0 | 1,774 | 0 | (1,774) |
| Application of capital grants to finance capital expenditure | 8.4, 9.3 | 0 | 0 | 337 | (337) |
| Write down of long term debtor on receipt of loan principal | 8.3, 9.3 | 0 | (16) | 0 | 16 |
| Cash receipts in relation to deferred capital receipts | 8.3, 9.1 | 0 | (8) | 0 | 8 |
| Total Adjustments to Capital Resources | | 0 | 1,750 | 337 | (2,087) |
| TOTAL ADJUSTMENTS | | (24,602) | (2,837) | (1,489) | 28,928 |

Notes to the Movement in Reserves Statement

| 2022/2023 ADJUSTMENTS | <i>Note</i> | General Fund Balance £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Unusable Reserves £000 |
|--|-------------|--|--|--|---------------------------------------|
| Adjustments to Revenue Resources | | | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory | | | | | |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account): | | | | | |
| Charges for depreciation of non-current assets | 9.3 | (13,495) | 0 | 0 | 13,495 |
| Charges for impairment of non-current assets | 9.3 | (8,874) | 0 | 0 | 8,874 |
| Revaluation losses on Property, Plant and Equipment | 9.3 | 11 | 0 | 0 | (11) |
| Movements in the fair value of Investment Properties | 9.3 | 3,003 | 0 | 0 | (3,003) |
| Revenue expenditure funded from capital under statute | 9.3 | (7,443) | 0 | 0 | 7,443 |
| Net gain or loss on sale or de-recognition of non-current assets and non-current assets held for sale | 9.3 | (19,494) | 0 | 0 | 19,494 |
| Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement | 9.3 | 53,288 | 0 | 0 | (53,288) |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | 8.4 | 1,483 | 0 | (1,483) | 0 |
| Financial instruments (transferred to the Financial Instruments Adjustments Account) | 9.1 | (45) | 0 | 0 | 45 |
| Council tax and NDR (transfers to or from Collection Fund Adjustment Account) | 9.4 | 6,467 | 0 | 0 | (6,467) |
| Pensions costs (transferred to or from the Pensions Reserve) | 9.5 | (13,650) | 0 | 0 | 13,650 |
| Holiday pay (transferred to or from the Accumulated Absences Reserve) | 9.1 | (121) | 0 | 0 | 121 |
| Remeasurement of pooled Financial Instruments (transferred to the Pooled Investment Funds Adjustment Account) | 9.1 | (1,249) | 0 | 0 | 1,249 |
| Dedicated School Grant Deficit | 9.6 | 3,762 | 0 | 0 | (3,762) |
| Total Adjustments to Revenue Resources | | 3,643 | 0 | (1,483) | (2,160) |
| Adjustments between Revenue and Capital Resources | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | 8.3 | 2,176 | (2,176) | 0 | 0 |
| Payments to the Government housing capital receipts pool (funded by a transfer from the Capital Receipts Reserve) | 8.3 | (5) | 5 | 0 | 0 |
| Statutory provision for the repayment of debt (MRP) (transfer from the Capital Adjustment Account) | 9.3 | 7,403 | 0 | 0 | (7,403) |
| Capital expenditure financed from General Fund revenue balances (transfer from the Capital Adjustment Account) | 9.3 | 1,909 | 0 | 0 | (1,909) |
| Total Adjustments between Revenue and Capital Resources | | 11,483 | (2,171) | 0 | (9,312) |
| Adjustments to Capital Resources | | | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure | 8.3, 9.3 | 0 | 3,157 | 0 | (3,157) |
| Application of capital grants to finance capital expenditure | 8.4, 9.3 | 0 | 0 | 2,193 | (2,193) |
| Write down of long term debtor on receipt of loan principal | 8.3, 9.3 | 0 | (24) | 0 | 24 |
| Cash receipts in relation to deferred capital receipts | 8.3, 9.1 | 0 | (6) | 0 | 6 |
| Total Adjustments to Capital Resources | | 0 | 3,127 | 2,193 | (5,320) |
| TOTAL ADJUSTMENTS | | 15,126 | 956 | 710 | (16,792) |

Notes to the Movement in Reserves Statement

8. Usable Reserves

8.1. Summary of Usable Reserves

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

| | Note | Balance 1 April 2023 £000 | Net Movement in Year £000 | Balance 31 March 2024 £000 |
|--|-----------|---------------------------------|------------------------------------|----------------------------------|
| General Fund Balance | | (10,162) | (308) | (10,470) |
| Earmarked Reserves - School Balances (re-stated) | | | | |
| - LMS Schools | | (3,062) | 859 | (2,203) |
| - Other Schools Balances | | (396) | (74) | (470) |
| Other Earmarked Revenue and Capital Reserves | 8.2 | (86,169) | (2,255) | (88,424) |
| Total General Fund and Earmarked Reserves | 10 | (99,789) | (1,778) | (101,567) |
| Usable Capital Financing Reserves | | | | |
| - Capital Receipts Reserve | 8.3 | (12,514) | (2,837) | (15,351) |
| - Capital Grants Unapplied | 8.4 | (7,474) | (1,489) | (8,963) |
| Total Usable Capital Financing Reserves | | (19,988) | (4,326) | (24,314) |
| Total Usable Reserves | | (119,777) | (6,104) | (125,881) |

General Fund Balance

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

Earmarked Reserves – Schools Balances

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

A deficit balance relating to Dedicated Schools Grant funding is carried forward in an Unusable reserve (see Note 9.6) under a statutory override until at least 2025/26. This deficit will be recovered from future DSG settlements, rather than from wider General Fund balances - see Note 15.

8.2. Other Earmarked Reserves

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

Notes to the Movement in Reserves Statement

| | Balance 31 March 2022 £000 | Transfers between Reserves £000 | Transfers Out £000 | Transfers In £000 | Balance 31 March 2023 £000 | Transfers between Reserves £000 | Transfers Out £000 | Transfers In £000 | Balance 31 March 2024 £000 |
|--|-------------------------------------|--|--------------------------|-------------------------|-------------------------------------|--|--------------------------|-------------------------|----------------------------------|
| Earmarked Revenue Reserves (Non-schools) | | | | | | | | | |
| Insurance Reserves | (2,164) | 0 | (101) | 0 | (2,265) | 81 | 248 | (12) | (1,948) |
| Severance Reserves | (1,289) | 0 | 0 | (302) | (1,591) | (1) | 0 | 0 | (1,592) |
| Transformation Reserves | (2,339) | 29 | 62 | 0 | (2,248) | 1 | 552 | (397) | (2,092) |
| Economic & Regeneration Reserve | (1,700) | 22 | 1,013 | (386) | (1,051) | 219 | 250 | (278) | (860) |
| City-Deal Smoothing Reserve | (5,892) | 0 | 0 | (688) | (6,580) | 1 | 0 | (1,125) | (7,704) |
| Financial Risk Reserve | (2,796) | 1,672 | 2,941 | (3,193) | (1,376) | (2,604) | 0 | (745) | (4,725) |
| Collection Fund Smoothing Reserve | (10,029) | 0 | 9,118 | (5,702) | (6,613) | (1) | 2,991 | (5,653) | (9,276) |
| Covid Response Funding Reserve | (4,504) | 2,800 | 0 | 0 | (1,704) | 1,704 | 0 | 0 | 0 |
| Healthier Together Funding Reserve | (2,472) | 1,000 | 271 | 0 | (1,201) | (1) | 301 | 0 | (901) |
| Energy risk reserve | 0 | (2,035) | 13 | 0 | (2,022) | 500 | 1,522 | (1,797) | (1,797) |
| s256 Corporate Data Sharing Reserve | 0 | 0 | 0 | (4,000) | (4,000) | 0 | 0 | 0 | (4,000) |
| Other Corporate reserves | (493) | (2,273) | 216 | (1,159) | (3,709) | 400 | 363 | (1,350) | (4,296) |
| Directorate reserves: | | | | | | | | | |
| Adult Social Services | (8,984) | 88 | 1,422 | (1,516) | (8,990) | 97 | 4,213 | (653) | (5,333) |
| Housing Property Funds | (1,060) | 0 | (91) | (22) | (1,173) | 1 | 0 | (49) | (1,221) |
| Children's Services | (2,883) | 0 | 495 | (1,310) | (3,698) | 109 | 1,596 | (5,322) | (7,315) |
| Place | (13,091) | (259) | 6,009 | (2,109) | (9,450) | (299) | 4,609 | (2,512) | (7,652) |
| Corporate Services | (5,333) | 5 | 1,489 | (3,992) | (7,831) | (212) | 2,467 | (1,104) | (6,680) |
| Public Health & Regulatory Services | (5,726) | (1,048) | 2,203 | (598) | (5,169) | 4 | 2,141 | (660) | (3,684) |
| Earmarked Deposits & Contributions | (7,685) | 0 | 908 | (382) | (7,159) | 2 | 664 | (561) | (7,054) |
| Total Non- Schools Earmarked Revenue Reserves | (78,440) | 1 | 25,968 | (25,359) | (77,830) | 1 | 21,917 | (22,218) | (78,130) |
| Earmarked Capital Reserves | | | | | | | | | |
| General Capital Reserves | (2,730) | 0 | 0 | 0 | (2,730) | 1 | 0 | 0 | (2,729) |
| Earmarked Capital Reserves | (4,585) | 0 | 271 | (1,295) | (5,609) | (2) | 648 | (2,602) | (7,565) |
| Total Earmarked Capital Reserves | (7,315) | 0 | 271 | (1,295) | (8,339) | (1) | 648 | (2,602) | (10,294) |
| Total Earmarked Revenue and Capital Reserves | (85,755) | 1 | 26,239 | (26,654) | (86,169) | 0 | 22,565 | (24,820) | (88,424) |

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

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

Notes to the Movement in Reserves Statement

| | |
|--|--|
| Collection Fund Smoothing Reserve | Resources set-aside to smooth the impact on the Council's revenue budget for taxpayers. |
| Covid Response Funding Reserve | Funding previously received from Central Government relating to the emergency Covid-19 response, Cost of Living Crisis and other support packages. |
| Healthier Together Matched Funding Grant | Monies received from the Integrated Care Board to provide match funding against the Council's resource for projects aimed at improving the health of residents within North Somerset. |
| Energy risk reserve | Resources set-aside to fund the increased energy related expenditure included within the revenue budget following renewal of contracts, together with an allowance for inflationary risk. |
| S256 Corporate Data Sharing Reserve | Resources provided by the Integrated Care Board to deliver agreed outcomes and benefits relating to the sharing of data. |
| Adult Social Services | Resources set-aside to fund a range of transformation and project related costs within Adult Social Care, and also a directorate risk reserve to support Care in the Community services. Also includes funds set aside to improve services for the homeless and rough sleepers. |
| Housing Property Funds | Reflects monies held in sinking funds to be used for repairs on leasehold properties. |
| Children's Services | Includes funds set aside to achieve specific Improvement related outcomes following the implementation and delivery of a range of projects; for example, enhancements to systems, additional staffing resources within the Special Educational Needs and Disabilities team, family support and safeguarding, specialist provision and family well-being. |
| Place | Funds set aside to finance specific Council investment in service provision to benefit the community such as Highways and Community Reassurance programmes. Monies also set-aside for planned future costs including major planning appeals, strategic projects and transformation and change programmes. |
| Corporate Services | Includes funds set aside to provide additional capacity or external resources across the directorate to deliver transformational change, as well as to fund future service improvements and mitigate a range of risks managed by the directorate and smooth financial impacts across years. |
| Public Health & Regulatory Services | Funds set aside to enable the Council to discharge its core public health statutory responsibilities as well as funding for regulatory services, which includes a replacement ICT system. Some legacy Covid funding is included within the year-end balance. |
| 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 | 2022/23 £000 | 2023/24 £000 |
|--|--------|-----------------|-----------------|
| Balance brought forward - 1 April | 8.1 | (13,471) | (12,514) |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal of non-current assets to the Comprehensive Income and Expenditure Statement | 7 | (2,175) | (4,593) |
| Financing payment to the Government Housing Capital Receipts Pool | 7 | 5 | 6 |
| Use of Capital Receipts to finance new capital expenditure | 7, 9.3 | 3,157 | 1,774 |
| Transfer from the Capital Adjustment Account to reflect repayment of long-term debtor | 7, 9.3 | (24) | (16) |
| Transfer from Deferred Capital Receipts Reserve | 7, 9.1 | (6) | (8) |
| Balance carried forward - 31 March | 8.1 | (12,514) | (15,351) |

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 | 2022/23 | | | 2023/24 | | |
|--|--------|----------------|----------------|----------------|----------------|----------------|----------------|
| | | CIL £000 | Other £000 | Total £000 | CIL £000 | Other £000 | Total £000 |
| Balance brought forward - 1 April | 8.1 | (4,866) | (3,317) | (8,183) | (6,093) | (1,381) | (7,474) |
| Transfer to Capital Adjustment Account to finance capital spend | 7, 9.3 | 0 | 2,193 | 2,193 | 155 | 182 | 337 |
| Capital Grants and Contributions unapplied, credited to the Comprehensive Income and Expenditure Statement | 7 | (1,227) | (256) | (1,483) | (1,826) | (0) | (1,826) |
| Balance carried forward - 31 March | 8.1 | (6,093) | (1,381) | (7,474) | (7,764) | (1,199) | (8,963) |

Notes to the Movement in Reserves Statement

9. Unusable Reserves

9.1. Summary of Unusable Reserves

| | Note | Balance 1 April 2023 £000 | Net Movement in Year £000 | Balance 31 March 2024 £000 |
|--|------|---------------------------------|------------------------------------|-------------------------------------|
| Revaluation Reserve | 9.2 | (84,164) | 3,128 | (81,036) |
| Capital Adjustment Account | 9.3 | (197,050) | 21,604 | (175,446) |
| Collection Fund Adjustment Account | 9.4 | (1,920) | 3,709 | 1,789 |
| Pensions Reserve | 9.5 | 102,458 | (25,960) | 76,498 |
| Dedicated Schools Grant Adjustment Account | 9.6 | 9,685 | 3,610 | 13,295 |
| Financial Instruments Adjustment Account | | 205 | 25 | 230 |
| Accumulated Absences Account | | 1,253 | (260) | 993 |
| Deferred Capital Receipts Reserve | | (47) | 8 | (39) |
| Pooled Investment Funds Adjustment Account | | 1,206 | 186 | 1,392 |
| Total Unusable Reserves | | (168,374) | 6,050 | (162,324) |

9.2. Revaluation Reserve

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

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

| | Note | 2022/23 £000 | 2023/24 £000 |
|---|------|-----------------|-----------------|
| Balance brought forward - 1 April | 9.1 | (91,461) | (84,164) |
| Upward revaluation of assets | | (10,548) | (8,669) |
| Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services | | 5,411 | 7,328 |
| Surplus / deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | | (5,137) | (1,341) |
| Difference between fair value depreciation and historical cost depreciation | 9.3 | 2,863 | 2,327 |
| Accumulated gains on assets sold or scrapped | 9.3 | 9,571 | 2,142 |
| Amount written off to the Capital Adjustment Account | | 12,434 | 4,469 |
| Balance carried forward - 31 March | 9.1 | (84,164) | (81,036) |

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 | 2022/23 £000 | 2023/24 £000 |
|---|--------|------------------|------------------|
| Balance brought forward - 1 April | 9.1 | (162,982) | (197,050) |
| <u>Reversal of Items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement</u> | | | |
| Charges for Depreciation of Non Current Assets | 7 | 13,495 | 12,953 |
| Charges for Impairment of Non Current Assets | 7 | 8,874 | 17,765 |
| Revaluations Losses on Property, Plant and Equipment | 7 | (11) | 2,649 |
| Movements in the Market Value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | 7 | (3,003) | 4,868 |
| Revenue Expenditure Financed by Capital Under Statute | 7 | 7,443 | 8,461 |
| Amounts of non-current assets written off on disposal or sale as part of the Gain or Loss on Disposal to the Comprehensive Income and Expenditure Statement | 7 | 19,494 | 41,366 |
| | | 46,292 | 88,062 |
| <u>Amounts transferred from the Revaluation Reserve</u> | | | |
| Difference between fair value depreciation and historical cost depreciation | 9.2 | (2,863) | (2,327) |
| Accumulated gains written out on disposal or sale of non-current assets | 9.2 | (9,571) | (2,142) |
| | | (12,434) | (4,469) |
| Net amount written out of the cost of non-current assets consumed in the year | | 33,858 | 83,593 |
| <u>Amounts transferred to the Capital Receipts Reserve</u> | | | |
| Write down of long-term debtor | 7, 8.3 | 24 | 16 |
| | | 24 | 16 |
| <u>Capital Financing Applied in the year</u> | | | |
| Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | 7 | (53,288) | (51,784) |
| Use of Capital Receipts Reserve to finance new capital expenditure | 7, 8.3 | (3,157) | (1,774) |
| Application of Grants and Contributions to capital financing from the Capital Grants Unapplied Account | 7, 8.4 | (2,193) | (337) |
| Statutory provision for the financing of capital investment charged against the General Fund Balance | 7 | (7,403) | (6,779) |
| Capital expenditure charged against the General Fund Balance | 7 | (1,909) | (1,331) |
| | | (67,950) | (62,005) |
| Balance carried forward - 31 March | 9.1 | (197,050) | (175,446) |

9.4. Collection Fund Adjustment Account

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

| | Note | 2022/23 £000 | 2023/24 £000 |
|---|------|-----------------|-----------------|
| Balance brought forward - 1 April | 9.1 | 4,547 | (1,920) |
| 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 | | (573) | (1,118) |
| - Business Rates | | (5,667) | 4,745 |
| - Business Rates: Disregarded Amount | | (227) | 82 |
| | 7 | (6,467) | 3,709 |
| Balance carried forward - 31 March | 9.1 | (1,920) | 1,789 |

Notes to the Movement in Reserves Statement

9.5. Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The amounts shown below bring together adjustments for the Local Government Pension Scheme and Unfunded Teachers' Discretionary Benefits (see Note 35.1).

| | 2022/23 | | | 2023/24 | | |
|--|---------------|-------------------|----------------|-----------------|-------------------|-----------------|
| | LGPS £000 | Teachers' £000 | Total £000 | LGPS £000 | Teachers' £000 | Total £000 |
| Balance brought forward - 1 April | 245,518 | 20,468 | 265,986 | 86,262 | 16,196 | 102,458 |
| Remeasurements of the net defined benefit liability: | | | | | | |
| - Return on plan assets (Gains) / Losses | 51,346 | 0 | 51,346 | (14,668) | 0 | (14,668) |
| - Experience (Gains) / Losses | 86,567 | 1,824 | 88,391 | 5,077 | 141 | 5,218 |
| - (Gains) / Losses on financial assumptions | (294,936) | (4,327) | (299,263) | (7,952) | 0 | (7,952) |
| - (Gains) / Losses on demographic assumptions | (16,897) | (755) | (17,652) | (7,659) | (239) | (7,898) |
| Total Remeasurements of the net defined benefit liability | (173,920) | (3,258) | (177,178) | (25,202) | (98) | (25,300) |
| 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 | 26,477 | 551 | 27,028 | 12,677 | 753 | 13,430 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (11,813) | (1,565) | (13,378) | (12,448) | (1,642) | (14,090) |
| Amounts by which Pension costs charged to the Comprehensive Income Statement is different from that chargeable in accordance with statutory requirements | 14,664 | (1,014) | 13,650 | 229 | (889) | (660) |
| Balance carried forward - 31 March | 86,262 | 16,196 | 102,458 | 61,289 | 15,209 | 76,498 |

9.6. Dedicated Schools Grant Adjustment Account

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

| | Note | 2022/23 £000 | 2023/24 £000 |
|--|------|-----------------|-----------------|
| Balance brought forward - 1 April | 9.1 | 13,447 | 9,685 |
| Re-statement of DSG surplus 2022-23 | | 0 | 3,762 |
| Amount by which the Dedicated schools grant deficit for the year charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from deficit chargeable in the year in accordance with statutory requirements | 7.15 | (3,762) | (152) |
| Balance carried forward - 31 March | 9.1 | 9,685 | 13,295 |

Notes to the Comprehensive Income and Expenditure Statement

10. Expenditure and Funding Analysis

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

| | Note | 2023/2024 | | | | | |
|---|-------------|---|---|---|--|---|---|
| | | Net Out-turn Position Reported to Members £000 | Transfers (To) / From Reserves £000 | Reallocation of Overheads, Precepts & Capital Financing £000 | Net Expenditure Chargeable to General Fund Balances £000 | Adj Between Funding & Accounting Basis (Note 10.1) £000 | Net Expenditure in the CI&ES £000 |
| Adult Social Services | | 84,780 | 3,819 | 0 | 88,599 | (720) | 87,879 |
| Children's Services | | | | | | | |
| Children's Services | | 40,171 | (2,537) | 0 | 37,634 | (328) | 37,306 |
| Schools Budgets & Grants | | (0) | 780 | 0 | 780 | 3,077 | 3,857 |
| | | 40,171 | (1,757) | 0 | 38,414 | 2,749 | 41,163 |
| Place | | 40,140 | 2,027 | 0 | 42,167 | 28,089 | 70,256 |
| Corporate Services | | 29,197 | 826 | 0 | 30,023 | 795 | 30,818 |
| Public Health & Regulatory services | | 1,404 | 1,282 | 0 | 2,686 | (252) | 2,434 |
| Non Service | | 10,526 | (2,980) | (7,237) | 309 | 0 | 309 |
| Capital Financing & Interest | | 4,886 | (3,932) | (954) | 0 | 0 | 0 |
| Net Cost of Services | <i>CIES</i> | 211,104 | (715) | (8,191) | 202,198 | 30,661 | 232,859 |
| Other Income and Expenditure | | (211,104) | (1,063) | 8,191 | (203,976) | (2,296) | (206,272) |
| (Surplus) / Deficit on Provision of Services | <i>CIES</i> | 0 | (1,778) | 0 | (1,778) | 28,365 | 26,587 |

Notes to the Comprehensive Income and Expenditure Statement

| | Note | 2022/2023 As re-stated | | | | | |
|---|------|---|---|--|--|---|---|
| | | Net Out-turn Position Reported to Members £000 | Transfers (To) / From Reserves £000 | Reallocation of Overheads, Precepts & Capital Financing £000 | Net Expenditure Chargeable to General Fund Balances £000 | Adj Between Funding & Accounting Basis (Note 10.1) £000 | Net Expenditure in the CI&ES £000 |
| Adult Social Services | | 74,372 | 298 | 0 | 74,669 | 1,713 | 76,382 |
| Children's Services | | | | | | | |
| Children & Young People | | 30,805 | (346) | 0 | 30,459 | 1,994 | 32,453 |
| Schools Budgets & Grants | | 1 | (76) | 0 | (75) | (387) | (462) |
| | | 30,806 | (422) | 0 | 30,384 | 1,607 | 31,991 |
| Place | | 32,541 | 6,045 | 0 | 38,587 | 21,400 | 59,987 |
| Corporate Services | | 26,622 | (958) | 0 | 25,663 | 1,398 | 27,061 |
| Public Health & Regulatory services | | 1,398 | 1,417 | 0 | 2,815 | 472 | 3,287 |
| Non Service | | 10,468 | (7,107) | (6,684) | (3,324) | (231) | (3,555) |
| Capital Financing & Interest | | 9,268 | (1,359) | (7,909) | 0 | 0 | 0 |
| Net Cost of Services | CIES | 185,475 | (2,086) | (14,593) | 168,794 | 26,359 | 195,153 |
| Other Income and Expenditure | | (185,475) | 1,184 | 14,593 | (169,698) | (41,483) | (211,181) |
| (Surplus) / Deficit on Provision of Services | CIES | 0 | (902) | 0 | (904) | (15,124) | (16,028) |

| | Note | 2022/2023 | | | 2023/2024 | | |
|------------------------------------|------|----------------------------------|----------------------------------|---|----------------------------------|----------------------------------|---|
| | | General Fund Reserves £000 | GF Earmarked Reserves £000 | Total GF and Earmarked Reserves £000 | General Fund Reserves £000 | GF Earmarked Reserves £000 | Total GF and Earmarked Reserves £000 |
| Opening Balance at 1 April | | (9,744) | (89,143) | (98,887) | (10,162) | (89,627) | (99,789) |
| Net movement in year | | (418) | (484) | (902) | (308) | (1,470) | (1,778) |
| Closing Balance at 31 March | 8.1 | (10,162) | (89,627) | (99,789) | (10,470) | (91,097) | (101,567) |

Notes to the Comprehensive Income and Expenditure Statement

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

| | Note | 2022/2023 As re-stated | | | | 2023/2024 | | | |
|--|------|--|--|--|--|--|--|--|--|
| | | Adjustment for Capital Purposes (Note 10.2.1) £000 | Net Charge for the Pensions Adj (Note 10.2.2) £000 | Other Statutory Adjustments (Note 10.2.3) £000 | Total Statutory Adjustments (Note 10) £000 | Adjustment for Capital Purposes (Note 10.2.1) £000 | Net Charge for the Pensions Adj (Note 10.2.2) £000 | Other Statutory Adjustments (Note 10.2.3) £000 | Total Statutory Adjustments (Note 10) £000 |
| Adult Social Services | | 149 | 1,538 | 26 | 1,713 | 38 | (721) | (37) | (720) |
| Children's Services | | | | | | | | | |
| Children's Services | | 288 | 1,672 | 34 | 1,994 | 512 | (808) | (32) | (328) |
| Schools Budgets & Grants | | 4,034 | (645) | (3,776) | (387) | 1,571 | (1,986) | 3,492 | 3,077 |
| | | 4,322 | 1,027 | (3,742) | 1,607 | 2,083 | (2,794) | 3,460 | 2,749 |
| Place | | 19,371 | 1,996 | 33 | 21,400 | 29,088 | (967) | (32) | 28,089 |
| Corporate Services | | 297 | 1,080 | 21 | 1,398 | 1,627 | (805) | (27) | 795 |
| Public Health & Regulatory services | | (48) | 500 | 20 | 472 | (20) | (218) | (14) | (252) |
| Non Service | | (231) | 0 | 0 | (231) | 0 | 0 | 0 | 0 |
| Net Cost of Services | | 23,860 | 6,141 | (3,642) | 26,359 | 32,816 | (5,505) | 3,350 | 30,661 |
| Other Income and Expenditure from the Expenditure and Funding Analysis | | (43,820) | 7,510 | (5,173) | (41,483) | (11,061) | 4,845 | 3,920 | (2,296) |
| Difference Between the General Fund (Surplus) / Deficit and the Comprehensive Income and Expenditure (Surplus) / Deficit on Provision of Services | 10 | (19,960) | 13,651 | (8,815) | (15,124) | 21,755 | (660) | 7,270 | 28,365 |

Notes to the Comprehensive Income and Expenditure Statement

10.2. Other Expenditure and Funding Analysis Notes

10.2.1. Adjustments for Capital Purposes

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

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

10.2.2. Net Charge for the Pensions Adjustments

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

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

10.2.3. Other Statutory Adjustments

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

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

Notes to the Comprehensive Income and Expenditure Statement

11. Other Operating Expenditure

| | 2022/23 £000 | 2023/24 £000 |
|--|-----------------|-----------------|
| Parish Council precepts | 6,384 | 6,933 |
| Other precepts and levies | 300 | 303 |
| (Gains) / losses on the disposal of non-current assets | 15,584 | 36,773 |
| Total | 22,268 | 44,009 |

12. Financing and Investment Income and Expenditure

| | Note | 2022/23 £000 | 2023/24 £000 |
|--|------|-----------------|-----------------|
| Interest payable and similar charges | | 6,114 | 5,716 |
| Impairment losses re financial instruments | 31.2 | (9) | (9) |
| Net interest on net defined benefit pension liability & administration expense | 35.1 | 7,510 | 4,845 |
| Interest receivable and similar income | | (4,665) | (11,080) |
| Changes in the fair value of investment property | 25 | (3,003) | 4,868 |
| Total | | 5,947 | 4,340 |

13. Taxation and Non-Specific Grant Income

| | 2022/23 £000 | 2023/24 £000 |
|---|-------------------------|-------------------------|
| Council Tax Income | (130,772) | (138,680) |
| Business Rate Income | (29,996) | (32,777) |
| | <u>(160,768)</u> | <u>(171,457)</u> |
| Non-ringfenced government grants: | | |
| Revenue Support Grant | (2,250) | (2,712) |
| New Homes Bonus Grant | (2,047) | (1,386) |
| Services Grant | (2,191) | (1,285) |
| Section 31 Grants re Business Rates and Council Tax | (14,707) | (14,698) |
| Adult Social Care Grants | (8,719) | (16,864) |
| | <u>(29,914)</u> | <u>(36,945)</u> |
| Capital grants and contributions | (48,714) | (46,219) |
| | <u>(78,628)</u> | <u>(83,164)</u> |
| Total | <u>(239,396)</u> | <u>(254,621)</u> |

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

| | 2022/23 | 2023/24 | | | |
|--|--------------------------------------|---|---------------------------|--------------------------------------|--------------------------------------|
| | Total Grants & Cont'ns £000 | Government Revenue Grants £000 | Capital Grants £000 | Other Grants & Cont'ns £000 | Total Grants & Cont'ns £000 |
| Credited to Services | | | | | |
| Adult Social Services: | | | | | |
| NHS Integrated Care Board Better Care Fund | (7,753) | 0 | 0 | (8,210) | (8,210) |
| Improved Better Care Fund | (6,986) | (6,986) | 0 | 0 | (6,986) |
| Other Adult Social Care Services Grants & Contributions | (7,869) | (1,318) | (457) | (7,155) | (8,930) |
| Housing Services Grants & Contributions | (4,839) | (1,527) | (4,016) | 0 | (5,543) |
| Children's Services: | | | | | |
| Other Children's & Education Services Grants & Contributions | (7,690) | (9,098) | 0 | (2,830) | (11,928) |
| Public Health Services Grants | (11,805) | (11,035) | 0 | (831) | (11,866) |
| Schools budgets and grants: | | | | | |
| Dedicated Schools Grant | (51,146) | (49,788) | 0 | 0 | (49,788) |
| Safety Valve Grant | (8,440) | (2,880) | 0 | 0 | (2,880) |
| Other Schools & Education Services Grants & Contributions | (3,115) | (2,511) | (2,046) | (168) | (4,725) |
| Corporate Services | | | | | |
| Housing Benefit Subsidy | (38,802) | (39,704) | 0 | 0 | (39,704) |
| Household Support Grant | (2,581) | (2,631) | 0 | 0 | (2,631) |
| Other Corporate Services Grants & Contributions | (2,319) | (1,348) | 0 | (370) | (1,718) |
| Place | | | | | |
| Other Place Grants & Contributions | (8,048) | (805) | (882) | (8,443) | (10,130) |
| Non Service | | | | | |
| Integrated Care Board S256 Agreement - Data Sharing | (4,000) | 0 | 0 | 0 | 0 |
| Other Non-Service | (1,822) | (74) | 0 | (1,953) | (2,027) |
| Total grants credited to Services | (167,214) | (129,705) | (7,401) | (29,960) | (167,065) |
| Non-specific Grants and Capital Contributions (Note 13) | | | | | |
| Non-ringfenced grants and contributions | (29,914) | (36,945) | 0 | 0 | (36,945) |
| Capital grants and contributions | (48,714) | 0 | (46,219) | 0 | (46,219) |
| | (78,628) | (36,945) | (46,219) | 0 | (83,164) |
| Total grants and contributions | (245,842) | (166,650) | (53,620) | (29,960) | (250,230) |

The Council has received capital and revenue 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 at the year-end as Capital and Revenue grants Receipts in Advance are as follows:

Notes to the Comprehensive Income and Expenditure Statement

| | 2022/23 £000 | 2023/24 £000 |
|---|-----------------|-----------------|
| Basic Need Education Grant | (18,446) | (15,325) |
| Special Provision Grant - High Needs / Safety Valve | (2,305) | (9,106) |
| Capital Maintenance Education Grant | (1,156) | (1,320) |
| Bus Service Improvement Plan Grant | (5,191) | (19,542) |
| Local Transport Plan Grant | (1,490) | (1,888) |
| Housing Capital Grants | (2,188) | (1,948) |
| Other Grants | (9,337) | (9,008) |
| Total Capital Grants Received in Advance | (40,113) | (58,137) |
| MOD contribution re Winterstoke Bridge | (19,081) | (18,605) |
| Total Capital Contributions Received in Advance | (19,081) | (18,605) |
| Total Capital Grants and Contributions Received in Advance | (59,194) | (76,742) |
| Other revenue grants | (6,636) | (1,158) |
| Total Revenue Grants Received in Advance | (6,636) | (1,158) |

15. Dedicated Schools Grant

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

Details of the deployment of DSG for 2023/24 and the balances carried forward at the year-end are as follows:

| | Central Expenditure £000 | Individual Schools Budget £000 | Total £000 |
|--|--------------------------------|---|-----------------|
| Final DSG for 2023/24 before academy and high needs recoupment | | | (204,360) |
| Academy and high needs figure recouped for 2023/24 | | | 154,559 |
| Total DSG after academy and high needs recoupment for 2023/24 | | | (49,801) |
| Plus: Brought forward surplus from 2022/23 | | | (3,762) |
| Less: Carry-forward to 2024/25 agreed in advance | | | 0 |
| Agreed initial budgeted distribution in 2023/24 | (35,473) | (18,090) | (53,563) |
| In year adjustments | (2,880) | 13 | (2,867) |
| Final budget distribution for 2023/24 | (38,353) | (18,077) | (56,430) |
| Actual central expenditure | 38,364 | 0 | 38,364 |
| Actual ISB deployed to schools | 0 | 17,914 | 17,914 |
| In year (Surplus) / Deficit Carried Forward to 2024/25 | 11 | (163) | (152) |
| DSG unusable reserve at the end of 2022/23 (Surplus) / Deficit | | | 13,447 |
| Re-statement of DSG (surplus) 2022/23 | | (3,762) | |
| In year (Surplus) / Deficit 2023/24 | | 3,610 | |
| Addition to DSG unusable reserve at the end of 2023/24 if Deficit | | | (152) |
| Total of DSG unusable reserve at the end of 2023/24 (Surplus) / Deficit | | | 13,295 |
| Net DSG position at the end of 2023/24 (Surplus) / Deficit (Note 9.6) | | | 13,295 |

Notes to the Comprehensive Income and Expenditure Statement

The Department for Levelling Up, Housing and Communities (DLUHC) has made regulations regarding the accounting treatment of DSG deficits, which affect the financial years up to 2025/26. In line with this guidance, the Council has not charged the on-going DSG deficit to the General Fund, and has instead charged the deficit to an unusable reserve, the Dedicated Schools Grant Adjustment Account, see Note 9.6.

The deficit balance brought forward on the DSG reserve has been restated in 2023-24 to add back the surplus for the year in 2022-23 of £3,762k, which was incorrectly deducted from the deficit balance in the prior year. This brings the deficit balance brought forward to £13.447m.

The deficit in 2023-24 of £3.610m is made up from two components, an in-year operational deficit of £6.490m, and recognition of additional grant income of £2.880m from the Department for Education (DfE). The additional income is the second tranche of funding provided through the Safety Valve programme, which is an initiative that looks at ways to bring the Dedicated Schools Grant budget back onto a sustainable footing by implementing a range of agreed interventions. The first tranche of funding was received in 2022/23 and used to reduce the cumulative deficit by £8.440m last year. Further contributions are expected in the future.

During 2023/24 the Council's DSG finances continued to show the same outlook, with significant spending pressures in the High Needs Block, relating to children with Special Educational Needs and Disabilities (SEND), as the council transitions to a wholly Education and Health Care Plan (EHCP) dependent system of awarding financial support.

Bespoke packages and children missing education costs have also risen due to the increases in both demand and levels of need. The Council has a duty of care to provide 25 hours of appropriate education and to meet the requirements of the Education Act 1996 Section 19, and therefore the spend is unavoidable. How these responsibilities are met going forward is currently under review.

North Somerset Council is not alone in recognising any of these pressures, as increasing DSG deficits are a national issue. Part of the response by the DfE has been the introduction of the Safety Valve programme which are individual agreements made with local authorities, and in order to qualify for this funding, the Council has agreed to implement an action plan with the department. The main components of the Council's plan include;

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

A further expectation of the Safety Valve programme is that stakeholders contribute funding themselves to reduce the annual costs that are charged to the High Needs block, and the mechanism to achieve this is to transfer 1% of the annual budget allocation from the Schools block to the High Needs block. The local Strategic Schools Forum (SSF) has continued its commitment transfer funding from the Schools Block, although government policy had previously limited this contribution to 0.5%, which would equate to £0.773m in 2023/24 however, this has been changed to allow a 1% transfer, which would equate to £1.545m in 2023/24 when stakeholders agree.

Notes to the Comprehensive Income and Expenditure Statement

The Council has a series of plans to address the deficit, which include providing more local specialist provision (rather than relying on more expensive out of area provision), increasing early intervention and prevention, and improving commissioning arrangements.

Recent modelling, which takes into account forecasts for the increasing numbers of young people requiring specialist provision, as well as the initiatives included within the Council's Safety Valve intervention programme, indicate that there is little prospect of reducing the deficit within the next 12 months, but that it is possible to bring the budget back onto a sustainable footing by 2026/27. As there are many variables within the modelling, careful monitoring of activities and their outcomes will take place over the next few months and years in order to ensure that the plans are successful in achieving their aim.

The table included above reflects the accounting Code guidance regarding the treatment of the balance on the DSG Unusable Reserve brought forward from 2022/23. This differs from the treatment required in Education and Skills Funding Agency (ESFA) guidance. The Council's understanding is that the ESFA guidance is not explicitly detailed in the Code, and disclosure included above, with the Brought forward from 2022/23 surplus as nil, and DSG unusable reserve at the end of 2022/23 as £9.685m, reflects entries made in the financial accounts in the previous and current years.

However, ESFA guidance identifies a surplus within the total deficit brought forward, representing the difference between the DSG's highest deficit position since 2020/21 of £11.830m, and the actual total brought forward deficit from 2022/23 of £9.685m.

If the ESFA's amending regulations were applied, the impact on the table above would as follows:

| | Central Expenditure £000 | Individual Schools Budget £000 | Total £000 |
|--|--------------------------------|---|------------------|
| Final DSG for 2023/24 before academy and high needs recoupment | | | (204,360) |
| Academy and high needs figure recouped for 2023/24 | | | 154,559 |
| Total DSG after academy and high needs recoupment for 2023/24 | | | (49,801) |
| Plus: Brought forward from 2022/23 | | | (2,145) |
| Less: Carry-forward to 2024/25 agreed in advance | | | 0 |
| Agreed initial budgeted distribution in 2023/24 | (33,856) | (18,090) | (51,946) |
| In year adjustments | (2,880) | 13 | (2,867) |
| Final budget distribution for 2023/24 | (36,736) | (18,077) | (54,813) |
| Actual central expenditure | 38,364 | 0 | 38,364 |
| Actual ISB deployed to schools | 0 | 17,914 | 17,914 |
| In year (Surplus) / Deficit Carried Forward to 2024/25 | 1,628 | (163) | 1,465 |
| DSG unusable reserve at the end of 2022/23 (Surplus) / Deficit | | | 11,830 |
| Addition to DSG unusable reserve at the end of 2023/24 if Deficit | | | 1,465 |
| Total of DSG unusable reserve at the end of 2023/24 (Surplus) / Deficit | | | 13,295 |
| Net DSG position at the end of 2023/24 (Surplus) / Deficit (Note 9.6) | | | 13,295 |

Notes to the Comprehensive Income and Expenditure Statement

16. Income and expenditure

16.1. Expenditure and Income Analysed by Nature

| | Note | 2022/23 £000 | 2023/24 £000 |
|--|------|------------------|-------------------------|
| Expenditure | | | |
| Employee Benefits Expenses | | 93,770 | 85,636 |
| Other Services Expenses | | 296,901 | 335,323 |
| Depreciation, Amortisation and Impairment | | 20,605 | 38,421 |
| Interest paid | | 8,397 | 7,012 |
| Precepts and Levies | | 7,269 | 7,887 |
| (Gains) / losses on the disposal of non-current assets | | 17,309 | 36,765 |
| Revenue Expenditure Financed by Capital Under Statute | 7 | 7,443 | 8,461 |
| | | <u>451,694</u> | <u>519,505</u> |
| Income | | | |
| Fees, Charges and Other Service Income | | (54,281) | (56,497) |
| Interest & Investment Income received | | (3,527) | (10,019) |
| Income from Council Tax, Non-Domestic Rates | | (160,768) | (171,457) |
| Government Grants & Contributions | 14 | (245,843) | (250,230) |
| Internal Recharges | | (3,301) | (4,715) |
| | | <u>(467,720)</u> | <u>(492,918)</u> |
| (Surplus) / Deficit on Provision of Services | | <u>(16,026)</u> | <u>26,587</u> |

16.2. Revenue from contracts with service recipients

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

| | 2022/23 £000 | 2023/24 £000 |
|---|-----------------|-----------------|
| Amounts included in the Comprehensive Income and Expenditure Statement for contracts with service recipients: | | |
| Revenue from contracts with service recipients | (49,862) | (50,193) |

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

17. Members' Allowances

| | 2022/23 £000 | 2023/24 £000 |
|-----------------------------------|-----------------|-------------------|
| Basic Allowances | 483 | 506 |
| Special Responsibility Allowances | 246 | 266 |
| Travel expenses & subsistence | 2 | 3 |
| Total Members' Allowances | <u>731</u> | <u>775</u> |

Notes to the Comprehensive Income and Expenditure Statement

18. Officer Remuneration

18.1. Senior Officer Remuneration

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

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

At North Somerset Council the disclosures relate to the Chief Executive Officer, statutory officers, and those other officers of the Council's Corporate Leadership Team that report to the Chief Executive.

The post of Director of Children's Services was filled on a temporary basis following retirement of the previous post holder by an agency employee, rather than a directly employed member of the Council staff. The cost payable to the agency was £100,980 plus VAT and covered the period 1 August 2023 to 31 December 2023.

No bonuses, compensation for loss of office or benefits in kind were paid to senior officers in either year.

| Post | 2023/2024 | | | | Total Remuneration incl. pension contributions £ |
|---|--|-----------------------------|-------------------------------------|-----------------------|---|
| | Salary Payments made (incl. fees & allowances) | in respect of NSC elections | Compensation for Loss of Employment | Pension Contributions | |
| | £ | £ | £ | £ | |
| Chief Executive - Jo Walker | 170,446 | 270 | 0 | 40,055 | 210,771 |
| Director of Children's Services (left 31/7/23) | 47,417 | 270 | 12,004 | 11,143 | 70,834 |
| Director of Children's Services (from 1/1/24) | 33,368 | 0 | 0 | 7,842 | 41,210 |
| Director of Adult Social Services | 142,250 | 0 | 0 | 33,429 | 175,679 |
| Director of Place | 142,250 | 0 | 0 | 33,429 | 175,679 |
| Director of Public Health and Regulatory Services | 124,462 | 0 | 0 | 29,249 | 153,711 |
| Director of Corporate Services | 137,889 | 270 | 0 | 32,398 | 170,557 |
| | 798,082 | 810 | 12,004 | 187,545 | 998,441 |

During 2022/23 the Director of Place was on long term sick leave. Two Assistant Directors acted up on the Corporate Leadership Team and reported directly to the Chief Executive Officer. Only pay relating to their roles acting up on CLT was included in the senior managers remuneration disclosure.

Notes to the Comprehensive Income and Expenditure Statement

| Post | 2022/2023 | | | | | Total Remuneration incl. pension contributions £ |
|---|---|---|--|-------------------------------|------------------|--|
| | Salary (incl. fees & allowances) £ | Payments | | Pension Contributions £ | | |
| | | made in respect of NSC elections £ | Compensation for Loss of Employment £ | | | |
| | | | | | | |
| Chief Executive - Jo Walker | 164,682 | 0 | 0 | 39,194 | 203,876 | |
| Director of Childrens' Services | 137,440 | 0 | 0 | 32,711 | 170,151 | |
| Director of Adult Social Services | 133,202 | 0 | 0 | 31,702 | 164,904 | |
| Director of Place | 137,440 | 0 | 0 | 32,711 | 170,151 | |
| Assistant Director - Placemaking and Growth (from 23/5/22 to 31/3/23) | 5,539 | 0 | 0 | 1,318 | 6,857 | |
| Assistant Director - Neighbourhoods and Transport (from 23/5/22 to 31/3/23) | 5,539 | 0 | 0 | 1,318 | 6,857 | |
| Director of Public Health and Regulatory Services | 120,253 | 0 | 0 | 28,620 | 148,873 | |
| Director of Corporate Services | 128,960 | 0 | 0 | 30,693 | 159,653 | |
| Assistant Director (Governance & Monitoring Officer) | 94,635 | 0 | 0 | 22,523 | 117,158 | |
| | 927,690 | 0 | 0 | 220,790 | 1,148,480 | |

In some years the Chief Executive 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 | |
|-------------------|------------------|-----------|---------------------|-----------------|----------|
| | 2022/23 | 2023/24 | | 2022/23 | 2023/24 |
| £50,000 - £54,999 | 54 | 70 | £95,000 - £99,999 | 1 | 3 |
| £55,000 - £59,999 | 22 | 50 | £100,000 - £104,999 | 2 | 1 |
| £60,000 - £64,999 | 22 | 30 | £120,000 - £124,999 | 1 | 1 |
| £65,000 - £69,999 | 6 | 13 | £125,000 - £129,999 | 1 | 0 |
| £70,000 - £74,999 | 10 | 3 | £130,000 - £134,999 | 1 | 0 |
| £75,000 - £79,999 | 1 | 8 | £135,000 - £139,999 | 2 | 1 |
| £80,000 - £84,999 | 2 | 2 | £140,000 - £145,999 | 0 | 2 |
| £85,000 - £89,999 | 4 | 1 | £160,000 - £164,999 | 1 | 0 |
| £90,000 - £94,999 | 2 | 4 | £170,000 - £174,999 | 0 | 1 |

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:

| | 2022/2023 | | 2023/2024 | |
|---|-----------------|-----------|-----------------|-----------|
| | No. of Packages | £000 | No. of Packages | £000 |
| Charged and Accrued for within the Comprehensive Income & Expenditure Statement | | | | |
| - Severance Payments | | 31 | | 60 |
| - Pension Strain Costs | | 8 | | 0 |
| | 8 | <u>39</u> | 5 | <u>60</u> |

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

| | 2022/2023 | | 2023/2024 | |
|--------------------|------------------|-----------|------------------|-----------|
| | No of compulsory | £000 | No of compulsory | £000 |
| Up to £20,000 | 8 | 39 | 4 | 30 |
| £20,001 to £40,000 | 0 | 0 | 1 | 30 |
| | 8 | <u>39</u> | 5 | <u>60</u> |

20. External Audit Costs

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

| | 2022/23 £000 | 2023/24 £000 |
|--|-----------------|-----------------|
| Fees payable to Grant Thornton UK LLP with regard to the external audit and services carried out as the appointed auditor 1, 2, 3 | 126 | 326 |
| Fees payable in respect of any other services provided by the appointed auditor - certification of other grant claims and returns: | | |
| - Housing Benefit subsidy claim 4 | 16 | 29 |
| - Teachers Pension claim | 4 | 13 |
| Fees payable in respect of any other services provided by the appointed auditor - CFO Insights subscription | 16 | 10 |
| Total external audit costs ³ | <u>162</u> | <u>378</u> |

1. Estimates in respect of work undertaken for the 2021/22 audit fee were over-stated by £55,861 when subsequently compared to the final fees included in the Grant Thornton Audit Findings Report for 2022/23, giving rise to a reduction in the amount charged and included in the disclosure in 2022/23.
2. The 2022/23 fees were based on estimates, as neither the 2022/23 Grant Thornton Audit Plan nor the PSAA agreement of additional fees were finalised at the time that the accounts were closed.

Notes to the Comprehensive Income and Expenditure Statement

3. The total audit fee for 2023/24 has increased significantly over prior years, following agreement of revised audit fees by the PSAA. Differences from the amount in the Grant Thornton Audit Plan relate to adjustments for previous years actual charges, or estimates of likely additional fees. The 2023/24 audit fee as appointed auditor disclosed above are those reflected in the Council's ledger at the year end. A reconciliation of this amount to the total per Grant Thornton's Audit Plan for 2023-24 to date is as follows:

| | 2023/24 £000 |
|---|-----------------|
| Grant Thornton Audit Plan 2023-24 - scale fee | 336 |
| Grant Thornton Audit Plan 2023-24 - additional fee re ISA315 | 13 |
| Grant Thornton Audit Update 2023-24 - additional fee re 'Major Local Audit' | 25 |
| Total per Grant Thornton Audit Plan 2023-24 | 374 |
| 2022-23 Grant Thornton audit fees less than previously accrued / estimated | (27) |
| Grant Thornton Audit Update 2023-24 - additional fee re 'Major Local Audit' not accrued as not notified | (25) |
| 2023-24 core audit fees estimated at closedown, not in subsequent Audit Plan | 4 |
| Per Council ledger, as noted above | 326 |

4. The audit fee for grant claims disclosed above are those reflected in the Council's ledger at the year end. A reconciliation of this amount to the total per Grant Thornton's Audit Plans to date is as follows:

| | 2022/23 £000 | 2023/24 £000 |
|--|-----------------|-----------------|
| Grant Thornton Audit Plan - Housing Benefit subsidy | 30 | 26 |
| Charges for prior years audit invoiced in current year, and other timing differences | (14) | 3 |
| Per Council ledger, as noted above | 16 | 29 |
| Grant Thornton Audit Plan - Teachers Pensions Return | 10 | 13 |
| Charges for prior years audit invoiced in current year, and other timing differences | (6) | 0 |
| Per Council ledger, as noted above | 4 | 13 |

21. Joint Funding Arrangements

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

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

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

Notes to the Comprehensive Income and Expenditure Statement

| | 2022/23 £000 | 2023/24 £000 |
|---|----------------------|-----------------------------|
| Section 75 Agreement - Funding for services commissioned by the Council and included within the Council's Comprehensive Income and Expenditure Statement: | | |
| - Assistive Technologies and Equipment | 494 | 494 |
| - Care Act Related Duties | 914 | 914 |
| - Carers Services | 739 | 739 |
| - Community Based Schemes | 347 | 347 |
| - DFG Related Schemes | 2,361 | 2,568 |
| - Domiciliary Care | 233 | 233 |
| - Enablers for Integration | 708 | 708 |
| - HICM for Managing Transfer of Care | 461 | 893 |
| - Integrated Care Planning & Navigation | 6,515 | 6,515 |
| - Intermediate Care Services | 505 | 505 |
| - Personalised Care at Home | 29 | 29 |
| - Prevention/Early Intervention | 913 | 913 |
| - Residential Placements | 306 | 306 |
| - Discharge to Assess | 1,375 | 1,400 |
| - Improved Better Care Fund | 6,986 | 6,986 |
| - Discharge Grant | 769 | 1,935 |
| | <u>23,655</u> | <u>25,485</u> |
| Section 75 Agreement - Funding for services commissioned by the BNSSG ICB - not included within the Council's Comprehensive Income and Expenditure Statement: | | |
| - Community Based Schemes | 5,970 | 6,350 |
| - Enablers for Integration | 275 | 290 |
| - HICM for Managing Transfer of Care | 33 | 34 |
| - Personalised Budgeting & Commissioning | 2,817 | 2,978 |
| - Prevention/Early Intervention | 1,619 | 1,619 |
| - Discharge Grant | 2,361 | 777 |
| | <u>13,075</u> | <u>12,048</u> |
| Total funding identified within Section 75 Agreement | <u><u>36,730</u></u> | <u><u>37,533</u></u> |

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.

Notes to the Comprehensive Income and Expenditure Statement

Section 256 agreements were in place during the 2023/24 financial year to enable the joint commissioning of services in respect of Funded Nursing and Continuing Health Care on behalf of the BNSSG ICB. Further integration care work was enabled through an additional Section 256 agreement for Anticipatory Care funding for discharge projects.

| | 2022/23 £000 | 2023/24 £000 |
|--|-----------------|-----------------|
| Section 256 Agreements - included within the Council's Comprehensive Income and Expenditure Statement: | | |
| - Anticipatory Care funding for discharge projects | 0 | 625 |
| - Shared data and planning platform | 4,000 | 0 |
| | 4,000 | 625 |
| Section 256 Agreement - Funding for services commissioned on behalf of BNSSG ICB - not included within the Council's Comprehensive Income and Expenditure Statement: | | |
| - Continuing Health Care (CHC) Commissioning | 12,800 | 18,800 |
| - Funded Nursing Care (FNC) Funding | 6,350 | 7,100 |
| | 19,150 | 25,900 |
| Total funding identified within Section 256 Agreements | 23,150 | 26,525 |

Sources of funding in the agreements are as follows:

| | 2022/23 £000 | 2023/24 £000 |
|--|-----------------|-----------------|
| Section 75 Agreement: | | |
| - Funding from North Somerset Council | 5,391 | 5,391 |
| - Funding from Department for Levelling Up, Housing and Communities | 10,117 | 10,533 |
| - Funding from Department of Health | 9,621 | 12,048 |
| - Funding from Bristol, North Somerset and South Gloucestershire Integrated Care Board | 11,601 | 9,561 |
| | 36,730 | 37,533 |
| Section 256 Agreements: | | |
| - Funding from Bristol, North Somerset and South Gloucestershire Integrated Care Board | 23,150 | 26,525 |
| Total | 59,880 | 64,058 |

Expenditure included within the Council's Comprehensive Income and Expenditure Account includes £25.279m (2022/23 £23.656m) in respect of the direct costs incurred for social care activities, in areas such as staffing and contracted services, as well the indirect expenditure incurred on the provision of Disabled Facilities Grants initially charged through the capital programme.

Any additional costs incurred for health-related functions in excess of the £26.525m (2022/23 £23.150m) identified within the Section 256 agreements remain the liability of the BNSSG Integrated Care Board, with any such balances being reflected within the Council's balance sheet. Similarly, any surplus balances remaining where expenditure has been lower than the estimated funding provision given, will be returned after the year-end.

Notes to the Comprehensive Income and Expenditure Statement

22. Business Rate Arrangements – City Region Deal

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

The Authorities are allowed to retain 100% of the growth in business rates raised in the City Region’s network of Enterprise Areas over a 25-year period ending on 31/3/2039, to create an Economic Development Fund for the West of England and to manage local demographic and service pressures arising from economic growth.

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

Transactions

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

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

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

Notes to the Comprehensive Income and Expenditure Statement

| | CASH TRANSACTIONS | | EXPENDITURE & 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 | (77,917) | (6,579) | 0 | 0 |
| Analysed between: | | | | |
| - Uncommitted cash (Tier 2 including contingency) | (2,651) | (154) | | |
| - Committed cash not yet allocated | (75,266) | (6,425) | | |
| Receipts into the Pool in-year: | | | | |
| - Growth sums payable by councils to BRP in-year | (53,358) | (2,753) | 1,628 | 0 |
| Distributions out of the Pool in-year: | | | | |
| - Tier 1 no worse off | 18,592 | 1,358 | 0 | (1,358) |
| - BRP management fee | 36 | 9 | 0 | 0 |
| - EDF management fee | 75 | 19 | 0 | 0 |
| - Tier 2 EDF funding | 6,509 | 17 | 0 | (129) |
| - Tier 3 demographic and service pressures | 4,908 | 226 | 0 | (573) |
| Total Distributions out of the Pool in-year | 30,120 | 1,628 | | |
| Funds held by BRP at 31 March | (101,155) | (7,704) | | |
| Analysed between: | | | | |
| - Uncommitted cash (Tier 2 including contingency) | (3,278) | (171) | 17 | n/a |
| - Committed cash not yet allocated | (97,877) | (7,533) | 1,108 | n/a |
| | (101,155) | (7,704) | | |
| Expenditure / (Revenue) recognised | | | 2,753 | (2,060) |

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 £6.509m on behalf of the EDF in 2023/24 (2022/23 £4.049m), of which the Council received £0.129m (2022/23 £1.228m).

The uncommitted and unallocated cash of £7.704m (2022/23 £6.579m) contributed by the Council and held by the BRP is recognised by the Council as a debtor and is held in an earmarked reserve to smooth the impact of City Region Deal transactions, and match the release of revenue support and charges for projects. The differences between the cash sums paid by the Council of £2.753m (2022/23 £2.047m) and the expenditure recognised of £1.628m (2022/23 £1.359m) is equivalent to the £1.125m (2022/23 £0.687m) 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 £7.533m (2022/23 £6.425m), of the total £97.877m (2022/23 £75.266m) committed pool balance.

The Council itself has recognised revenue income of £2.060m (2022/23: £2.612m) from the BRP and expenditure of £1.628m (2022/23 £1.359m) to the BRP for the year.

Notes to the Comprehensive Income and Expenditure Statement

23. Related party transactions

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

Central Government

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

Details of grants received from Government departments and carried in the Balance Sheet at 31 March 2024 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 2023/24 is shown in Note 17.

All Members, together with the Council's Corporate Leadership Team, are required to sign declarations on appointment, detailing any relevant transactions entered into by them or close members of their family, and to ensure that these declarations remain up to date.

In addition, members, the Council's Corporate Leadership Team, and Finance Business Partners are required to complete annual declarations of interests. At the time these accounts were approved 3 annual declarations had not been completed by members and in 2022/23 8 declarations were outstanding. The Head of Finance and Director of Corporate Services have followed up outstanding declarations, but their return remains a matter for individual members.

The declarations received have been reviewed to identify relationships where bodies or individuals might have the potential to control or influence the Council.

A North Somerset member is a Non-Executive Director of Alliance Homes Housing Association. During 2023/24, purchase invoices totalling £5.07m were paid to Alliance Homes by the Council, and debtors invoices for income of £0.66m raised.

A North Somerset Council member elected in May 2023 is Project and Programme Director at AtkinsRealis UK Ltd. He is an operational director, and not a director listed at Companies House and has not undertaken work relating to projects being undertaken for North Somerset Council. During 2023/24, £1.19m of payments were made to the AtkinsRealis UK Ltd by the Council for capital contract payments.

A further £0.46m of payments were made for services commissioned from 5 other companies in which a member, or a close member of their family, had an interest (2022/23 £0.18m).

Creditors balances totalling £0.37m were due to these counterparties at the year-end (2022/23 £0.03m). Debtors balances totalling £0.27m (2022/23 £Nil) were due from these counter-parties at the year end.

Notes to the Comprehensive Income and Expenditure Statement

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

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

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

Pension Funds

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

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

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

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

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 Mayoral Combined Authority (WEMCA).

The West of England Mayoral Combined Authority (WEMCA) 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. WEMCA is chaired by the West of England Mayor. The Mayor and the Combined Authority have been given powers over spending, previously held by central government, on the region's transport, housing, adult education and skills.

The Council is not a member authority of WEMCA, 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 Anticipatory Care funding for discharge projects with the Bristol, North Somerset, and South Gloucestershire Integrated Care Board. Income and expenditure are detailed in Note 21.

Other Public Bodies

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

Notes to the Comprehensive Income and Expenditure Statement

Entities controlled or significantly influenced by the Council

North Somerset Inspire Limited

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

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

Adoption West

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

During the financial year the following Council officers held the following positions: Director - Sheila Smith (Director of Children's Services) - resigned 7 August 2023; Director – Carolyn Fair (Acting Director of Children's Services) – appointed 7 August 2023.

Each council has a 1/6th shareholding in the company and is required to fund costs in accordance with membership proportions agreed in the "Commissioning Agreement" between the parties. North Somerset Council's membership proportion is 12.41%. Decisions require the unanimous consent of the parties sharing control. The Council had no transactions or balances outstanding with this company during the year. The Council's share of the company's net assets were not judged sufficiently material to warrant inclusion in the group accounts.

North Somerset Environment Company Ltd

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

During the year, no senior Council officers held positions with NSEC.

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

- North Somerset Council income totalling £3.98m (2022/23 £2.90m)
- North Somerset expenditure totalling £14.22 (2022/23 £12.64m)

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

- Invoiced and accrued debtors £2.83m (2022/23 £2.36m)
- Invoiced and accrued creditors £1.25m (2022/23 £0.09m)

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

The transactions of NSEC are judged to be sufficiently material to require the preparation of group accounts.

Notes to the Balance Sheet

24. Property, Plant and Equipment and Intangibles

24.1. Movements on Balances

| Movements in 2023/2024 | Land & Buildings £000 | Community Assets £000 | Vehicles, Plant & Equipment £000 | Assets Under Construction £000 | Surplus £000 | Total Property, Plant & Equip excluding Infrastructure £000 | Intangible Assets £000 | TOTAL £000 |
|--|--------------------------|--------------------------|-------------------------------------|-----------------------------------|-----------------|--|---------------------------|-----------------------|
| Cost or Valuation | | | | | | | | |
| At 1 April 2023 | 166,814 | 7,323 | 42,410 | 86,711 | 272 | 303,530 | 500 | 304,030 |
| Additions | 6,938 | 339 | 3,706 | 24,741 | 0 | 35,724 | 0 | 35,724 |
| Revaluations - Revaluation Reserve | (2,130) | 0 | 0 | 0 | 11 | (2,119) | 0 | (2,119) |
| Revaluations - CI&ES | (2,647) | 0 | 0 | 0 | (1) | (2,648) | 0 | (2,648) |
| Derecognition - Disposals | (40,452) | 0 | (102) | 0 | 0 | (40,554) | 0 | (40,554) |
| Assets reclassified | 58,496 | (426) | 0 | (64,209) | (240) | (6,379) | 0 | (6,379) |
| At 31 March 2024 | 187,019 | 7,236 | 46,014 | 47,243 | 42 | 287,554 | 500 | 288,054 |
| Accumulated Depreciation & Impairment | | | | | | | | |
| At 1 April 2023 | (8,207) | (2,373) | (31,738) | 0 | 0 | (42,318) | (400) | (42,718) |
| Depreciation for the year | (4,856) | (59) | (1,763) | 0 | 0 | (6,678) | (50) | (6,728) |
| Depreciation written out - Revaluation Reserve | 5,176 | 0 | 0 | 0 | 21 | 5,197 | 0 | 5,197 |
| Impairment (Losses) / Reversals - Revaluation Reserve | (1,728) | 0 | 0 | 0 | 0 | (1,728) | 0 | (1,728) |
| Impairment (Losses) / Reversals - CI&ES | (1,990) | (338) | 0 | 0 | 0 | (2,328) | 0 | (2,328) |
| Derecognition - Disposals | 424 | 0 | 96 | 0 | 0 | 520 | 0 | 520 |
| Assets reclassified | (126) | 155 | 0 | 0 | (21) | 8 | 0 | 8 |
| At 31 March 2024 | (11,307) | (2,615) | (33,405) | 0 | 0 | (47,327) | (450) | (47,777) |
| Net Book Value at 1 April 2023 | 158,607 | 4,950 | 10,672 | 86,711 | 272 | 261,212 | 100 | 261,312 |
| Net Book Value at 31 March 2024 - Current Value | 175,712 | 4,621 | 12,609 | 47,243 | 42 | 240,227 | 50 | 240,277 |

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

Notes to the Balance Sheet

| Movements in 2022/2023 | Land & Buildings £000 | Community Assets £000 | Vehicles, Plant & Equipment £000 | Assets Under Construction £000 | Surplus £000 | Total Property, Plant & Equip excluding Infrastructure £000 | Intangible Assets £000 | TOTAL £000 |
|--|--------------------------|--------------------------|-------------------------------------|-----------------------------------|-----------------|--|---------------------------|-----------------------|
| Cost or Valuation | | | | | | | | |
| At 1 April 2022 | 180,641 | 6,906 | 41,002 | 49,762 | 629 | 278,940 | 500 | 279,440 |
| Additions | 4,334 | 445 | 2,058 | 36,949 | 0 | 43,786 | 0 | 43,786 |
| Revaluations - Revaluation Reserve | 3,414 | 7 | 0 | 0 | (1,873) | 1,548 | 0 | 1,548 |
| Revaluations - CI&ES | 916 | 0 | 0 | 0 | (906) | 10 | 0 | 10 |
| Derecognition - Disposals | (19,980) | 0 | (650) | 0 | 0 | (20,630) | 0 | (20,630) |
| Assets reclassified | (2,512) | (35) | 0 | 0 | 2,422 | (125) | 0 | (125) |
| At 31 March 2023 | 166,813 | 7,323 | 42,410 | 86,711 | 272 | 303,529 | 500 | 304,029 |
| Accumulated Depreciation & Impairment | | | | | | | | |
| At 1 April 2022 | (4,746) | (1,870) | (30,580) | 0 | 0 | (37,196) | (350) | (37,546) |
| Depreciation for the year | (5,678) | (59) | (1,645) | 0 | 0 | (7,382) | (50) | (7,432) |
| Depreciation written out - Revaluation Reserve | 2,887 | 0 | 0 | 0 | 77 | 2,964 | 0 | 2,964 |
| Impairment (Losses) / Reversals - Revaluation Reserve | (1,632) | 0 | 0 | 0 | 0 | (1,632) | 0 | (1,632) |
| Impairment (Losses) / Reversals - CI&ES | (413) | (444) | 0 | 0 | 0 | (857) | 0 | (857) |
| Derecognition - Disposals | 1,299 | 0 | 487 | 0 | 0 | 1,786 | 0 | 1,786 |
| At 31 March 2023 | (8,206) | (2,373) | (31,738) | 0 | 0 | (42,317) | (400) | (42,717) |
| Net Book Value at 1 April 2022 | 175,895 | 5,036 | 10,422 | 49,762 | 629 | 241,744 | 150 | 241,894 |
| Net Book Value at 31 March 2023 - Current Value | 158,607 | 4,950 | 10,672 | 86,711 | 272 | 261,212 | 100 | 261,312 |

Notes to the Balance Sheet

24.2. Infrastructure assets

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

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

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

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

| Infrastructure Movements on Balances | 2022/23 | 2023/24 |
|---|----------------|-----------------|
| | £000 | £000 |
| Net Book Value (Modified Historical Cost): | | |
| At 1 April | 149,557 | 150,100 |
| Additions | 14,623 | 20,205 |
| Transfers from other categories of PPE | 0 | 6,362 |
| Depreciation | (6,063) | (6,225) |
| Impairment / Reversals - CIES | (8,017) | (15,436) |
| At 31 March | 150,100 | 155,006 |

24.3. Revaluations

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

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

All valuations are carried out in accordance with the Royal Institution of Chartered Surveyors Red Book, and are arranged by the Council's Property Estates and Regeneration Manager, who is A.R.I.C.S. qualified. The revaluations undertaken in 2023/24 have been carried out by professionally qualified staff from within the Council's in-house team, except for two of our investment properties

Notes to the Balance Sheet

which, due to their specialist nature, were valued by an independent valuer. The PPE valuations were applied with a revaluation date of 1 January 2024, and 31 March 2024 for Investment Property. Valuations are accounting estimates, which include review of impairments and estimated remaining useful lives of the assets.

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

| | Land & Buildings £000 | Infra - structure Assets £000 | Community Assets £000 | Vehicles, Plant & Equipment £000 | Assets Under Construction £000 | Surplus Assets £000 | Total Property, Plant & Equipment £000 | Intangible Assets £000 | Heritage Assets £000 | Investment Properties £000 |
|---------------------------|--------------------------|----------------------------------|--------------------------|-------------------------------------|-----------------------------------|------------------------|---|---------------------------|-------------------------|-------------------------------|
| Valued at Historical Cost | 1,724 | 155,006 | 2,820 | 12,609 | 47,243 | 0 | 219,402 | 50 | 0 | 0 |
| Year of valuation | | | | | | | | | | |
| 2023/24 | 94,034 | 0 | 890 | 0 | 0 | 42 | 94,966 | 0 | 0 | 44,894 |
| 2022/23 | 40,666 | 0 | 32 | 0 | 0 | 0 | 40,698 | 0 | 0 | 0 |
| 2021/22 | 38,733 | 0 | 11 | 0 | 0 | 0 | 38,744 | 0 | 0 | 0 |
| 2019/20 | 0 | 0 | 868 | 0 | 0 | 0 | 868 | 0 | 0 | 0 |
| 2018/19 | 555 | 0 | 0 | 0 | 0 | 0 | 555 | 0 | 0 | 0 |
| 2015/16 or prior | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 288 | 0 |
| Total | 175,712 | 155,006 | 4,621 | 12,609 | 47,243 | 42 | 395,233 | 50 | 288 | 44,894 |

24.4. Disposal of Non-Current Assets

Academy Schools

During the year one primary school transferred from the Council's control to Academy status (2022/23 six primary schools) and a new secondary school transferred from the Council's Assets Under Construction and transferred to an academy.

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

| | Date of Conversion | Net Book Value 1 April 2023 £000 |
|---|--------------------|-------------------------------------|
| Worlebury St Paul's CofE Primary School | 01 July 2023 | 3,119 |
| Winterstoke Hundred Academy | 31 March 2024 | 26,194 |
| | | <u>29,313</u> |

Other assets disposed of during the year were not material.

Notes to the Balance Sheet

24.5. Capital Commitments

The authority has entered into contracts for the construction or enhancement of property, plant and equipment in 2024/25 and future years. The major commitments at 31 March 2024 were:

| | 2022/23 £000 | 2023/24 £000 |
|---|-----------------|-----------------|
| Baytree Special School - Clevedon | 5,021 | 3,888 |
| Banwell Bypass | 814 | 1,948 |
| Bus Service Improvement Plan (BSIP) | 0 | 1,463 |
| Levelling Up Fund | 0 | 1,103 |
| Winterstoke Road Bridge | 75 | 598 |
| Winterstoke Academy Expansion | 5,148 | 535 |
| Metro West | 504 | 488 |
| Locking Parklands - Utilities | 32 | 345 |
| Pier to Pier Way Cycle route (Tutshill) | 317 | 273 |
| North South Link | 33 | 199 |
| Other | 3,925 | 4,525 |
| Total Commitments | 15,869 | 15,365 |

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:

| | 2022/23 £000 | 2023/24 £000 |
|--|-----------------|-----------------|
| Rental income from investment property | (4,900) | (5,203) |
| Direct operating expenses arising from investment property | 4,523 | 4,804 |
| Net (gain) / loss | (377) | (399) |

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

| | Note | 2022/23 £000 | 2023/24 £000 |
|--|------|-----------------|-----------------|
| Balance at 1 April | | 45,707 | 51,053 |
| Additions: | | | |
| - Subsequent expenditure | 26 | 611 | 41 |
| Transfers from PPE - Land & Buildings | 24.1 | 125 | 10 |
| Disposals | | (651) | (1,332) |
| Net gains / (losses) from fair value adjustments | 12 | 3,003 | (4,868) |
| Net gains / (losses) from PPE Revaluation | | 2,258 | (10) |
| Balance at 31 March | | 51,053 | 44,894 |

Notes to the Balance Sheet

Fair value hierarchy

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

| | Fair Value 31 March 2023 | | | Fair Value 31 March 2024 | | |
|------------------|--------------------------|--------------|---------------|--------------------------|--------------|---------------|
| | Other significant | Significant | Total | Other significant | Significant | Total |
| | observable inputs | unobservable | | observable | unobservable | |
| | Level 2 | Level 3 | | Level 2 | Level 3 | |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Smallholdings | 20,581 | 0 | 20,581 | 20,253 | 0 | 20,253 |
| Commercial Units | 26,806 | 3,666 | 30,472 | 21,473 | 3,168 | 24,641 |
| Total | 47,387 | 3,666 | 51,053 | 41,726 | 3,168 | 44,894 |

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

| | 2022/23 | 2023/24 |
|--|--------------|--------------|
| | £000 | £000 |
| Balance at 1 April | 4,061 | 3,666 |
| Net gains / losses from fair value adjustments (recognised in the Surplus or Deficit on the Provision of Services - Note 12) | 106 | (498) |
| Disposals | (501) | 0 |
| Balance at 31 March | 3,666 | 3,168 |

Valuation Techniques used to Determine Level 2 and 3 Fair Values for Investment Properties Significant Observable Inputs - Level 2 Fair Value Investment Property Assets

13 commercial properties and 9 smallholdings have been categorised as Level 2 in the fair value hierarchy, with their fair value being measured using a combination of the market approach and the income approach. The market approach uses comparable market evidence in arriving at values, whilst the income approach uses an all risk yield to capitalise the income, to arrive at the value. This yield is based on comparable market yields. These investment properties are categorised as Level 2 in the fair value hierarchy as the measurement technique uses inputs that are observable for the asset, either directly or indirectly, and there is no reasonably available information that indicates the market participants would use different assumptions.

Significant Unobservable Inputs - Level 3 Fair Value Investment Property Assets

3 commercial properties (2022/23 3) have been categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

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

Notes to the Balance Sheet

| | Fair Value | Valuation | Unobservable | Range | Sensitivity |
|------------------|---------------------|---|---|--------------------------|---|
| | 31 March | Technique Used | Inputs | (weighted | |
| | 2024 | to Measure Fair | | average) | |
| | £000 | Value | | | |
| Commercial Units | 3,168 | Combination of income and market approach | Yield Rate % of MV attributable to Land | 7.25% - 8% 79% - 100% | Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets |
| | | | Discount Rate | 7% - 8% | |
| Total | <u>3,168</u> | | | | |

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 in accordance with the Royal Institution of Chartered Surveyors Red Book. The authority's valuation experts work closely with finance officers reporting directly to the Chief Financial Officer on a regular basis regarding all valuation matters.

Notes to the Balance Sheet

26. Capital Expenditure and Financing

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

| | 2022/23 £000 | 2023/24 £000 |
|--|-----------------|-----------------|
| Opening Capital Financing Requirement | 183,737 | 182,250 |
| Capital Investment in Year | | |
| Property, Plant and Equipment | 58,409 | 55,929 |
| Investment Properties | 611 | 41 |
| Revenue Expenditure Funded from Capital Under Statute | 7,443 | 8,461 |
| | <u>66,463</u> | <u>64,431</u> |
| Source of Finance | | |
| Capital Receipts and Reserves | (3,157) | (1,774) |
| Government Grants and Contributions | (55,481) | (52,121) |
| Revenue Provisions and Reserves | (1,909) | (1,331) |
| Minimum Revenue Provision | (7,403) | (6,779) |
| | <u>(67,950)</u> | <u>(62,005)</u> |
| Net Increase / (Decrease) in Capital Financing Requirement | (1,487) | 2,426 |
| Closing Capital Financing Requirement | <u>182,250</u> | <u>184,676</u> |
| Explanation of movement in year: | | |
| Increase in underlying need to borrow unsupported by Government assistance | 5,916 | 9,205 |
| Minimum Revenue Provision | (7,403) | (6,779) |
| | <u>(1,487)</u> | <u>2,426</u> |

The Minimum Revenue Provision shown above comprises:

| | 2022/23 £000 | 2023/24 £000 |
|--|-----------------|-----------------|
| Supported Borrowing Minimum Revenue Provision | (900) | (900) |
| Prudential Borrowing Minimum Revenue Provision | (5,682) | (5,062) |
| Ex-Avon Loan Debt Minimum Revenue Provision | (470) | (452) |
| Finance Leases Minimum Revenue Provision | (351) | (365) |
| | <u>(7,403)</u> | <u>(6,779)</u> |

Notes to the Balance Sheet

27. Debtors

| | 2022/23 £000 | 2023/24 £000 |
|---|-----------------|-----------------|
| Central Government Bodies | 30,818 | 12,919 |
| Other Local Authorities | 1,333 | 4,527 |
| NHS Bodies | 15,668 | 4,054 |
| Other Entities and Individuals | 18,385 | 34,932 |
| Total Short Term Debtors | 66,204 | 56,432 |
| Prepayments | 16,416 | 15,702 |
| Total Short Term Debtors and Prepayments | 82,620 | 72,134 |

28. Creditors

| | 2022/23 £000 | 2023/24 £000 |
|---|-----------------|-----------------|
| Central Government Bodies | (13,363) | (9,428) |
| Other Local Authorities | (2,017) | (5,314) |
| NHS Bodies | (2,087) | (1,233) |
| Public Corporations and Trading Funds | (438) | (399) |
| Other Entities and Individuals | (47,359) | (58,187) |
| Total Short Term Creditors | (65,264) | (74,561) |
| Finance lease obligations due within 12 months | (365) | (380) |
| Total Short Term Creditors including finance lease obligations | (65,629) | (74,941) |

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 2023 £000 | Additional Provisions Made £000 | Amounts reversed £000 | Amounts Used £000 | Balance 31 March 2024 £000 |
|---|----------------------------------|--|-----------------------------|-------------------------|----------------------------------|
| Insurance Provisions | (1,899) | (747) | 286 | 344 | (2,016) |
| NDR Appeals Provision | (3,334) | 0 | 393 | 0 | (2,941) |
| Other | (1,392) | (974) | 524 | 48 | (1,794) |
| Total Provisions | (6,625) | (1,721) | 1,203 | 392 | (6,751) |
| Expected future timing of associated outflows of economic benefit: | | | | | |
| Less than 1 year | (5,001) | | | | (4,597) |
| Over 1 year, less than 5 years | (1,280) | | | | (1,602) |
| Over 5 years | (344) | | | | (552) |
| | (6,625) | | | | (6,751) |

Notes to the Balance Sheet

| Significant provisions | Description |
|-------------------------------|--|
| Insurance Provisions | To finance the estimated costs of known insurance claims, where uncertainties remain over the timing, outcomes or amounts of likely claim settlements. |
| NNDR Appeals | To finance the estimated costs of known NNDR business rate appeals which have been lodged with the Valuation Office, and the estimated costs of NNDR appeals which are not yet lodged, but are expected to be, based on past experience. There is uncertainty over the timing or amounts of likely settlements. Therefore the provision is based on the number of appeals received, plus an estimate of future appeals, and an estimate of the likelihood of success of these appeals. |

30. Contingent Liabilities

National Non-Domestic Rating – Unlodged Appeals

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

Notes to the Balance Sheet

31. Financial Instruments

31.1. Categories of Financial Instruments

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

| 2023/24 | Non-Current | | Current | | Cash £'000 | Total £000 |
|--|---------------------|-------------------|---------------------|-------------------|-------------------|------------------|
| | Investments £000 | Debtors £000 | Investments £000 | Debtors £000 | | |
| Financial Assets | | | | | | |
| Fair value through profit or loss | 8,647 | 0 | 0 | 0 | 0 | 8,647 |
| Amortised cost | 0 | 807 | 189,621 | 11,975 | 0 | 202,403 |
| Total financial assets | 8,647 | 807 | 189,621 | 11,975 | 0 | 211,050 |
| Non-financial Assets: | | | | | | |
| Statutory & Government Debtors | 0 | 3,037 | 0 | 44,457 | 0 | 47,494 |
| Payments in advance | 0 | 0 | 0 | 15,702 | 0 | 15,702 |
| Total non-financial assets | 0 | 3,037 | 0 | 60,159 | 0 | 63,196 |
| Total on Balance Sheet | 8,647 | 3,844 | 189,621 | 72,134 | 0 | 274,246 |
| | Non-Current | | Current | | Overdraft £000 | Total £000 |
| | Borrowing £000 | Creditors £000 | Borrowing £000 | Creditors £000 | | |
| Financial Liabilities | | | | | | |
| Amortised cost | (116,945) | 0 | (42,047) | (28,522) | 0 | (187,514) |
| Cash and cash equivalents | 0 | 0 | 0 | 0 | (775) | (775) |
| Total Financial Liabilities | (116,945) | 0 | (42,047) | (28,522) | (775) | (188,289) |
| Non-financial Liabilities: | | | | | | |
| Statutory & Government Creditors | 0 | 0 | 0 | (19,165) | 0 | (19,165) |
| Receipts in Advance | 0 | (317) | 0 | (8,764) | 0 | (9,081) |
| Contributions and Deposits | 0 | 0 | 0 | (18,110) | 0 | (18,110) |
| Finance lease liabilities | 0 | (20,995) | 0 | (380) | 0 | (21,375) |
| Total non-financial liabilities | 0 | (21,312) | 0 | (46,419) | 0 | (67,731) |
| Total on Balance Sheet | (116,945) | (21,312) | (42,047) | (74,941) | (775) | (256,020) |

Notes to the Balance Sheet

| 2022/23 | Non-Current | | Current | | | Total £000 |
|--|---------------------|-------------------|---------------------|-------------------|-------------------|------------------|
| | Investments £000 | Debtors £000 | Investments £000 | Debtors £000 | Cash £'000 | |
| Financial Assets | | | | | | |
| Fair value through profit or loss | 8,833 | 0 | 0 | 0 | 0 | 8,833 |
| Amortised cost | 0 | 906 | 145,250 | 10,326 | 0 | 156,482 |
| Total financial assets | 8,833 | 906 | 145,250 | 10,326 | 0 | 165,315 |
| Non-financial Assets: | | | | | | |
| Statutory & Government Debtors | 0 | 2,989 | 0 | 55,878 | 0 | 58,867 |
| Payments in advance | 0 | 0 | 0 | 16,416 | 0 | 16,416 |
| Total non-financial assets | 0 | 2,989 | 0 | 72,294 | 0 | 75,283 |
| Total on Balance Sheet | 8,833 | 3,895 | 145,250 | 82,620 | 0 | 240,598 |
| | Non-Current | | Current | | | Total £000 |
| | Borrowing £000 | Creditors £000 | Borrowing £000 | Creditors £000 | Overdraft £000 | |
| Financial Liabilities | | | | | | |
| Amortised cost | (128,475) | 0 | (8,877) | (20,812) | 0 | (158,164) |
| Cash and cash equivalents | 0 | 0 | 0 | 0 | (5,832) | (5,832) |
| Total Financial Liabilities | (128,475) | 0 | (8,877) | (20,812) | (5,832) | (163,996) |
| Non-financial Liabilities: | | | | | | |
| Statutory & Government Creditors | 0 | 0 | 0 | (21,812) | 0 | (21,812) |
| Receipts in Advance | 0 | (346) | 0 | (9,321) | 0 | (9,667) |
| Contributions and Deposits | 0 | 0 | 0 | (13,319) | 0 | (13,319) |
| Finance lease liabilities | 0 | (21,375) | 0 | (365) | 0 | (21,740) |
| Total non-financial liabilities | 0 | (21,721) | 0 | (44,817) | 0 | (66,538) |
| Total on Balance Sheet | (128,475) | (21,721) | (8,877) | (65,629) | (5,832) | (230,534) |

31.2. Income, Expense, Gains and Losses

| | 2022/23 | | 2023/24 | |
|---|--|---|---|---|
| | 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 |
| Net (gains) / losses on: | | | | |
| Financial assets measured at fair value through profit or loss | 1,249 | 0 | 186 | 0 |
| Financial assets measured at amortised cost | (9) | 0 | (9) | 0 |
| Total net (gains) / losses | 1,240 | 0 | 177 | 0 |
| Interest income | | | | |
| Financial assets measures at amortised cost | (3,038) | 0 | (9,380) | 0 |
| Other investment income | (431) | 0 | (470) | 0 |
| Interest receivable and investment income | (3,469) | 0 | (9,850) | 0 |
| Interest expense re borrowing | 5,591 | 0 | 5,372 | 0 |

Notes to the Balance Sheet

31.3. Fair Values of Financial Assets and Liabilities

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

| | Input level in fair value hierarchy | Valuation technique used to measure fair value | 31 March 2023 £000 | 31 March 2024 £000 |
|--|---|--|--------------------------|--------------------------|
| Fair Value through Profit or Loss | | | | |
| Property funds | 1 | Unadjusted quoted prices in active markets for identical units | 4,602 | 4,422 |
| Multi-Asset funds | 1 | Unadjusted quoted prices in active markets for identical units | 4,231 | 4,225 |
| Total | | | 8,833 | 8,647 |

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

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

The authority has an equity shareholding in North Somerset Environment Company Ltd. As allowed by the Code, this investment is held at historic cost of £1. The fair value of the investment is judged not to be materially different from this carrying value. As the shares in this company are not traded on an active market, the fair value assessment uses valuation techniques that are not based on observable market transactions or available market data (and hence are held in Level 3 of the Fair Value hierarchy). The valuation has been made after considering the company's forecast surpluses and deficits for the next five years, and its net assets at the year end.

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

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

| | Fair Value Level | 31 March 2023 | | 31 March 2024 | |
|--|---------------------|------------------------|--------------------|------------------------|--------------------|
| | | Carrying value £000 | Fair Value £000 | Carrying value £000 | Fair Value £000 |
| Financial Assets | | | | | |
| <i>Financial assets held at Amortised cost</i> | | | | | |
| Short term investments | 2 | 145,250 | 145,250 | 189,621 | 189,621 |
| Current debtors | 2 | 10,326 | 10,326 | 11,975 | 11,975 |
| Non-current debtors | 2 | 906 | 906 | 807 | 807 |
| Total Financial Assets | | 156,482 | 156,482 | 202,403 | 202,403 |

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

Notes to the Balance Sheet

| | Fair Value Level | 31 March 2023 | | 31 March 2024 | |
|--|---------------------|-----------------------|--------------------|-----------------------|--------------------|
| | | Balance Sheet £000 | Fair Value £000 | Balance Sheet £000 | Fair Value £000 |
| Financial Liabilities | | | | | |
| <i>Financial Liabilities held at amortised cost:</i> | | | | | |
| Long term borrowing from PWLB | 2 | (126,897) | (115,116) | (116,123) | (106,407) |
| Long term borrowing from Salix | 2 | (1,578) | (1,578) | (822) | (822) |
| Short term borrowing | 2 | (8,877) | (8,819) | (42,047) | (41,799) |
| Short term creditors | 2 | (20,812) | (20,812) | (28,522) | (28,522) |
| Bank overdraft | 1 | (5,832) | (5,832) | (775) | (775) |
| Total Financial Liabilities | | (163,996) | (152,157) | (188,289) | (178,325) |

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

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

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

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

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

32. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

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

Notes to the Balance Sheet

32.1. Amounts arising from expected credit losses (ECL)

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

| | Short term Investments (12 month ECL) £000 | Trade debtors (Simplified approach ECL) £000 | Non-current debtors (Lifetime ECL) £000 | Total £000 |
|--|---|---|--|----------------|
| Opening balance as at 1 April 2023 | (12) | (2,002) | (84) | (2,098) |
| New financial assets originated or purchased | 9 | (101) | 0 | (92) |
| Closing balance as at 31 March 2024 | (3) | (2,103) | (84) | (2,190) |

| | 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 2022 | (21) | (1,741) | (84) | (1,846) |
| New financial assets originated or purchased | 9 | (261) | 0 | (252) |
| Closing balance as at 31 March 2023 | (12) | (2,002) | (84) | (2,098) |

32.2. Credit Risk: Treasury Investments

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

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

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

| | As at 31 March 2023 | | As at 31 March 2024 | |
|--|---------------------|-----------------|---------------------|-----------------|
| | Non-current £000 | Current £000 | Non-current £000 | Current £000 |
| Credit Rating | | | | |
| AA- | 0 | 9,000 | 0 | 0 |
| A | 0 | 6,000 | 0 | 6,000 |
| Unrated local authorities and Central Government | 0 | 99,000 | 0 | 177,500 |
| Unrated building societies | 0 | 30,000 | 0 | 2,000 |
| Total subject to Credit rating | 0 | 144,000 | 0 | 185,500 |
| Credit risk not applicable* | 8,833 | 0 | 8,647 | 0 |
| Total investments | 8,833 | 144,000 | 8,647 | 185,500 |

Notes to the Balance Sheet

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

32.3. Credit Risk: Trade Receivables and Contract Assets

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

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

| | Range of Loss Allowance | 31 March 2023 £000 | 31 March 2024 £000 |
|-------------------------------|-------------------------|-----------------------|-----------------------|
| Neither past due nor impaired | 1% | 3,203 | 3,767 |
| Past due 31 - 60 days | 1% | 1,238 | 1,069 |
| Past due 61 - 90 days | 1% | 286 | 206 |
| Past due 91 - 120 days | 25% | 233 | 357 |
| Past due over 120 days | 50% - 100% | 3,926 | 4,185 |
| Total Receivables | | 8,886 | 9,584 |

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 2023 | | 31 March 2024 | |
|--------------------------------|--------------------------|--------------------------|------------------------|--------------------------|------------------------|
| | | Gross receivable £000 | Loss allowance £000 | Gross receivable £000 | Loss allowance £000 |
| Central Government | 0% | 0 | 0 | 0 | 0 |
| Other LA's | 0% | 0 | 0 | 0 | 0 |
| NHS Bodies | 0% | 0 | 0 | 36 | 0 |
| Other Entities and individuals | 1%-100% | 8,886 | (2,002) | 9,548 | (2,103) |
| Total | | 8,886 | (2,002) | 9,584 | (2,103) |

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

32.4. Liquidity Risk

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

Notes to the Balance Sheet

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

| | 31 March 2023 | | | 31 March 2024 | | |
|----------------------------|------------------|----------------|------------------|------------------|-----------------|------------------|
| | PWLB £000 | Other £000 | Total £000 | PWLB £000 | Other £000 | Total £000 |
| Less than one year | (7,501) | (1,376) | (8,877) | (10,760) | (31,287) | (42,047) |
| Between one and two years | (10,774) | (812) | (11,586) | (5,000) | (812) | (5,812) |
| Between two and five years | (16,170) | (766) | (16,936) | (21,170) | (9) | (21,179) |
| Between five and ten years | (32,326) | 0 | (32,326) | (22,326) | 0 | (22,326) |
| More than ten years | (67,627) | 0 | (67,627) | (67,628) | 0 | (67,627) |
| Total borrowing | (134,398) | (2,954) | (137,352) | (126,884) | (32,108) | (158,992) |

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

32.5. Market risk

Interest Rate Risk

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

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

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

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

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

According to this assessment strategy, at 31 March 2024, 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 (2022/23 Nil)
- Increase in interest receivable on variable rate investments of £1.20m (2022/23 £0.98m)
- Decrease in fair value of investments held at FVP&L of £0.11m (2022/23 £0.10m)
- Total impact on the Surplus or Deficit on the Provision of Services of £1.31m (2022/23 £0.88m)
- 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 £8.63m (2022/23 £9.23m).

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. A fall in investment valuations would not result in a material impact on the accounts.

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.

| | 2022/23 | 2023/24 |
|---|----------|-----------------|
| | £000 | £000 |
| North Somerset Council share of Ex-Avon Loan Debt Outstanding | (11,291) | (10,839) |
| Interest Paid in Year | 568 | 542 |
| Debt Repayments - Minimum Revenue Provision | 470 | 452 |

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.

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

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

35. Defined Benefit Pension Schemes

35.1. Participation in Schemes

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

The Council participates in two defined benefit pension schemes:

- the Local Government Pension Scheme, known as the Avon Pension Fund, administered by Bath & North-East Somerset Council. The Avon Pension Fund is a multi-employer arrangement, under

Notes to the Balance Sheet

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:

| | 2022/23 | | | 2023/24 | | |
|--|-----------------|------------------|------------------|------------------|------------------|------------------|
| | Funded £000 | Unfunded £000 | Total £000 | Funded £000 | Unfunded £000 | Total £000 |
| Local Government Pension Scheme | | | | | | |
| Present value of the defined benefit obligation | (552,596) | (11,407) | (564,003) | (552,020) | (10,700) | (562,720) |
| Fair value of plan assets | 477,741 | 0 | 477,741 | 501,431 | 0 | 501,431 |
| Net liability arising from defined benefit obligation | (74,855) | (11,407) | (86,262) | (50,589) | (10,700) | (61,289) |
| Unfunded Teachers' Discretionary Benefits | | | | | | |
| Present value of the defined benefit obligation | 0 | (16,196) | (16,196) | 0 | (15,209) | (15,209) |
| Net liability arising from defined benefit obligation | 0 | (16,196) | (16,196) | 0 | (15,209) | (15,209) |
| Net liability arising from defined benefit obligation - Total | (74,855) | (27,603) | (102,458) | (50,589) | (25,909) | (76,498) |

Transactions Relating to Post-Employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pension. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

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

Notes to the Balance Sheet

| | 2022/23 | | | 2023/24 | | |
|---|------------------|------------------|------------------|-----------------|------------------|-----------------|
| | LGPS £000 | Teachers £000 | Total £000 | LGPS £000 | Teachers £000 | Total £000 |
| Comprehensive Income and Expenditure Statement | | | | | | |
| <i>Cost of Services:</i> | | | | | | |
| - Current Service Cost | 19,510 | 0 | 19,510 | 8,905 | 0 | 8,905 |
| - (Gains) / Losses from Settlements & Curtailments | 8 | 0 | 8 | (320) | 0 | (320) |
| <i>Financing and Investment Income and Expenditure:</i> | | | | | | |
| - Net Interest Cost | 6,676 | 551 | 7,227 | 3,781 | 753 | 4,534 |
| - Administration Expense | 283 | 0 | 283 | 311 | 0 | 311 |
| Net interest on net defined benefit pension liability & administration costs | 6,959 | 551 | 7,510 | 4,092 | 753 | 4,845 |
| Net Charge to Surplus or Deficit on Provision of Services | 26,477 | 551 | 27,028 | 12,677 | 753 | 13,430 |
| <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 | 51,346 | 0 | 51,346 | (14,668) | 0 | (14,668) |
| - Experience (Gains) / Losses | 86,567 | 1,824 | 88,391 | 5,077 | 141 | 5,218 |
| - Actuarial (Gains) / Losses arising on changes in financial assumptions | (294,936) | (4,327) | (299,263) | (7,952) | 0 | (7,952) |
| - Actuarial (Gains) / Losses arising on changes in demographic assumptions | (16,897) | (755) | (17,652) | (7,659) | (239) | (7,898) |
| Remeasurement of the net defined benefit liability | (173,920) | (3,258) | (177,178) | (25,202) | (98) | (25,300) |
| Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | (147,443) | (2,707) | (150,150) | (12,525) | 655 | (11,870) |
| Movement in Reserves Statement | | | | | | |
| Reversal of Net charge made to the Surplus or Deficit on Provision of Services for post employment benefits in accordance with the Code | (26,477) | (551) | (27,028) | (12,677) | (753) | (13,430) |
| Actual amount charged against the General Fund Balance for pensions in the year: Employers' contributions payable to the scheme | 11,813 | 1,565 | 13,378 | 12,448 | 1,642 | 14,090 |
| Amount by which Pension costs charged to the Comprehensive Income Statement is different from that chargeable in accordance with statutory requirements | (14,664) | 1,014 | (13,650) | (229) | 889 | 660 |

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

| | 2022/23 £000 | 2023/24 £000 |
|---|-----------------|-----------------|
| Opening Fair Value of Scheme Assets | 522,078 | 477,741 |
| Interest Income | 14,550 | 22,534 |
| Administration Expenses | (283) | (311) |
| Remeasurement Gains / (Losses) | | |
| - The return on plan assets, excluding any amount in the net interest expense | (51,346) | 14,668 |
| Employers' Contributions | 11,813 | 12,448 |
| Employee Contributions | 3,224 | 3,465 |
| Settlements | 0 | (3,205) |
| Benefits Paid | (22,295) | (25,909) |
| Closing Balance at 31 March | 477,741 | 501,431 |

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

| | 2022/23 | | | 2023/24 | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| | Funded £000 | Unfunded £000 | Total £000 | Funded £000 | Unfunded £000 | Total £000 |
| Opening Balance at 1 April | (753,031) | (14,565) | (767,596) | (552,596) | (11,407) | (564,003) |
| Current Service Cost | (19,510) | 0 | (19,510) | (8,905) | 0 | (8,905) |
| Interest Cost | (20,833) | (393) | (21,226) | (25,794) | (521) | (26,315) |
| Contributions by Scheme participants | (3,224) | 0 | (3,224) | (3,465) | 0 | (3,465) |
| Remeasurement Gains / (Losses); | | | | | | |
| - Experience Gains / (Losses) | (85,205) | (1,362) | (86,567) | (4,976) | (101) | (5,077) |
| - Gains / (Losses) on financial assumptions | 291,340 | 3,596 | 294,936 | 7,875 | 77 | 7,952 |
| - Gains / (Losses) on demographic assumption | 16,586 | 311 | 16,897 | 7,501 | 158 | 7,659 |
| Benefits Paid | 21,289 | 1,006 | 22,295 | 24,815 | 1,094 | 25,909 |
| Settlements / Curtailments | (8) | 0 | (8) | 3,525 | 0 | 3,525 |
| Closing Balance at 31 March | (552,596) | (11,407) | (564,003) | (552,020) | (10,700) | (562,720) |

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) | 2022/23 £000 | 2023/24 £000 |
|------------------------------------|-----------------|-----------------|-----------------|
| Cash and Cash Equivalents: | | | |
| - Cash Accounts | Y | 9,099 | (76,719) |
| Equity Instruments: | | | |
| - Global | Y | 166,799 | 250,716 |
| Bonds: | | | |
| - UK Government Indexed | Y | 91,748 | 115,329 |
| - Sterling Corporate Bonds | Y | 42,562 | 45,129 |
| Property: | | | |
| - Property Funds | Y | 30,662 | 26,074 |
| Alternatives: | | | |
| - Hedge Funds | Y | 2,888 | 2,006 |
| - Diversified Growth Funds | Y | 30,119 | 32,092 |
| - Infrastructure | Y | 42,128 | 37,106 |
| - Secured Income | Y | 38,740 | 51,647 |
| - Exchange Traded Funds | Y | 11,487 | 501 |
| - Private Funds | Y | 11,509 | 17,550 |
| Closing Balance at 31 March | | 477,741 | 501,431 |

Basis for Estimating Assets and Liabilities

Pensions Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions including, for example mortality rates and salary levels. Both the LGPS and discretionary teachers' benefits liabilities have been assessed by Mercer Limited, an independent firm of actuaries, providing estimates for the Avon Pension Fund based on the latest full valuation of the scheme as at 31 March 2022. The estimated duration of liabilities (at later of 31 March 2022 and admission date) is 16 years.

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

| | 2022/23 | 2023/24 |
|--|---------|--------------|
| Rate of CPI inflation | 2.7% | 2.7% |
| Rate of increases in salaries | 4.2% | 4.2% |
| Rate of increases in pensions | 2.8% | 2.8% |
| Rate for discounting scheme liabilities | 4.8% | 4.9% |
| Mortality Assumptions | | |
| Longevity at 65 for current pensioners | Years | Years |
| Men | 22.4 | 22.0 |
| Women | 24.4 | 24.1 |
| Longevity at 65 for future pensioners in 20 years time | Years | Years |
| Men | 23.7 | 23.3 |
| Women | 26.4 | 25.8 |

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.

| | 2022/23 | 2023/24 |
|---|----------|-----------------|
| Impact of the Defined Benefit Obligation in the Scheme: | £000 | £000 |
| Longevity - 1 year increase in life expectancy | 11,607 | 13,366 |
| Rate of inflation - 0.25% increase | 22,133 | 19,523 |
| Rate of increase in salaries - 0.25% pay growth | 2,639 | 2,645 |
| Rate for discounting scheme liabilities - 0.5% increase in discounting rate | (41,149) | (37,105) |

Governance and Risk Management

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

Impact on the Council's Cash flows

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

Regulations governing the Fund require actuarial valuations to be carried out every three years. Contributions for each employer are set having regard to their individual circumstances. The Regulations require the contributions to be set with a view to targeting the Fund's solvency, and the detailed provisions are set out in the Fund's Funding Strategy Statement. The most recent valuation of the Avon Pension Fund as at 31 March 2022, showed a shortfall of assets against liabilities of £198m, equivalent to a funding level of 97%.

The Council's contribution rate for 2023/24 was 18.5% (2022/23 17.8%) and, along with other employers in the Fund, is paying additional contributions (equivalent to 5.0% for 2023/24 (2022/23 6.0%) over a period of up to 11 years to meet the shortfall. The Council estimates its employer contributions to the Fund for 2024/25 will be £14.34m, including £1.8m (equivalent to 12.8% of pensionable pay) in respect of deficit recovery (Estimates for 2023/24 in 2022/23 were £12.8m, £1.8m, and 13.7% respectively).

Risks and Investment Strategy

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

Notes to the Balance Sheet

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

35.3. Unfunded Teachers' Discretionary Benefits

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

Pensions assets and liabilities recognised in the Balance Sheet

The present value of the defined benefit obligation in the Balance Sheet as at 31 March 2024 is £15.2m (31 March 2023 £16.2m). There are no assets associated with the scheme.

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

| | 2022/23 | 2023/24 |
|------------------------------------|-----------------|-----------------|
| | £000 | £000 |
| Opening Balance at 1 April | (20,468) | (16,196) |
| Interest Cost | (551) | (753) |
| Remeasurement Gains / (Losses) | 3,258 | 98 |
| Benefits Paid / Transfers | 1,565 | 1,642 |
| Closing Balance at 31 March | (16,196) | (15,209) |

Notes to the Balance Sheet

Basis for Estimating Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions include, for example, mortality rates and salary levels. The liabilities have been assessed by Mercer Limited, an independent firm of actuaries, providing estimates for the Avon Pension Fund, based on the latest full valuation of the scheme as at 31 March 2022. The estimated duration of liabilities (at later of 31 March 2022 and admission date) is 7 years.

The main assumptions used in their calculations have been:

| | 2022/23 £000 | 2023/24 £000 |
|---|-----------------|-----------------|
| Rate of CPI inflation | 2.7% | 2.7% |
| Rate of increases in pensions | 2.8% | 2.8% |
| Rate for discounting scheme liabilities | 4.9% | 4.9% |
| Mortality Assumptions | | |
| Longevity at 75 for current pensioners | Years | Years |
| Men | 13.8 | 13.5 |
| Women | 15.3 | 15.1 |

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

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method.

| | 2022/23 £000 | 2023/24 £000 |
|---|-----------------|-----------------|
| Impact of the Defined Benefit Obligation in the Scheme: | | |
| Longevity - 1 year increase in life expectancy | 676 | 638 |
| Rate of inflation - 0.25% increase | 285 | 268 |
| Rate for discounting Scheme Liabilities - 0.5% increase in discounting rate | (544) | (511) |

Governance and Risk Management

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

Impact on the Council's Cash flows

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

Notes to the Balance Sheet

Risk Strategy

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

36. Leases

36.1. Authority as Lessee

Finance Leases

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

| | 2022/23 | 2023/24 |
|--|-----------------|-----------------|
| | £000 | £000 |
| <u>Asset carrying values</u> | | |
| Other land and buildings | 3,909 | 348 |
| Investment properties | 3,561 | 1,891 |
| Total | 7,470 | 2,239 |
| <u>Other long term liabilities</u> | | |
| Finance lease liabilities | (21,375) | (20,995) |
| Lease premiums in advance | (369) | (340) |
| less lease premiums in advance included in Creditors | 23 | 23 |
| Total Other long term liabilities | (21,721) | (21,312) |

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:

| | 2022/23 | 2023/24 |
|---------------------------------------|-----------------|-----------------|
| | £000 | £000 |
| Finance lease liabilities | | |
| - Current | (365) | (380) |
| - non Current | (21,375) | (20,995) |
| Finance costs payable in future years | (19,856) | (19,035) |
| Total Minimum Lease Payments | (41,596) | (40,410) |

Notes to the Balance Sheet

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 | |
|---|------------------------|-----------------|---------------------------|-----------------|
| | 2022/23 £000 | 2023/24 £000 | 2022/23 £000 | 2023/24 £000 |
| Not later than one year | (1,187) | (1,195) | (365) | (380) |
| Later than one year and not later than five years | (4,826) | (4,857) | (1,617) | (1,681) |
| Later than five years | (35,583) | (34,358) | (19,758) | (19,314) |
| Total | (41,596) | (40,410) | (21,740) | (21,375) |

Operating Leases

The Council utilises a number of administrative buildings and its fleet of vehicles by entering into operating leases, with typical lives of 3 years for vehicles and equipment and 259 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 7 secondary schools and 44 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:

| | 2022/23 £000 | 2023/24 £000 |
|---|-----------------|-----------------|
| Unguaranteed residual value of property | 56,344 | 91,077 |
| Gross investment in the leases | 56,344 | 91,077 |

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

Operating Leases

The Council owns various commercial and investment property that it leases out with typical lives of 40 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

Notes to the Balance Sheet

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

| | 2022/23 | 2023/24 |
|---|---------------|---------------|
| | £000 | £000 |
| Not later than one year | 5,364 | 5,149 |
| Later than one year and not later than five years | 4,988 | 3,136 |
| Later than five years | 4,765 | 4,157 |
| Total future Minimum lease payments receivable | 15,117 | 12,442 |

The gross value of assets which were held for use in operating leases was £45.10m, valued at 31st March 2024 (31st March 2023: £36.41m).

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

| | 2022/23 £000 | 2023/24 £000 |
|---|-----------------|-----------------|
| Depreciation and impairment | 22,358 | 33,367 |
| Increase / (decrease) in creditors | (11,145) | 2,898 |
| (Increase) / decrease in debtors | (23,675) | (1,512) |
| (Increase) / decrease in inventories | 31 | 37 |
| (Increase) / decrease in impairment for bad debts | 0 | (1) |
| Movement in Pension liability | 13,650 | (660) |
| Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised | 19,494 | 41,366 |
| Other non-cash items charged to the net surplus or deficit on the provision of services | (3,591) | 5,236 |
| Net adjustments for non-cash movements | 17,122 | 80,731 |

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

| | 2022/23 £000 | 2023/24 £000 |
|--|-----------------|-----------------|
| Capital grants applied to the financing of capital expenditure | (54,771) | (53,610) |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (2,175) | (4,593) |
| Net adjustments for investing and financing activities | (56,946) | (58,203) |

37.3. Operating Activities

The cash flows for operating activities include the following:

| | 2022/23 £000 | 2023/24 £000 |
|-------------------|-----------------|-----------------|
| Interest received | 3,468 | 7,027 |
| Interest paid | (6,081) | (5,815) |

Notes to the Cash Flow Statement

37.4. Cash Offsetting Arrangements

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

| | 2022/23 £000 | 2023/24 £000 |
|---|-----------------|-----------------|
| Cash subject to netting arrangement | 31,093 | 29,903 |
| Overdraft subject to netting arrangement | (37,169) | (30,891) |
| Net cash subject to netting arrangement | (6,076) | (988) |
| Other cash and cash equivalents | 244 | 215 |
| Cash and cash equivalents presented in the Balance Sheet | (5,832) | (773) |

37.5. Total liabilities from financing activities

| | Note | 31 March 2023 £000 | Financing cash flows £000 | Non-cash changes Acquisition £000 | Other £000 | 31 March 2024 £000 |
|--|------|--------------------------|---------------------------------|---|----------------|--------------------------|
| Long term borrowings | 31.1 | (128,475) | (42) | 0 | 11,572 | (116,945) |
| Short term borrowings | 31.1 | (8,877) | (21,598) | 0 | (11,572) | (42,047) |
| Short term creditors | 31.1 | (20,812) | 0 | 0 | (7,710) | (28,522) |
| Finance lease liabilities | 31.1 | (365) | 365 | 0 | (380) | (380) |
| Total liabilities from financing activities | | (158,529) | (21,275) | 0 | (8,090) | (187,894) |

Collection Fund

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

| | Note | 2022/23 | | | 2023/24 | | |
|---|------|------------------------|---------------------|------------------|------------------------|---------------------|------------------|
| | | Business Rates £000 | Council Tax £000 | Total £000 | Business Rates £000 | Council Tax £000 | Total £000 |
| Income | | | | | | | |
| Council Tax Receivable | CF1 | | (157,942) | (157,942) | | (168,184) | (168,184) |
| Business Rates Receivable | CF2 | (58,337) | | (58,337) | (65,800) | | (65,800) |
| Total Income | | (58,337) | (157,942) | (216,279) | (65,800) | (168,184) | (233,984) |
| Expenditure | | | | | | | |
| Apportionment of Previous Years' Surplus / (Deficit) | | | | | | | |
| - Central Government | | (4,248) | | (4,248) | 3,065 | | 3,065 |
| - North Somerset Council | | (4,163) | (74) | (4,237) | 3,004 | (1,212) | 1,792 |
| - Police and Crime Commissioner for Avon & Somerset | | | (10) | (10) | | (183) | (183) |
| - Avon Fire Authority | | (85) | (5) | (90) | 61 | (60) | 1 |
| | | (8,496) | (89) | (8,585) | 6,130 | (1,455) | 4,675 |
| Precepts, Demands and Shares | | | | | | | |
| - Central Government | | 27,499 | | 27,499 | 33,188 | | 33,188 |
| - North Somerset Council | | 26,949 | 130,273 | 157,222 | 32,524 | 138,775 | 171,299 |
| - Police and Crime Commissioner for Avon & Somerset | | | 20,078 | 20,078 | | 21,566 | 21,566 |
| - Avon Fire Authority | | 550 | 6,230 | 6,780 | 664 | 6,720 | 7,384 |
| | | 54,998 | 156,581 | 211,579 | 66,376 | 167,061 | 233,437 |
| Charges to Collection Fund | | | | | | | |
| Write offs of uncollectable amounts | | (400) | (800) | (1,200) | (451) | (800) | (1,251) |
| Increase / (Decrease) in Bad Debt Allowances | | 350 | 1,562 | 1,912 | 714 | 2,036 | 2,750 |
| Increase / (Decrease) in Provision for Appeals | | (830) | | (830) | 1,341 | | 1,341 |
| Cost of Collection | | 257 | | 257 | 262 | | 262 |
| Disregarded Amounts | | 893 | | 893 | 1,110 | | 1,110 |
| | | 270 | 762 | 1,032 | 2,976 | 1,236 | 4,212 |
| Total Expenditure | | 46,772 | 157,254 | 204,026 | 75,482 | 166,842 | 242,324 |
| (Surplus) / Deficit arising during the year | | (11,565) | (688) | (12,253) | 9,682 | (1,342) | 8,340 |
| (Surplus) / Deficit b/fwd 1st April | | 5,537 | 1,942 | 7,479 | (6,028) | 1,254 | (4,774) |
| (Surplus) / Deficit c/fwd 31st March | CF4 | (6,028) | 1,254 | (4,774) | 3,654 | (88) | 3,566 |

Notes to the Collection Fund

CF1 Council Tax

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

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

In order to set the council tax, we estimate the number of dwellings in each of eight valuation bands and convert these estimates into an "equivalent number of Band D dwellings". The table below shows the calculation for 2023/24:

| 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 | 11,534 | 6/9 | 7,689.6 |
| B - £40,001 to £52,000 | 19,007 | 7/9 | 14,783.5 |
| C - £52,001 to £68,000 | 20,882 | 8/9 | 18,561.5 |
| D - £68,001 to £88,000 | 16,276 | 9/9 | 16,275.7 |
| E - £88,001 to £120,000 | 12,227 | 11/9 | 14,944.4 |
| F - £120,001 to £160,000 | 6,332 | 13/9 | 9,145.7 |
| G - £160,001 to £320,000 | 3,203 | 15/9 | 5,338.9 |
| H - over £320,001 | 237 | 18/9 | 474.0 |
| | <u>89,698</u> | | <u>87,213.3</u> |
| Reduction for Council Tax Support Scheme | | | (5,695.4) |
| Reduction for Increased Discounts | | | (138.9) |
| Allowance for Losses on Collection | | | (1,150.1) |
| Allowance for New Properties | | | 785.8 |
| Council Tax Base for 2023/24 | | | <u>81,014.7</u> |

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 £2,062.11 per dwelling for 2023/24 (2022/23 £1,959.05) after taking into account parish variations and providing a 1.40% provision for unpaid bills (2022/23 1.50%), movement in council tax support claimants, and new build properties not as planned.

The actual council tax income for 2023/24 was £168.184m (2022/23 £157.942m); dividing this figure by the "average Band D Tax" results in an actual tax base of 81,559.2 dwellings. The difference between this and the total "equivalent Band D dwellings" of 81,014.7 reflects:

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

Notes to the Collection Fund

CF2 National Non-Domestic Rates

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

| | 2022/23 | 2023/24 |
|--|-----------------|------------------------|
| Total Non-domestic Rateable Value at 31 March | £164,317,435.00 | £180,443,508.00 |
| National Non-domestic Rate Multiplier - Standard | 0.512 | 0.512 |
| National Non-domestic Rate Multiplier - Small Business | 0.499 | 0.499 |

The Business Rates receivable amount on the face of the Collection Fund Account of £65.800m (2022/23 £58.337m), is significantly lower than the total of the Non-domestic Rateable Value multiplied by the Non-domestic Rate Multiplier due to the award of various reliefs. For example, in 2023/24, many Retail, Hospitality and Leisure businesses continued to be granted 50% rates relief totalling £6.699m (2022/23 £4.939m) as part of Government measures to address ongoing financial challenges.

CF3 Taxpayers' arrears

| | 2022/2023 £000 | 2023/24 £000 | |
|--|-------------------|-----------------|-----------------------------|
| Council Tax Arrears | 13,384 | 15,264 | |
| Business Rate Arrears | 4,995 | 5,531 | |
| Gross Tax Payers' Arrears at 31 March | 18,379 | 20,795 | |
| Council Tax Prepayments | (7,267) | (7,990) | |
| Business Rates Prepayments | (3,316) | (6,416) | |
| Gross Tax Payers' Prepayments at 31 March | (10,583) | (14,406) | |
| Net Tax Payers' Arrears as at 31 March | 7,796 | 6,389 | |
| <u>Allowance for Bad Debts</u> | 2022/2023 £000 | 2023/24 £000 | % of arrears at 31 March |
| Council Tax | 8,139 | 9,376 | 61.43% |
| Business Rates | 3,025 | 3,288 | 59.45% |
| Total Tax Payers' Bad Debt Allowance | 11,164 | 12,664 | |

Notes to the Collection Fund

CF4 Balance Sheet items apportionment

| 2023/24 | North Somerset | | Police & Crime | Central | Avon Fire |
|---------------------------------|----------------|---------|----------------|------------|-----------|
| | Total | Council | Commissioner | Government | Authority |
| | £000 | £000 | £000 | £000 | £000 |
| Council Tax | | | | | |
| Debtors | 15,264 | 12,694 | 1,968 | N/A | 602 |
| Bad Debt Allowance | (9,376) | (7,797) | (1,209) | N/A | (370) |
| Prepayments & Overpayments | (7,990) | (6,645) | (1,030) | N/A | (315) |
| (Surplus) / Deficit at 31 March | (88) | (73) | (11) | N/A | (4) |
| Business Rates | | | | | |
| Debtors | 5,531 | 2,710 | N/A | 2,766 | 55 |
| Bad Debt Allowance | (3,288) | (1,611) | N/A | (1,644) | (33) |
| Prepayments & Overpayments | (6,416) | (3,144) | N/A | (3,208) | (64) |
| Appeals Provision | (6,002) | (2,941) | N/A | (3,001) | (60) |
| (Surplus) / Deficit at 31 March | 3,654 | 1,791 | N/A | 1,827 | 36 |

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

Accounting policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the financial year 2023/24, and its position at the year-end of 31 March 2024. The Council is required to prepare an annual Statement of Accounts by the Accounts & Audit Regulations 2015. These regulations require the accounts to be prepared in accordance with proper accounting practices, which primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code), supported by International Financial Reporting Standards (IFRS).

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

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

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

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

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

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

iii. Recognition of Income and Expenditure

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

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

Accounting policies

iv. Council Tax and Non-Domestic Rates

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

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

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

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

v. Government Grants and Contributions

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

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

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

Community Infrastructure Levy

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

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

Accounting policies

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

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

vi. Accounting for Schools

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

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

vii. Charges to Revenue for Non-Current Assets

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

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

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

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

viii. Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

When the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy, these costs are charged on

Accounting policies

an accruals basis to the respective Service line in the Comprehensive Income and Expenditure Statement.

Post-Employment Benefits

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

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

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

The Local Government Pension Scheme

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

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

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

Service cost, comprising:

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

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

- Return on plan assets – excluding amounts included in net interest expense on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

Accounting policies

- Experience gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Actuarial gains and losses – changes in the net pensions liability that arise because the actuaries have updated their financial or demographic assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Statutory provisions require the General Fund balance to be charged only with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, transfers are made to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits, and to replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

The negative balance that arises on the Pensions Reserve therefore measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows, rather than as benefits are earned by employees.

Teachers' Pension Scheme and NHS Superannuation Scheme

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

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

Discretionary Benefits

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

ix. *Overheads and Support Services*

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

x. *Property, Plant and Equipment (PPE)*

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis as a transaction at the end of each financial year, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs

Accounting policies

and maintenance) is charged as an expense when it is incurred. The Council usually recognises amounts in excess of £10,000 as Property, Plant and Equipment (PPE) expenditure.

School Assets

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

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

Revaluation

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

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

Accounting policies

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

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

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

Impairment

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

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

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

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

Depreciation

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

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

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

Accounting policies

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

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

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

Disposals

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

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

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

xi. Infrastructure Assets

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

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

Recognition

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

Measurement

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

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

Accounting policies

Depreciation

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

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

Highways network Infrastructure assets are depreciated on a straight-line basis over a weighted average useful life, as estimated by officers with relevant experience and expertise, as follows.

- Expenditure before 2021/22 23 years
- Carriageways 20-30 years
- Structures 80-120 years
- Sea defences 40-60 years
- Street lighting 30 years
- Street furniture 20 years
- Traffic management systems 15 years

Land held within infrastructure assets is judged to have an indefinite useful life, and so is not depreciated.

Disposals and derecognition

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

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

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

xii. Revenue Expenditure Funded from Capital Under Statute

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

xiii. Investment Property

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

Accounting policies

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

As non-financial assets, investment properties' fair value are measured at 'highest and best' use. Properties are not depreciated but are revalued annually according to market conditions at the year-end.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement, and posted to the Capital Adjustment Account and Capital Receipts Reserve.

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

xiv. Financial Instruments

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

There are three main classes of financial assets measured at:

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

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore measured at amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. 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) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

Expected Credit Loss Model

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

Accounting policies

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

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

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

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

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

Financial Assets Measured at Fair Value through Profit of Loss

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

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

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

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

Financial Liabilities

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

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

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

Accounting policies

xv. Fair Value Measurement

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

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

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

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

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

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

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

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

xvi. Cash and Cash Equivalents

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

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

xvii. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

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

Accounting policies

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

Contingent Liabilities

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

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

xviii. Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

Operating Leases

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

Accounting policies

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property, or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. The carrying value of the asset in the Balance Sheet is written off to the Other Operating Expenditure line of the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

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

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is recognised in the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).

xix. Reserves

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

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

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

xx. Events After the Reporting Period

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

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

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

Accounting policies

xxi. VAT

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

xxii. Allocation between Current and Non-Current

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

xxiii. City Region Deal

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

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

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

xxiv. Joint Operations

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

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

xxv. Interests in companies and other entities

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

Accounting policies

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

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

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



Group Accounts

Group Accounts

Introduction

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

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

This section presents the consolidated group accounts for North Somerset Council and NSEC for the year to 31 March 2024. The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (The Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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

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

The following pages include the:

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

Group Accounts

Group Movement in Reserves Statement

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

| | Note | Usable Reserves | | | | | | | Unusable Reserves | | | | | | | | | | TOTAL AUTHORITY RESERVES Authority's share of reserves of Subsidiaries, Associates and Joint Ventures | TOTAL RESERVES (INC. GROUPS) | | |
|--|------|---------------------------------|---------------------|------------------------|----------------------------------|----------------------------|--------------------------|--------------------------|-----------------------|---------------------|----------------------------|------------------------------------|------------------|--|--|------------------------------|-----------------------------------|--|--|---------------------------------|-------------------------|-----------|
| | | General Fund Earmarked Reserves | | | | | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves | Revaluation Reserve | Capital Adjustment Account | Collection Fund Adjustment Account | Pensions Reserve | Dedicated Schools Grant Adjustment Account | Financial Instruments Adjustment Account | Accumulated Absences account | Deferred Capital Receipts Reserve | Pooled Investment Funds Adjustment Account | | | Total Unusable Reserves | |
| | | General Fund Balance | LMS School Balances | Other Schools Balances | Other Earmarked Revenue Reserves | Earmarked Capital Reserves | | | | | | | | | | | | | | | | £000 |
| Balance at 1 April 2023 | 8, 9 | (10,162) | (3,062) | (396) | (77,829) | (8,341) | (12,515) | (7,474) | (119,779) | (84,164) | (197,049) | (1,920) | 102,458 | 9,685 | 206 | 1,253 | (47) | 1,206 | (168,372) | (288,151) | 594 | (287,557) |
| Restatement of opening balances | | (3,762) | | | | | | | (3,762) | | | | | 3,762 | | | | | 3,762 | 0 | 0 | 0 |
| Balance at 1 April 2023 (restated) | | (13,924) | (3,062) | (396) | (77,829) | (8,341) | (12,515) | (7,474) | (123,541) | (84,164) | (197,049) | (1,920) | 102,458 | 13,447 | 206 | 1,253 | (47) | 1,206 | (164,610) | (288,151) | 594 | (287,557) |
| Total Comprehensive Income and Expenditure | CIES | 16,349 | 0 | 0 | 0 | 0 | 0 | 0 | 16,349 | (1,341) | 0 | 0 | (25,300) | 0 | 0 | 0 | 0 | 0 | (26,641) | (10,292) | 9,970 | (322) |
| Adjustments between group accounts and authority accounts (Group a/cs) | | 10,238 | 0 | 0 | 0 | 0 | 0 | 0 | 10,238 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 10,238 | (10,238) | 0 |
| Net increase or decrease before transfers (Group a/cs) | | 26,587 | 0 | 0 | 0 | 0 | 0 | 0 | 26,587 | (1,341) | 0 | 0 | (25,300) | 0 | 0 | 0 | 0 | 0 | (26,641) | (54) | (268) | (322) |
| Adjustments between accounting basis | 7 | (24,602) | 0 | 0 | 0 | 0 | (2,836) | (1,489) | (28,927) | 4,469 | 21,603 | 3,709 | (660) | (152) | 24 | (260) | 8 | 186 | 28,927 | 0 | 0 | 0 |
| Transfers between Usable Reserves | 8.1 | 1,469 | 859 | (74) | (300) | (1,954) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (Increase) / Decrease in 2022/23 | 8, 9 | 3,454 | 859 | (74) | (300) | (1,954) | (2,836) | (1,489) | (2,340) | 3,128 | 21,603 | 3,709 | (25,960) | (152) | 24 | (260) | 8 | 186 | 2,286 | (54) | (268) | (322) |
| Balance at 31 March 2024 - carried forward | 8, 9 | (10,470) | (2,203) | (470) | (78,129) | (10,295) | (15,351) | (8,963) | (125,881) | (81,036) | (175,446) | 1,789 | 76,498 | 13,295 | 230 | 993 | (39) | 1,392 | (162,324) | (288,205) | 326 | (287,879) |

Group Accounts

| | Note | Usable Reserves | | | | | | | Unusable Reserves | | | | | | | | | | TOTAL AUTHORITY RESERVES £000 | Authority's share of reserves of Subsidiaries, Associates and Joint Ventures £000 | TOTAL RESERVES (INC. GROUPS) £000 | |
|--|------|---------------------------------|-----------------------------|--------------------------------|--|------------------------------------|----------------------------------|----------------------------------|-------------------------------|-----------------------------|------------------------------------|--|--------------------------|--|--|--------------------------------------|---|--|----------------------------------|--|--------------------------------------|---------------------------------|
| | | General Fund Earmarked Reserves | | | | | | | Total Usable Reserves £000 | Revaluation Reserve £000 | Capital Adjustment Account £000 | Collection Fund Adjustment Account £000 | Pensions Reserve £000 | Dedicated Schools Grant Adjustment Account £000 | Financial Instruments Adjustment Account £000 | Accumulated Absences account £000 | Deferred Capital Receipts Reserve £000 | Pooled Investment Funds Adjustment Account £000 | | | | Total Unusable Reserves £000 |
| | | General Fund Balance £000 | LMS School Balances £000 | Other Schools Balances £000 | Other Earmarked Revenue Reserves £000 | Earmarked Capital Reserves £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | | | | | | | | | | | | | | |
| Balance at 1 April 2022 | 8, 9 | (9,744) | (3,001) | (387) | (78,439) | (7,316) | (13,471) | (8,184) | (120,542) | (91,462) | (162,981) | 4,547 | 265,987 | 13,447 | 160 | 1,133 | (53) | (44) | 30,734 | (89,808) | 340 | (89,468) |
| Total Comprehensive | CIES | (25,763) | 0 | 0 | 0 | 0 | 0 | 0 | (25,763) | (5,137) | 0 | 0 | (177,178) | 0 | 0 | 0 | 0 | 0 | (182,315) | (208,078) | 9,989 | (198,089) |
| Adjustments between group accounts and authority accounts (Group a/cs) | | 9,735 | 0 | 0 | 0 | 0 | 0 | 0 | 9,735 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 9,735 | (9,735) | 0 |
| Net increase or decrease before transfers (Group a/cs) | | (16,028) | 0 | 0 | 0 | 0 | 0 | 0 | (16,028) | (5,137) | 0 | 0 | (177,178) | 0 | 0 | 0 | 0 | 0 | (182,315) | (198,343) | 254 | (198,089) |
| Adjustments between accounting basis & funding basis under regulations | 7 | 15,126 | 0 | 0 | 0 | 0 | 957 | 710 | 16,793 | 12,435 | (34,069) | (6,467) | 13,649 | (3,762) | 45 | 120 | 6 | 1,250 | (16,793) | 0 | 0 | 0 |
| Transfers between Usable Reserves | 8.1 | 484 | (61) | (9) | 610 | (1,024) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (Increase) / Decrease in | 8, 9 | (418) | (61) | (9) | 610 | (1,024) | 957 | 710 | 765 | 7,298 | (34,069) | (6,467) | (163,529) | (3,762) | 45 | 120 | 6 | 1,250 | (199,108) | (198,343) | 254 | (198,089) |
| Balance at 31 March 2023 - carried forward | 8, 9 | (10,162) | (3,062) | (396) | (77,829) | (8,340) | (12,514) | (7,474) | (119,777) | (84,164) | (197,050) | (1,920) | 102,458 | 9,685 | 205 | 1,253 | (47) | 1,206 | (168,374) | (288,151) | 594 | (287,557) |

Group accounts

Group Comprehensive Income and Expenditure Statement

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

| | Note | 2022/23 As re-stated | | | 2023/2024 | | |
|--|-------|------------------------------------|-------------------------------|----------------------------------|------------------------------------|-------------------------------|----------------------------------|
| | | Group Gross Expenditure £000 | Group Gross Income £000 | Group Net Expenditure £000 | Group Gross Expenditure £000 | Group Gross Income £000 | Group Net Expenditure £000 |
| Adult Social Services | | 121,822 | (45,440) | 76,382 | 138,871 | (50,992) | 87,879 |
| Children's Services | | | | | | | |
| Children's Services | | 42,871 | (10,418) | 32,453 | 51,067 | (13,761) | 37,306 |
| Schools Budgets & Grants | | 63,030 | (63,492) | (462) | 62,016 | (58,159) | 3,857 |
| | | 105,901 | (73,910) | 31,991 | 113,083 | (71,920) | 41,163 |
| Place | | 73,493 | (23,241) | 50,252 | 91,587 | (31,569) | 60,018 |
| Corporate Services | | 85,884 | (58,823) | 27,061 | 86,891 | (56,073) | 30,818 |
| Public Health & Regulatory services | | 16,672 | (13,385) | 3,287 | 16,025 | (13,591) | 2,434 |
| Non Service | | 3,698 | (7,253) | (3,555) | 3,148 | (2,839) | 309 |
| NSEC | | 11,354 | (1,365) | 9,989 | 12,111 | (2,141) | 9,970 |
| Cost of Services | 10 | 418,824 | (223,417) | 195,407 | 461,716 | (229,125) | 232,591 |
| Other Operating Expenditure | 11 | 22,268 | 0 | 22,268 | 44,009 | 0 | 44,009 |
| Financing and investment income and expenditure | 12 | 10,611 | (4,664) | 5,947 | 15,421 | (11,081) | 4,340 |
| Taxation and non-specific grant income | 13 | 0 | (239,396) | (239,396) | 0 | (254,621) | (254,621) |
| (Surplus) / Deficit on Provision of Services | 10,16 | 451,703 | (467,477) | (15,774) | 521,146 | (494,827) | 26,319 |
| (Surplus) / deficit on revaluation of non-current assets | 9.2 | | | (5,137) | | | (1,341) |
| Remeasurements of net defined benefit liability | 9.5 | | | (177,178) | | | (25,300) |
| Other Comprehensive (Income) and Expenditure | | | | (182,315) | | | (26,641) |
| Total Comprehensive (Income) and Expenditure | | | | (198,089) | | | (322) |

Group accounts

Group Balance Sheet

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

| | <i>Note</i> | 31 March 2023 £000 | 31 March 2024 £000 |
|--|------------------|-------------------------------------|-------------------------------------|
| Property, Plant and Equipment | | | |
| Other Land and Buildings | 24.1 | 158,637 | 176,002 |
| Infrastructure Assets | 24.1 | 150,100 | 155,006 |
| Community Assets | 24.1 | 4,950 | 4,621 |
| Vehicles, Plant, Furniture and Equipment | 24.1 | 10,885 | 12,680 |
| Assets Under Construction | 24.1 | 86,711 | 47,243 |
| Surplus assets | 24.1 | 272 | 42 |
| Intangible Assets | 24.1 | 100 | 50 |
| Heritage Assets | | 288 | 288 |
| Investment Property | 25 | 51,053 | 44,894 |
| Long Term Investments | 31.1 | 8,833 | 8,647 |
| Long Term Debtors | 31.1 | 3,895 | 3,844 |
| Long Term Assets | | 475,724 | 453,317 |
| Cash and Cash Equivalents | <i>CFS, 31.1</i> | 2,023 | 1,691 |
| Short Term Investments | 31.1 | 145,250 | 189,621 |
| Inventories | | 1,660 | 1,635 |
| Short Term Debtors | 27, 31.1 | 80,576 | 70,023 |
| Current Assets | | 229,509 | 262,970 |
| Cash and Cash Equivalents | <i>CFS, 31.1</i> | (5,832) | (773) |
| Short Term Borrowing | 31.1 | (8,877) | (42,047) |
| Short Term Creditors | 28, 31.1 | (66,567) | (75,342) |
| Short Term Provisions | 29 | (5,001) | (4,597) |
| Grants Received in Advance - Revenue | 14 | (6,636) | (1,158) |
| Grants & Contributions Received in Advance - Capital | 14 | (59,194) | (76,742) |
| Current Liabilities | | (152,107) | (200,659) |
| Long Term Provisions | 29 | (1,624) | (2,154) |
| Long Term Borrowing | 31.1 | (128,475) | (116,945) |
| Long Term Borrowing - Ex Avon Debt | 33 | (11,291) | (10,839) |
| Pensions Liabilities | 35.1 | (102,458) | (76,499) |
| Other Long Term Liabilities | 31.1, 36.1 | (21,721) | (21,312) |
| Long Term Liabilities | | (265,569) | (227,749) |
| Net Assets | | 287,557 | 287,879 |
| Usable Reserves | 8.1 | (119,183) | (125,555) |
| Unusable Reserves | 9.1 | (168,374) | (162,324) |
| Total Reserves | | (287,557) | (287,879) |

Group accounts

Group Cash Flow Statement

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

| | Note | 2022/2023 £000 | 2023/2024 £000 |
|---|------|-------------------|-------------------|
| Net surplus / (deficit) on the provision of services | CIES | 15,774 | (26,319) |
| Adjustments to the net surplus / (deficit) on the provision of services for non-cash movements | 37.1 | 17,534 | 80,368 |
| Adjustments for items included in the net surplus / (deficit) on provision of services that are investing or financing activities | 37.2 | (56,946) | (58,203) |
| Net cash flows from Operating Activities | | (23,638) | (4,154) |
| Investing Activities | | | |
| Purchase of Property, Plant and equipment, Investment property and Intangible Assets | | (55,828) | (56,922) |
| Proceeds from sale of Property, Plant and equipment, Investment property and Intangible Assets | | 2,181 | 4,601 |
| | | (53,647) | (52,321) |
| Purchase of short and long term investments | | (636,800) | (881,500) |
| Proceeds from sale of short and long term investments | | 659,800 | 840,000 |
| | | 23,000 | (41,500) |
| Other payments for Investing Activities | | 13 | 19 |
| Other receipts from Investing Activities | | 56,307 | 81,473 |
| | | 56,320 | 81,492 |
| Net cash flows from Investing Activities | | 25,673 | (12,329) |
| Financing Activities | | | |
| Cash receipts from short and long term borrowing | | 2,012 | 30,028 |
| Repayments of short and long term borrowing | | (9,282) | (8,940) |
| | | (7,270) | 21,088 |
| Finance lease repayments | | (370) | (383) |
| Other net (payments) / receipts for Financing Activities | | 4,137 | 505 |
| | | 3,767 | 122 |
| Net cash flows from Financing Activities | | (3,503) | 21,210 |
| Net increase / (decrease) in cash and cash equivalents | | (1,468) | 4,727 |
| Cash and cash equivalents at the beginning of the reporting period | | (2,341) | (3,809) |
| Cash and cash equivalents at the end of the reporting period comprising: | | (3,809) | 918 |
| Cash held by the Council | 37.4 | (3,809) | 918 |
| | | (3,809) | 918 |

Group accounts

Notes to the Group accounts

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

Analysis of Income and Expenditure by Nature

| | 2022/23 £000 | 2023/24 £000 |
|--|------------------|------------------|
| Expenditure | | |
| Employee Benefits Expenses | 106,360 | 100,634 |
| Other Services Expenses | 284,905 | 319,230 |
| Depreciation, Amortisation and Impairment | 20,673 | 38,537 |
| Interest paid | 8,401 | 7,015 |
| Precepts and Levies | 7,269 | 7,887 |
| Payments to the Housing Capital Receipts Pool | 0 | 0 |
| (Gains) / losses on the disposal of non-current assets | 17,309 | 36,765 |
| Revenue Expenditure Financed by Capital Under Statute | 7,443 | 8,461 |
| | 452,360 | 518,529 |
| Income | | |
| Fees, Charges and Other Service Income | (54,695) | (55,789) |
| Interest & Investment Income received | (3,527) | (10,019) |
| Income from Council Tax, Non-Domestic Rates | (160,768) | (171,457) |
| Government Grants & Contributions | (245,843) | (250,230) |
| Internal Recharges | (3,301) | (4,715) |
| | (468,134) | (492,210) |
| (Surplus) / Deficit on Provision of Services | (15,774) | 26,319 |

Group Accounting policies

The group accounts summarise the Council's and its Group's transactions for the 2023/24 financial year. They have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, supported by International Financial Reporting Standards (IFRS).

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

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

Basis of Identification of the Group Boundary

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

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

Group accounts

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

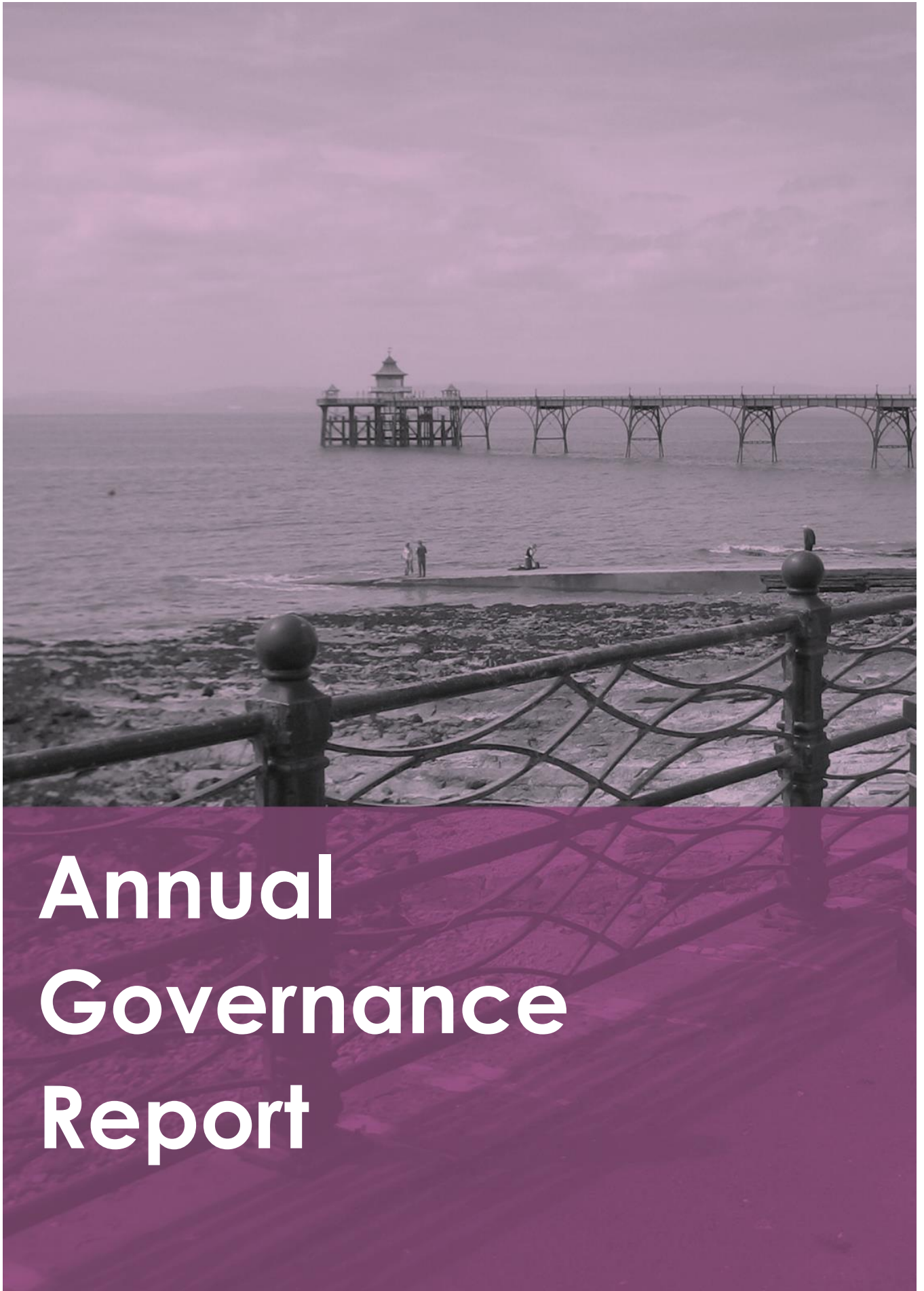
Basis of Consolidation – Group Accounts

The Group Accounts have been prepared using the group accounts requirements of the Code. Companies or other reporting entities that are under the ultimate control of the Council have been included in the Council's group accounts to the extent that they are material to users of the financial statements in relation to their ability to see the complete economic activities of the Council and its exposure to risk through interests in other entities and participation in their activities.

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

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

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



Annual Governance Report

Annual Governance Statement

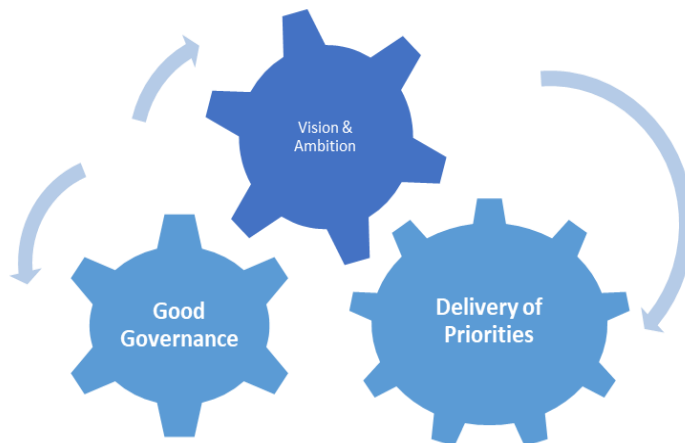
1. Executive summary

- 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.
- 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 2024, and up to the date of the approval of the statement of accounts.
- 1.6 The Council commits to monitoring implementation of the actions set out in the action plan as part of the next annual review.

Annual Governance Statement

2. The Purpose of the Governance Framework– Background & Overview for 23-24

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

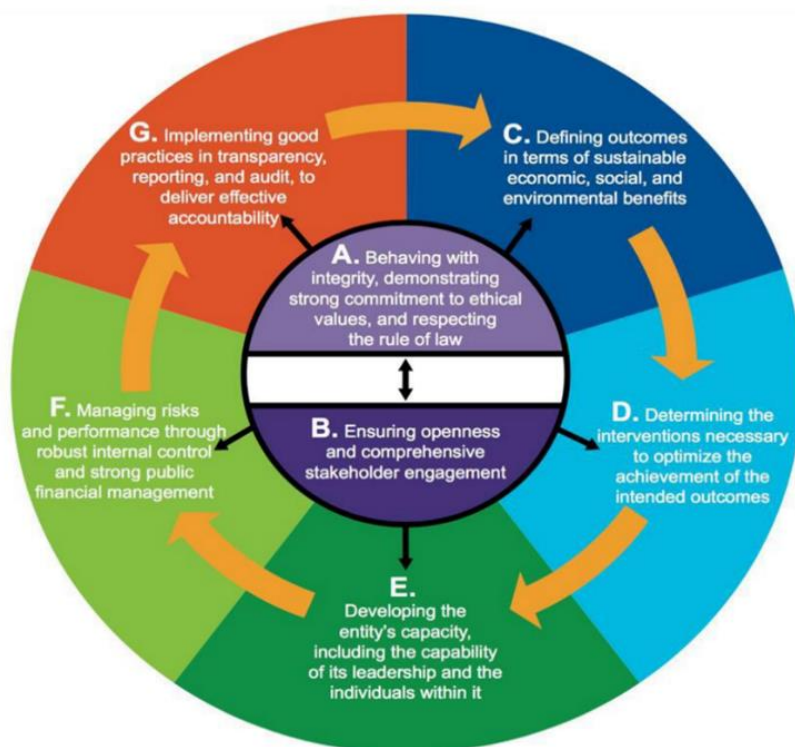


- 2.2 During the last year the governance framework has continued to be tested by the increasing financial challenges faced by local authorities and also with further changes to legislation by government. The Authority responded accordingly to ensure it could continue function and make key decisions.
- 2.3 Despite temporary restrictions to access of the Town Hall building whilst reconfiguration has been taking place, a general increase in staff returning to the office was observed in accordance with the Hybrid Working Policy. There has been a continuation of physical meetings taking place, including Directorate Leadership Team and Committee meetings. Therefore, no significant changes have been required to the processes underpinning key decision making, policy development and the Corporate Governance of the Authority.
- 2.4 The Constitution, which sets out how the Authority operates, is kept under constant review and updated as necessary through the year. It clearly defines the roles of councillors and officers and this clarity contributes to effective working relationships. The most recent published updates to the Constitution took place in September 2023.
- 2.5 The Council has made key senior staffing appointments during the year, which will help to provide further stability following previous interim arrangements. This specifically relates to the Children’s Services Directorate, where Director and Assistant Director roles were successfully recruited and to Adult Social Care, where an Assistant Director was successfully recruited.
- 2.6 The Director of Corporate Services (& s151 Officer) has been in post since May 2021, and continued to ensure robust financial and governance arrangements throughout 2023/24.
- 2.7 A Corporate Peer Review took place in January 2024, led by the Local Government Association (LGA). This review reflected on the open and honest culture which was displayed by staff working for the Council. The key message from the review was that “North Somerset is a solid Council, with relative stability, a sound track record financially, a valued approach to partnership working, good delivery across a range of services and a constructive and supportive environment in which to operate”. Any recommendations following publication

Annual Governance Statement

of the formal report will be incorporated in to the Councils Performance Management Framework and monitoring.

- 2.8 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.
- 2.9 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.
- 2.10 The system of internal control is a significant part of that Code. It is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively, and economically.
- 2.11 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 2024 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 – Our Framework

3.1 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 2023/24 financial year were:

| | | | |
|---|--|---|--|
| Council, Executive and Leader ↓ | <ul style="list-style-type: none"> Provides leadership. Develops and sets policy. | Council Leadership Team ↓ | <ul style="list-style-type: none"> The Chief Executive as Head of Paid Service leads the Council’s Leadership Team. The Section 151 Officer is responsible for safeguarding the Council’s financial position. The Assistant Director Legal & Governance and Monitoring Officer is responsible for ensuring legality and promoting high standards of public conduct. |
| Decision Making ↓ | <ul style="list-style-type: none"> All decisions are recorded on Council Website. Meetings are held in public as appropriate and key ones are webcast to the public via YouTube. | Performance and Risk Management ↓ | <ul style="list-style-type: none"> Processes are in place for managing and reporting performance as well as identifying strategic and operational risks. Council performance and strategic risks are regularly reviewed by Corporate Leadership Team and reported to Executive and Audit Committee. |
| Scrutiny ↓ | <ul style="list-style-type: none"> Scrutiny committees provide wider member input into the development of key policies, and review and challenge decisions. | External and Internal Audit | <ul style="list-style-type: none"> External audit provides an annual opinion on the Council’s accounts and also provides commentary on the Council’s value for money arrangements in their Annual Audit letter. Internal audit provides regular assurance on the governance, risk and internal control arrangements. |
| Assurance | <ul style="list-style-type: none"> Provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards. Independent audit is a critical source | | |

How we have fulfilled the principles of good governance

Code of Governance

3.2 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.

3.3 In preparing this Annual Governance Statement the Council has:

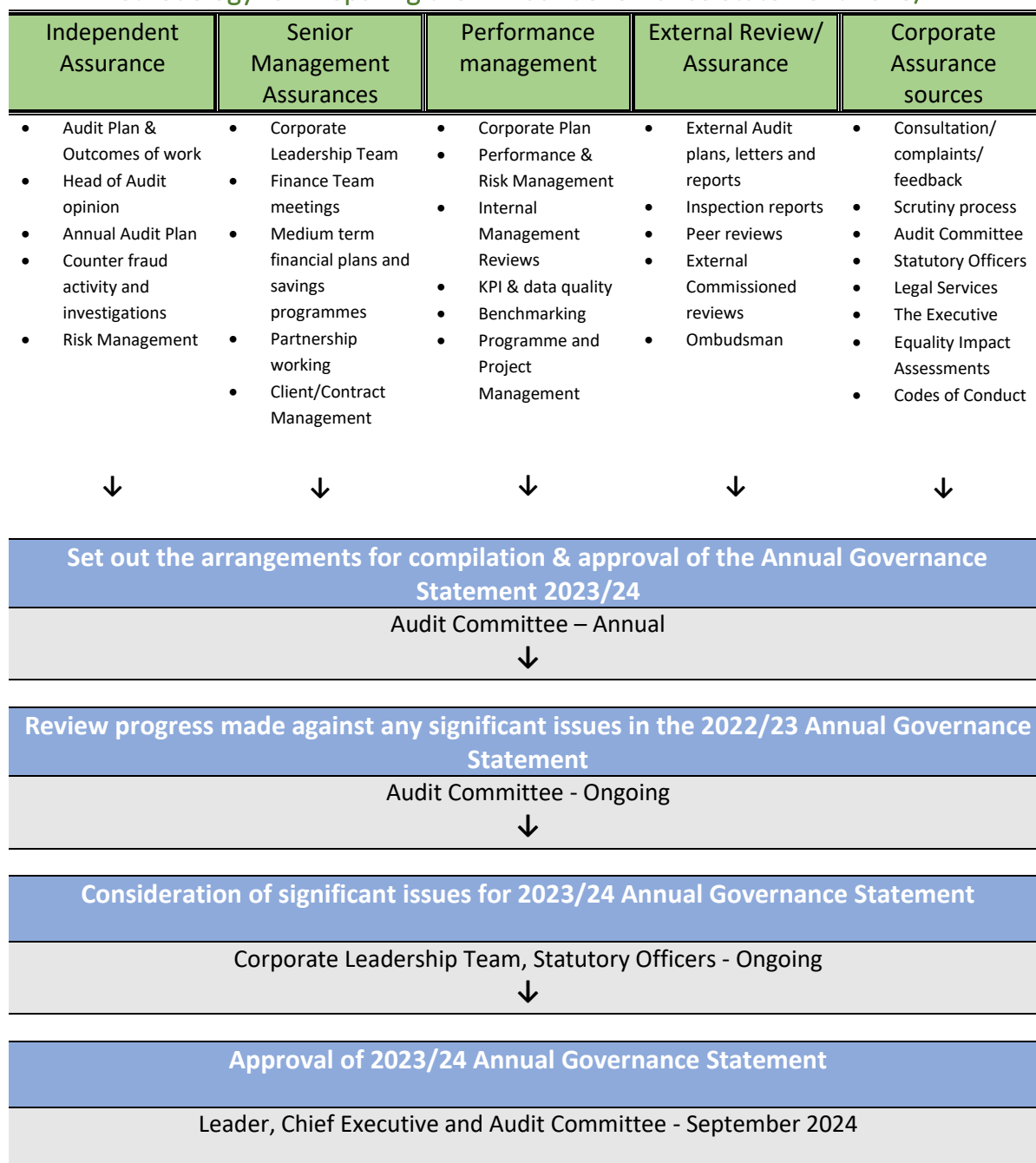
Annual Governance Statement

- 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.

3.4 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 2023/24. However, it is not intended to be exhaustive.

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

4. Methodology for Preparing the Annual Governance Statement 2023/24



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5. The Governance Framework

The Council is committed to meeting best practice standards for good governance. The Council has expressed commitment to CIPFA/SOLACE's core principles of Corporate Governance, as outlined in the guidance document 'Delivering Good Governance in Local Government: Framework'. The principles and a brief outline of our organisational context regarding these are described below:

The key elements of the Council's governance framework are described below and a range of supporting documents are available on the Council's website.

1.1. 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

1.1.1. Identifying and communicating the council's vision of its purpose and intended outcomes for the public and service users

The Corporate Plan sets out the Council's aims and priorities with three key outcomes for the Community; to be a thriving and sustainable place, to be a Council which empowers and cares about people, and to be an open and enabling organisation. Progress in delivering these priorities for local people is reviewed as part of the ongoing democratic processes through the Executive reporting structures and scrutiny committees, as well as through the Council's normal communication channels ([Corporate Plan](#)).

1.1.2. Reviewing the councils' vision and its implications for the council's governance arrangements.

The Council's vision as detailed in the updated 2024-2028 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.

1.1.3. Measuring the quality of services for users, ensuring they are delivered in accordance with the council's objectives and that they represent best use of resources.

A performance management framework describes how the council monitors and manages its performance to ensure the council delivers against its priorities for local people. The council has set clear targets and reports performance against targets. For high level corporate performance indicators, performance is reported quarterly to the Executive and to scrutiny committees. Directorates, services, teams, projects and individuals similarly work to and report performance against their own targets. These are designed to ensure quality, value for money services.

1.2. Principle 2 - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

1.2.1. 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.

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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.

1.2.2. Incorporating good governance arrangements in respect of partnerships and other group working and reflecting these in the council's overall governance arrangements.

The Council works in partnership with a wide range of organisations and groups. A list of these is shown on the Council's website. The main partners are as follows:

- North Somerset Partnership is the overarching partnership for North Somerset, bringing together public, private and voluntary and community sector organisations. The Partnership continues to work hard on new plans to drive further integration and joint working across the different agencies to deliver sustainable benefits for the whole community.
- A Community Safety Board brings together a range of partners to provide strong governance around community safety across North Somerset.
- There are two safeguarding boards, which include key partners; North Somerset Safeguarding Children Partnership and North Somerset Safeguarding Adults Board work, which are focused on reducing the risk of abuse and neglect for local people. Both the Children's and Adults Boards are governed by statute.
- The Council works with local schools including Academy Schools and other providers through the Strategic Schools Forum (SSF) to support children to achieve their full potential.
- The Council works with its three local Unitary Authorities, the West of England Mayoral Combined Authority and business partners in the West of England Local Enterprise Partnership. The partnership supports economic growth and works to attract new jobs and investment to the area. The partnership has long established local governance arrangements which were enhanced in response to agreeing the City Region Deal. Whilst the Council is not a constituent member of the West of England Mayoral Combined Authority, the Council continues to engage and work closely with partners to ensure North Somerset can maximise opportunities to work across the sub-region on infrastructure, skills, and employment wherever possible.
- The Council works closely with health partners across the health footprint of Bristol, North Somerset and South Gloucestershire through the statutory integrated care board (ICB).
- The Council works collaboratively with Town and Parish Councils, community groups and the voluntary sector through North Somerset Together to improve outcomes for residents.
- The Council has a Strategic Partnership with Agilisys since 2010 (Agilisys and Liberata) and this partnership delivers much of the Council's support services such as ICT and the revenue and benefits service. Through the partnership the Council has increasingly used private sector expertise and innovation in its day-to-day business to drive value for money and deliver better services. Governance is through a Strategic Partnership Board which has Member representation and an Operations Board. This contract reaches the end of its term in September 2025 and Full Council approved a decision in September 2023 to restructure the services provided through this contract, towards multiple provider contracts and supplier relationships, to be incrementally implemented during 2023-25.
- The Council also has its own wholly Council-owned company named NSEC (North Somerset Environment Company – inception April 2021) providing recycling and refuse collection services. Governance arrangements of the company have evolved over the last two years,

Annual Governance Statement

with a Memorandum of Understanding which describes the relationship between NSEC and the Council as its parent company. The Council has nominated Councillor Ashley Cartman as its Shareholder. Shareholder boards are held at least quarterly. Governance arrangements around the company are included in Internal Audit risk assessments, and hence included in Internal Audit's testing programme.

1.2.3. Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and officers.

The Council's values are defined in the Corporate Plan. They influence the way the Council goes about its business through its strategies, plans and behaviours. The values form the Council's leadership standards. These are promoted to all officers, form part of the induction process and are embedded throughout policies.

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

The Constitution includes a Members' and Officers' Codes of Conduct, and a member-officer protocol which defines how officers & members work together.

1.3. 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

1.3.1. Reviewing and updating standing orders, financial regulations, a scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls to manage risks.

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

The Medium-Term Financial Plan details how the Council intends to spend its financial resources over the short and medium term. The Procurement Strategy covers the period 2021-2025. All contract opportunities are advertised on the website and through government recommended portals.

The Council's Risk Management Strategy describes the Council's approach to the management of risk. The strategy was last reviewed in September 2022 and approved by the Council's Audit Committee. Also included in the refresh of the strategy were updates to a number of supporting toolkits and guidance on corporate decision making. The effectiveness of the arrangements is effectively overseen by the Corporate Leadership Team through the decision-making process supported by the Audit Committee overseeing the framework. All formal decisions are accompanied by an assessment of the risks involved and the assessments are documented in reports and decision papers. Risk register updates are presented by the Section 151 Officer to the Audit Committee for each quarter.

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1.3.2. Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA statement on the role of the chief financial officer in local government

The S151 Officer (also Director of Corporate Services) has been in post since May 2021 and is a member of the Corporate Leadership Team. They ensure all decisions are in accordance with the medium-term financial strategy and that public money is properly safeguarded. They are also required to ensure that the Council's finance function is adequately resourced, and officers have the necessary experience and qualifications to provide an effective financial management service.

The Head of Finance, and Finance Business Partners support the S151 Officer and have regular Finance Management Team meetings. The Section 151 Officer and Head of Finance meet fortnightly with the Leader of the Council who has responsibility for financial matters. These meetings cover all financial matters, provide a forum for challenge and formulation of financial strategy and decisions. They consider, for example, management of emerging risks, short and long-term budget plans, and the prioritisation of revenue and capital expenditure as well as the use of reserves.

1.3.3. Carrying out the core functions of an audit committee, as identified in CIPFA's audit committee – practical guidance for local authorities.

The Audit Committee has four elected Members. It also has two further Independent Audit Committee Members, whose term remains for two more years. The appointment of Independent Members is in line with recommendations arising from the Redmond Review.

The Committee's responsibilities are described in its terms of reference which form part of the Council's constitution. The terms of reference have recently been reviewed and updated. The Committee meets formally and informally during the year and in addition receives briefings around specific topics relevant to its terms of reference. The Committee reports annually to Council to detail the work undertaken and demonstrate that it is discharging its responsibilities effectively. The Committee chair has regular communication with the S151.

1.3.4. Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

The Chief Executive, Assistant Director Legal & Governance and Monitoring Officer, S151 Officer and the Director of One West (Audit West) meet as a Statutory Officers Group on a quarterly basis to consider any significant statutory or legislative issues impacting upon delivery of the Council's priorities.

The Assistant Director Legal & Governance and Monitoring Officer, and s151 Officer, approve any reports prior to their consideration by the Executive and Council. In this way the Council ensures it complies with the relevant legislation and guidance and decisions do not place the Council at unacceptable risk.

1.3.5. 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

Annual Governance Statement

Council. Associated policies include the Anti-Bribery Policy, Whistle Blowing Policy, and Anti-Money Laundering Policy and Guidance.

The Internal Audit Service and Human Resources receive and consider anonymous referrals from officers or the public of suspected wrongdoing. They work with other council's services or partner organisations to investigate any allegations of improper behaviour and act as necessary.

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

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

1.4. Principle 4 - Developing the entity's capacity including the capability of its leadership and the individuals within it

1.4.1. Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.

Every officer has an annual appraisal where their performance is reviewed and development needs identified. The appraisal is accompanied by a training and development plan and there is a suite of mandatory training for all staff, as well as additional mandatory training for managers. A range of mechanisms are in place to meet officer's individual training and development needs including a suite of e-learning activities.

The Council puts on a programme of training and development for Members which is accessible at any time whilst newly elected Members receive more intensive support. This includes a full induction process following local elections every four years as well as service and committee specific briefings on individual topics and policy initiatives.

1.5. Principle 5 - Ensuring openness and comprehensive stakeholder engagement

1.5.1. Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability, and encouraging open consultation.

The Council has a Corporate Plan which covers the period 2024 – 2028. The Corporate Plan vision is to be open, fair and green, and to help achieve this it is supported by an action plan.

The Corporate Plan has four ambitions and for each of those a number of commitments has been identified. For each commitment there are then a series of actions and expected outcomes. Together these form the Performance Management Framework for 2024/25, with clear targets against each outcome. The framework is then reviewed on an annual basis, with updated being published quarterly on how the Council is performing against actions and outcomes. The Corporate plan is supported by an annual communications strategy and action plan, ensuring effective communication to stakeholders.

Consultations are usually advertised on the website through the North Somerset Council consultation hub. As well as general consultations, this hub also shows Planning Policy

Annual Governance Statement

consultations. These are consultations which form part of the Local Development Framework, formally known as the Local Plan, covering large-scale planning issues.

The Empowering Communities Strategy also ensures that groups with particular needs or interests are empowered to engage with the Council.

Results from consultation exercises and resident's surveys have been used to inform the Council's future direction and priorities, and North Somerset Life has been an important mechanism for communication, both in digital and printed format. It is the vital role of ward Members however in listening to the views of the community which provides invaluable levels of feedback and engagement to help assist the Council shape its services appropriately.

The Council has a set of rules that all Council departments and services work to, rather than a specific policy on consultation as indicated in the Local Code of Governance.

6. Review of Effectiveness

1.6. 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 elected members consider emerging issues during the course of the year. This means that control 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.

1.7. 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 Ofsted, and directorates themselves.

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

Key risks have been kept under review during the year and will continue to form an ongoing focus for successful delivery of the Council's plans. There have been between 11 and 13 Strategic Risks throughout the year, 7 of which were Principal Risks. These were broadly in relation to –

- Pandemic event
- Malicious attack against people and/ or buildings
- Disaster event impacting people and/ or buildings
- Coastal Flooding
- Cyber Attack, impacting upon the organisations ability to carry out statutory duties
- Advances in Artificial Intelligence (AI) and their capabilities pose a risk

Annual Governance Statement

- Extended period of high temperatures leading to heatwaves or wildfires
- Failure to meet the 2030 net zero target
- Unable to deliver a balanced budget
- Unable to deliver capital projects within approved resources
- Condition of corporate estate/ assets, posing financial, operational and reputational risk
- Widening of the inequality gap, leading to poorer life outcomes for vulnerable residents
- Failure to recruit, leading to capacity issues in key areas

7. Head of Audit and Assurance Opinion

As part of statutory requirements, the Head of Audit and Assurance is required to give an opinion on the internal control framework. In forming this view, I have considered the work of the Audit & Assurance function as well as other assurances I can rely on and consideration of the wider governance framework and performance of the council.

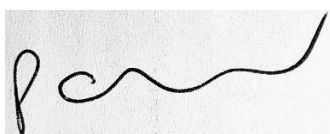
The annual Internal Audit Report which details assessment of the effectiveness of key elements of the Council's governance arrangements, and hence supports my opinion, is publicly available on the Council's external website.

As a result of an increase in hybrid-working, during 2023/24 we have seen a sustained increase of physical (in-person) internal audit reviews. This has allowed for further assurance and confidence in our ability to provide an overall audit opinion.

In 2023/24 there were only minor adjustments to the internal audit plan and it is therefore my opinion that, based on the work completed, the council's internal control framework and systems to manage risk are reasonable.

The ongoing financial challenge for councils driven by rising service demands and cost in the context of a national cost of living crisis places further pressure locally on council services to respond to need and manage risk in a proportionate way. A robust Internal Audit service is a vital component of the Council's governance systems and provides the third and final line of defence in relation to the internal control framework.

Signed:



Peter Cann

Head of Audit and Assurance, Audit West

15 April 2024

Annual Governance Statement

8. Significant Issues for 2022/23

| Issue in 2022/23 | Commentary & Mitigating actions for 2023/24 | Update on Mitigating actions for 2023/24 |
|---|---|--|
| <p>1. Financial Challenge</p> <p>North Somerset Council like other UK local authorities are facing a number of financial challenges, including:</p> <ul style="list-style-type: none"> • Central government funding cuts • Increasing demand for services • Limited ability to raise revenue • Pressure to deliver efficiencies and reduce costs, while still maintaining the quality of services <p>Throughout 2022/23 the council has faced increasing financial pressure due to general inflation rates of over 10%, increased costs of borrowing and workforce availability.</p> | <p>Through its MTFP process for 2023/24, the council was successful in identifying over £10m of budget savings in order to close the budget gap.</p> <p>There is ongoing risk to financial health due to inflation tracking at over 10% (and 30% for construction projects) which may impact on the ability to deliver services within the identified envelope.</p> <p>Mitigations include:</p> <ul style="list-style-type: none"> • Robust revenue budget monitoring, forecasting and capital programme governance • A clear reserves strategy including regular review of risk assessments • Market monitoring and intelligence e.g. construction • Review of capital programme <p>Identifying collaboration opportunities which could lead to efficiencies</p> | <p>Through its budget monitoring process the council identified that expenditure for 2023/24 was likely to exceed budget by the year-end. It therefore implemented additional spending controls in January 2024, as reported to full Council, and these have been operating since. Whilst there has been some stabilisation of expenditure, and one off use of reserves will result in spend equalling budget for 2023/24, these controls will remain in place until the S151 Officer is satisfied that spend can remain within budgets for 2024/25.</p> <p>This continues to be a significant issue in 2024/25 – see below</p> |
| <p>2. Ofsted/ Children’s Services</p> <p>Ofsted undertook an inspection of local authority children’s services (ILACS) in North Somerset in March 2023. They judged that NSC continues to ‘require improvement to be good’ (RI). As this is the third time they have made this judgement we are awaiting contact</p> | <p>Action Plan to be drawn up and signed off by Ofsted in due course.</p> <p>Identification of pressure areas within Children’s Services that require additional capacity/investment to drive consistency.</p> | <p>An Ofsted Action plan has subsequently been developed.</p> <p>This continues to be a significant issue in 2023/24 and 2024/25 – see Section 9 below.</p> |

Annual Governance Statement

| Issue in 2022/23 | Commentary & Mitigating actions for 2023/24 | Update on Mitigating actions for 2023/24 |
|---|--|---|
| <p>from the DfE as to possible next steps in terms of either further challenge or support. Overall, there was a recognition that NSC knows itself well, understands what improvements are needed and have solid foundations in place. However there remain areas of weakness which are to do with a variability in practice resulting in a lack of consistency in several areas such as assessments, direct work with children and supervision.</p> | <p>Identification of further sector led improvement support funded by the DfE.</p> <p>Continued monitoring of the Action Plan through the internal QA and Performance Board.</p> | |
| <p>3. Rising Dedicated Schools Grant (DSG) deficit</p> <p>In recent years there has been a significant increase in the numbers of children & young people with Education, Health and Care plans (EHCPs) and a rise in the associated costs as NSC has had to find placements in the independent sector for those who cannot have their needs met in mainstream education. The guidance from the DfE is that councils cannot use their revenue funding to offset the deficit although this has never been a course of action that NSC has suggested.</p> <p>NSC has been under considerable pressure and while there has been reinvestment in Education Partnerships as a response to a critical Ofsted/CQC reinspection of the area's services to children & young people with special education needs and/or disabilities (SEND) there is a need to 'recalibrate' the system.</p> | <p>The LA has entered into a Safety Valve agreement with the DfE who have supported an undertaking from the council that they will bring their DSG spend back into balance over a number of years – in return the DfE will 'pay off' the historical deficit over the life of the programme provided the council demonstrates the expected progress of its Recovery Plan.</p> <p>The progress of the Recovery Plan is monitored closely by Children's Services, an internal board chaired by the Chief Executive and quarterly meetings with the DfE.</p> <p>The success of the Plan has many inter-dependencies including the success of mainstream schools in the eyes of parents, a balanced relationship of support and challenge to schools by NSC, and effective working with Health colleagues and parents/carers.</p> | <p>This continues to be a significant issue in 2023/24 and 2024/25 – see Section 9 below</p> |

Annual Governance Statement

9. Significant Issues for 2023/24

| Issue in 2023/24 | Commentary & Mitigating actions for 2024/25 |
|--|--|
| <p>1. Financial Challenge</p> <p>Refer to Section 8 (Item 1)</p> | <p>Through its MTFP process for 2024/25, the council was successful in identifying £43m of budget savings in order to close the budget gap. There is ongoing risk to financial health due to inflation remaining high, and also the ongoing increase in demand for care related services supporting both adults and children which will impact on the ability to deliver services in the same way within the identified envelope.</p> <p>Mitigations include:</p> <ul style="list-style-type: none"> • Robust revenue budget monitoring, forecasting and capital programme governance • Budget controls on purchase order spend and vacancies • Transformation programmes designed to manage demand and / or deliver efficiencies • A clear reserves strategy including regular review of risk assessments • Realignment of reserves • Market monitoring and intelligence e.g. construction • Review of capital programme • Identifying collaboration opportunities which could lead to efficiencies |
| <p>2. Ofsted/ Children’s Services</p> <p>Ofsted undertook an inspection of local authority children’s services (ILACS) in North Somerset in March 2023. They judged that NSC continues to ‘require improvement to be good’ (RI). This is the third time they have made this judgement. The inspection identified that the organisation knows itself well and understands the improvements needed, however they identified a variability in practice and a need to strengthen management oversight. Improvement work has commenced but was challenged by significant</p> | <p>An Ofsted Action Plan was developed with progress tracked through a performance and quality assurance board – additional performance clinics (including the development of manager BI dashboards) and quality assurance activity has been put in place to drive improvement.</p> <p>Additional investment has been made in practice leadership and development and support has been secured from an LGA Improvement advisor. Transformation investment has been secured and external</p> |

Annual Governance Statement

| Issue in 2023/24 | Commentary & Mitigating actions for 2024/25 |
|---|---|
| <p>turnover in the leadership team as well as high numbers of social work vacancies and high rates of agency cover. As of Jan 2024 there is a full permanent leadership team in place in order to lead the necessary improvement and investment has been made in quality assurance and although permanent social worker recruitment remains a challenge, steps have been taken to secure additional capacity in the short term whilst recruitment is undertaken.</p> <p>In common with many other councils, NSC is experiencing significant challenges in securing sufficient registered placements for children in our care, which has increased in the last 12 months (from 200 to 250 children in care) within the available budget.</p> <p>Throughout 2023/24 spend in this area has increased by £6m, or c.20% and it was not possible to identify the underlying demand and plan for it effectively, resulting in uncontrolled spend. However further analysis has now been undertaken and there has been a stabilisation in the latter months of the year and understanding of cost drivers has increased – this includes increase in volume of residential and similar placements due both to an increase in complexity of need as well as a lack of local provision.</p> | <p>consultancy from Impower Identification of pressure areas within Children’s Services that require additional capacity/investment to drive consistency.</p> <p>In respect of the financial challenges within Children’s services:</p> <ul style="list-style-type: none"> • Impower consultancy support with analysis, data presentation and dashboard for monitoring spend • New leadership • Robust induction processes • Increased financial monitoring • Panel decision making for new entrants to care • Recruitment and retention strategy |
| <p>3. Rising Dedicated Schools Grant (DSG) deficit</p> <p>Refer to Section 8 (Item 3)</p> | <p>In addition to the commentary in section 8 of this report, the Safety Valve programme will continue to be monitored and it is worth noting that the statutory override has now been extended until 31 March 2026.</p> |

Annual Governance Statement

| Issue in 2023/24 | Commentary & Mitigating actions for 2024/25 |
|---|--|
| <p>4. Capital Governance</p> <p>During the 2021/22 financial year, the Council’s Audit Committee expressed interest in the governance arrangements of the Council’s capital projects. The Committee’s view was that there was opportunity for greater transparency and oversight by officers and members over such projects.</p> <p>The Director of Corporate Services/ s151 Officer subsequently completed their own review of Capital Governance within the Council and identified several areas for improvement, including changes to the governance model that included improved arrangements for reporting.</p> <p>During 2022/23, a new Governance framework was developed and a new board established (Capital Programme, Planning and Delivery Board) to oversee the operational, risk and financial position of capital projects. This board also brought together programme planning, monitoring and delivery into one place, as well as acting as a monitor of actions from the Capital Strategy Action Plan.</p> <p>Notwithstanding the above, during the 2023/24 financial year, issues were identified with a project (Clevedon Sea Front and Hill Road Scheme) which highlighted concerns specific to this scheme around budget overspend, time taken to deliver the scheme, issues around consultation, and governance of the project.</p> <p>Whilst the Council had put in place revised and robust project management, risk management and capital governance arrangements (as described above) to provide greater oversight over such schemes, the Clevedon scheme originally predated these enhanced governance arrangements and thus was not subject to the increased level of oversight.</p> | <p>A new Governance Framework and resulting Capital Strategy action plan has been fully implemented and reported to the Council’s Audit Committee and PCOM Scrutiny Committee chairs. An action plan was completed by January 2023 and accepted as closed.</p> <p>In respect of the specific Clevedon Scheme issue, this was subject to several reviews including an independent review of the life of the Clevedon Seafront/ Hill Road scheme by the Internal Audit Service during 2023/24. The purpose of the review was to understand whether there were any areas that North Somerset Council (NSC) could learn from when planning and undertaking similar work in the future. In response to the review findings, an action plan was developed by the Section 151 Officer and progress against this plan was reported to the Audit Committee in year (2023/24).</p> <p>Progress in this area has continued to be independently evaluated by the Internal Audit Service, including a formal internal audit review of Capital Governance in March/ April 2024. This review is seeking to provide assurance over the sufficiency of monitoring, scrutiny, reporting and escalation requirements, and to ensure that improved governance arrangements have been embedded and are operating effectively.</p> <p>In addition, the Director of Corporate Services/ s151 Officer continues to provide updates to the Council’s Audit Committee and TCC Scrutiny Committee chairs.</p> |

Annual Governance Statement

Conclusion - Certification

As laid out in the statement, North Somerset Council's governance arrangements have been reviewed and considered in line with the CIPFA/SOLACE code of practice. To the best of our knowledge the governance arrangements as defined have been effectively operating during the year 2023/24. Significant governance issues identified through the Annual Governance Statement Review process are recorded in Sections 8 and 9.

We propose to take actions to address the issues raised with the objective of enhancing our governance arrangements. The issues and related actions will be monitored as part of the annual governance review process.

Chief Executive and Leader of the Council's Declaration

We have been advised on the results of the review of the effectiveness of the governance framework and certify the Annual Governance statement on behalf of the organisation.



Mike Bell

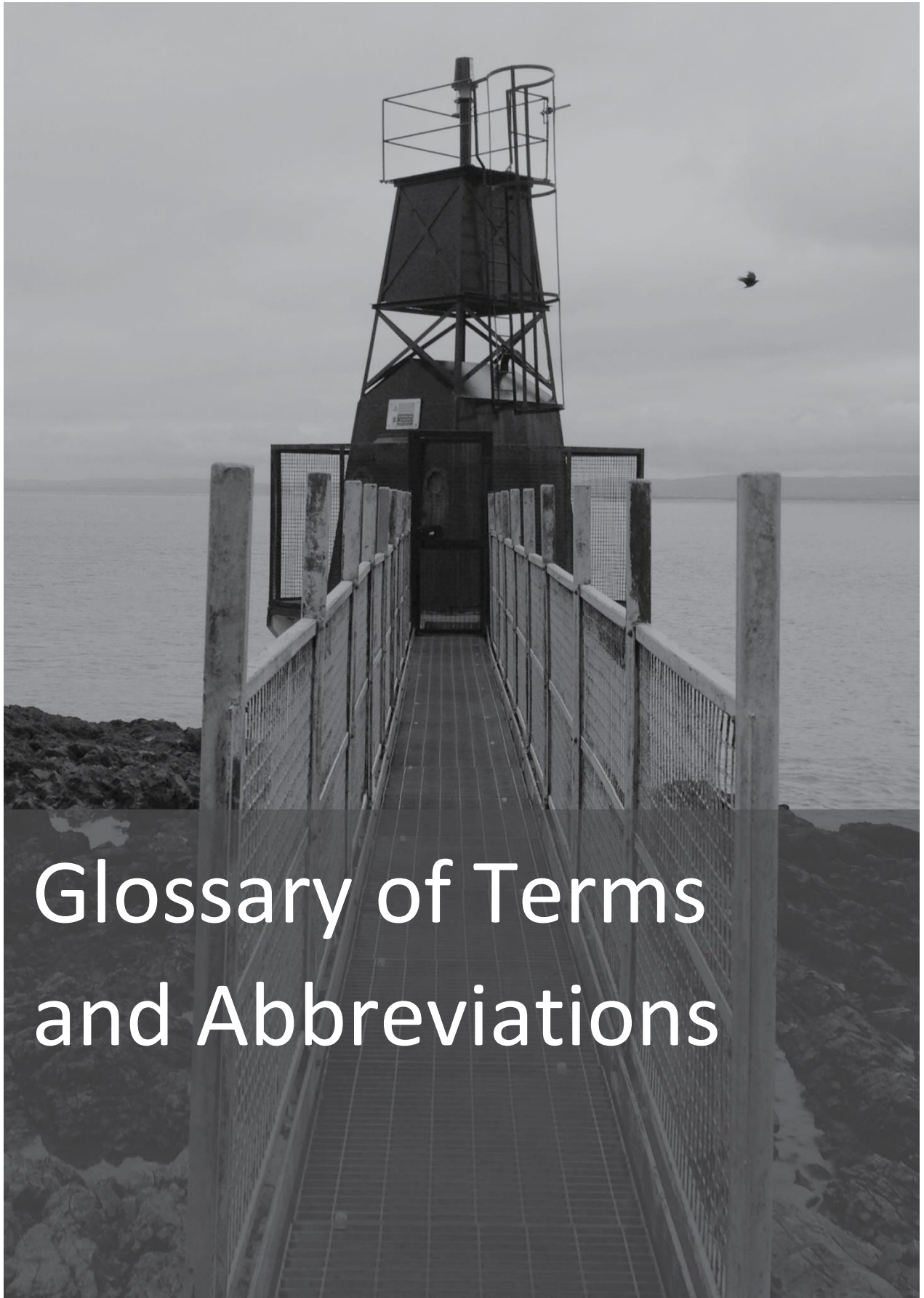
Leader of the Council



Jo Walker

Chief Executive Officer

28 November 2024



Glossary of Terms and Abbreviations

Glossary of Terms and Abbreviations

A

Accounting period

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

Accounting standards

Accounting standards are authoritative standards for financial reporting. They specify how transactions and other events are to be recognized, measured, presented and disclosed in financial statements.

Accounting statements

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

Accruals

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

Actuarial gains and losses (Pensions)

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

Amortisation

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

Appointed auditors

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

Approved institutions

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

Asset

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

Assets in the course of construction / Assets under construction (AUC)

Long term assets which are not fully completed or brought into use at the year end.

Associate

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

Glossary of Terms and Abbreviations

B

Balance Sheet

A statement of the assets, liabilities, and reserves of the Council at a particular point in time.

Billing authority

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

Budget

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

C

Capital expenditure

Expenditure for the acquisition, provision or improvement of non-current assets, which will be of long-term value to the Council, providing services beyond the current accounting period.

Capital financing

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

Capital Financing Requirement (CFR)

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

Capital programme

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

Capital receipts

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

Collection Fund

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

Consolidation

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

Community assets

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

Consistency

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

Contingency

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

Glossary of Terms and Abbreviations

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. The proceeds are paid into the Collection Fund for distribution to precepting authorities and the Council's General Fund.

Cost of services

The net of income and expenditure relating directly to services in the Council's Statement of Comprehensive Income and Expenditure.

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.

Curtailed (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.

Glossary of Terms and Abbreviations

E

Equity

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

Equity accounting

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

Equity instrument (Financial Instruments)

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

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 (ECL) (Financial Instruments)

The weighted average of credit losses with the respective risks of a default occurring as the weights. 12-month expected credit losses is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

Experience gain (Pensions)

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

External audit

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

F

Fair Value (FV)

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

Fees and charges

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

Finance lease

A lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee. Accounting guidance requires that it should be presumed that such transfer of risks and rewards occurs if at the inception of a lease the present value of the minimum lease payments including any

Glossary of Terms and Abbreviations

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 (Financial Instruments)

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 (Financial Instruments)

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

- a contractual obligation to deliver cash (or another financial asset) to another entity, or
- a contractual obligation to exchange financial assets/liabilities with another entity under conditions that are potentially unfavourable to the Council.

G

General Fund (GF)

The main revenue reserve of a billing Council, used to meet day-to-day spending.

Government grants

Grants made by the Government towards either revenue or capital expenditure to support the cost of provision of the Council's services. Some grants may have conditions or be restricted to be used towards the cost of particular capital schemes or revenue expenditure of the Council.

Gross expenditure

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

Group accounts

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

Growth

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

Glossary of Terms and Abbreviations

H

Housing Benefit (HB) / Rent Allowances

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

I

Impairment

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

Income

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

Individual Schools Budget (ISB)

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

Infrastructure assets

Non-current assets belonging to the Council which do not necessarily have a resale value, expenditure on which is only recoverable by continued use of the asset created e.g. highways.

Intangible assets

Non-financial assets which do not have physical substance but are identified and controlled by the Council through legal rights e.g. IT Software.

Interest receivable

The money earned from the investment of surplus cash.

Inventories

Items of raw materials and stores the Council has procured to use on a continuing basis and which it has not yet used.

Investment property

Land and Buildings non-current assets held solely to earn rentals or for capital appreciation, or both.

J

Joint arrangement

An arrangement under which the participants engage in joint activities but do not create a legal entity.

Joint Venture (JV)

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. It is usually a business arrangement in which two or more parties agree to pool their resources for the purpose of accomplishing a specific task.

Glossary of Terms and Abbreviations

L

Liability

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

Limited by shares

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

Local Council Tax Support scheme (CTS)

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.

Long-term assets

Non-current and other assets which can be expected to be of use or benefit the Council in providing its service for more than one year.

Long-term liabilities

Amounts which will become due or could be called upon beyond the next accounting period.

M

Materiality

The concept that the Statement of Accounts should include all amounts which, if omitted, or misstated, could be expected to influence the decisions of the user of the financial statements.

Medium Term Financial Plan (MTFP)

The MTFP identifies the anticipated costs and pressures and the income and resource allocations in the Council's budgets over the coming 4 years. The Plan highlights the key risks within the budget planning process, and the proposed financial strategies to address them.

Minimum Revenue Provision (MRP)

The minimum amount which must be charged to a Council's revenue account each year and set aside as provision for repayment of debt, as required by the Local Government Act 2003.

N

National Non-Domestic Rates (NNDR / 'Business rates')

A levy on businesses, based on a national rate in the pound set by the Government, multiplied by the rateable value of the premises they occupy.

Net Book Value (NBV)

The amount at which non-current assets are held after deducting any accumulated depreciation and impairment losses.

Net debt

The Council's total borrowings less cash investments.

Net expenditure

Gross expenditure less specific service income.

Glossary of Terms and Abbreviations

Net Interest on the Net Defined Benefit Liability (Pensions)

The net interest expense - the change during the period in the net benefit liability that arises from the passage of time.

Non-current assets

Property, plant and equipment and other assets that bring longer term benefit or service potential to the Council.

Non-operational assets

Assets held by the Council but not directly occupied, used or consumed in the direct delivery of services, e.g. assets in the course of construction and surplus assets.

O

Operating lease

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

Operational assets

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

Out-turn

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

P

Past service costs (Pensions)

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

Pension Fund

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

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 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.

Glossary of Terms and Abbreviations

Prior Period Adjustments (PPA)

Adjustments made to prior years comparator figures arising from changes in accounting policies or from the correction of material errors.

Provisions

Amounts set aside for the purposes of providing for any liability or loss which is likely or certain to be incurred, but is uncertain as to the amount or the date on which it will arise, e.g. bad debts.

Prudence

The concept that income should only be anticipated to the extent that it will be received, as cash or other assets, with reasonable certainty, and full and proper allowance should be made for all known and foreseeable losses and liabilities.

Prudential Code

The CIPFA Prudential Code for Capital Finance in Local Authorities – the guidance under which authorities borrow to fund capital investment (under the Local Government Act 2003). The Code requires the Council to set and monitor a suite of Prudential Indicators, including its Affordable Borrowing Limit, and set out its Treasury Management and Capital strategies.

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 (RV)

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

Revenue Contributions to Capital Outlay (RCCO)

Revenue Contributions to Capital Outlay - Resources provided from the Council's revenue budget to finance the cost of capital projects.

Revenue Expenditure Funded by Capital Under Statue (REFCUS)

Expenditure of a capital nature but which gives rise to no tangible asset owned 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.

Glossary of Terms and Abbreviations

Examples of related parties to an authority include central government, local authorities and other bodies precepting or levying demands on the Council Tax, its members, its Chief Officers and its pension fund.

For individuals identified as related parties, it is also presumed that members of the close family, or the same household, or any partnerships, companies in which the individual or a member of their close family, or the same household has a controlling interest, are deemed to be related parties.

Related party transactions

The transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. The materiality of related party transactions is judged not only in terms of their significance to the Council, but also in relation to its related party.

Reserves

Amounts set aside in the accounts for the purpose of meeting general, future expenditure. Reserves may also be used to smooth the cost of certain activities over a number of years. A distinction is drawn between reserves and provisions (see above), which are set up to meet known liabilities.

Retirement benefits

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

Return on plan assets (Pensions)

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

Revenue expenditure

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

Revenue reversion

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

Revenue Support Grant (RSG)

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

S

Settlements (Pensions)

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

Single entity accounts

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

Glossary of Terms and Abbreviations

Specific grants

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

Subsidiary

Subsidiaries are entities over which the Council has control. The Council controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity.

Supported borrowing

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

T

Temporary borrowing

Money borrowed for a period of less than one year.

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.

Other abbreviations used in the Statement of Accounts

| | |
|--------|--|
| B&NES | Bath & North East Somerset Council |
| BCF | Better Care Fund |
| CCG | Clinical Commissioning Group – now replaced by ICB (see below) |
| CIPFA | Chartered Institute of Public Finance and Accountancy |
| DFE | Department for Education |
| DFT | Department for Transport |
| DEFRA | Department for Environment, Food & Rural Affairs |
| DLUHC | Department for Levelling Up, Housing and Communities |
| ESFA | Education and Skills Funding Agency – part of the Department for Education |
| ICB | Integrated Care Board |
| IFRS | International Financial Reporting Standard |
| LAAP | CIPFA's Local Authority Accounting Panel |
| LASAAC | Local Authority (Scotland) Accounts Advisory Committee |
| LEP | Local Enterprise Partnership |
| LMS | Local Management in Schools |
| LSTF | Local Sustainable Transport Fund |
| NSEC | North Somerset Environment Company Limited (a subsidiary of the Council) |
| PWLB | Public Works Loans Board |
| SERCOP | Service Expenditure Reporting Code of Practice |
| WEMCA | West of England Mayoral Combined Authority |

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