



**AUDIT COMMITTEE**

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To: Councillors Angell (Chair), Bolton (Vice-Chair), S. Bradshaw, Charles, Parsons, Boldrin and Taylor  
Mr Angell (Chair)  
(For attention)

All other members of the Council  
(For information)

You are requested to attend the meeting of the Audit Committee to be held in Virtual Meeting - Zoom on Wednesday, 25th November 2020 at 6.00 pm for the following business.



Chief Executive

Southfields  
Loughborough

17th November 2020

**AGENDA SUPPLEMENT – TO FOLLOW REPORT**

(a) Annual Statement of Accounts 2019-20

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## AUDIT COMMITTEE – 25TH NOVEMBER 2020

### Report of the Head of Finance

#### ITEM 6 STATEMENT OF ACCOUNTS 2019/20

##### Purpose of Report

To consider the Council's Statement of Accounts for 2019/20 and approve them for publication.

##### Recommendations

1. That the Statement of Accounts for the year ended 31st March 2020 (attached at Appendix A) be approved and that the Chairman (as Presiding person) be authorised to sign the accounts on behalf of the Audit Committee.
2. That the Letter of Representation, as attached at Appendix B, be approved for signature by the Chief Financial Officer.

##### Reasons

1 & 2 To comply with the Accounts and Audit (England) Regulations 2015.

##### Background and Explanation of the Main Features of the Accounts

The accounts of local authorities in the United Kingdom are covered by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 'Code'). This must be followed to meet the requirements of the Accounts and Audit (England) Regulations 2015 to 'present a true and fair view' of the financial position of the authority.

The Code is based on International Financial Reporting Standards ('IFRS') amended as necessary in respect of legislation governing local authorities, and as a result of these rules and guidance the layout of the accounts is effectively prescribed and contains:

- **Narrative Statement** – this sets the scene for the Statement of Accounts, giving the overall economic context, more detailed context relevant to the Council and picking out the main points of note on Revenue and Capital. It also references non-financial performance and risk.
- **Statement of Responsibilities** – shows the responsibilities of the Council and Chief Financial Officer for these accounts.
- **Comprehensive Income & Expenditure Account** – shows the cost of services and how they were financed.
- **Balance Sheet** – shows a snapshot of all the Council's assets and liabilities at the year end, both long and short term.
- **Movement in Reserves Statement** – shows the movement in reserves during the year between usable and unusable reserves (the latter being held to store revaluation gains or as adjustments per legislation and/or accounting practice), and the actual change to the reserves after all adjustments.
- **Cash Flow Statement** – sets out the flow of cash into and out of the Council.

- **Accounting Policies** – technical explanation of main policies and assumptions used in preparing the accounts.
- **Notes to the Financial Statements** – these explain in more detail the make-up of the various amounts included in the core statements.
- **HRA (Housing Revenue Account) Income & Expenditure Account** - this shows income and expenditure regarding Council dwellings.
- **Collection Fund** – sets out the transactions relating to the collection and distribution of Council Tax and National Non- Domestic Rates (NNDR), or Business Rates as they are more commonly known.
- **Auditor's Report** – this is the report of the external auditors, Mazars, on the accounts for the year.
- **Annual Governance Statement** – this sets out the Council's Governance procedures and reviews their effectiveness.

### Purpose of the Accounts

The published Statement of Accounts should provide electors, those subject to locally levied taxes and charges, members of the authority, employees, other stakeholders and interested parties clear information about the authority's finances.

In addition, in order to ensure that the Council is making the best use of its resources, Councillors are encouraged to undertake a robust review of these accounts and make sure that any issues are fully debated and any queries answered.

Basic questions answered by the accounts could include:

What did the authority's services cost in the year of account?

Where did the money come from?

What were the authority's assets and liabilities at the year-end?

The Statement must comply with the Code so that a common pattern can be established across different authorities and, for this reason, it is essential that authorities define individual costs in line with the Service Reporting Code of Practice. There should also be good notes and explanations to the accounts to aid understanding and, although by nature a technical document, the notes should be concise and understandable.

This paper is aimed at going a step further than the definitive notes to the accounts and explaining the wider context of the document and the contents. Each of the major sections of the accounts are explained below and a Glossary of Terms is shown on page 71 of the Accounts.

## Main Changes for 2019/20

The accounts reflect the new reporting requirements to the Comprehensive Income and Expenditure Account, including a new Expenditure and Funding Analysis statement.

Major differences between the 2018/19 figures and those for 2019/20 are shown in Note 6 on pages 5 and 6 of the accounts.

## Statement of Responsibilities for the Statement of Accounts, Corporate Governance and the External Audit Report (page 8)

The Statement of Responsibilities on page 8 underlines the responsibility, conferred by law, on the Section 151 officer for the proper administration of the financial affairs of the authority. The person presiding at the meeting approving the accounts must also sign this Statement. The S.151 Officer and also the auditors have to confirm that the accounts present a 'true and fair' view.

## Comprehensive Income & Expenditure Account (pages 9)

This core statement shows the gross controllable income and expenditure across each service area with a net controllable cost chargeable against the General Fund and HRA for the year and then how these were financed.

The next section provides information on the income and expenditure relating to the council as a whole, i.e. these cannot be allocated to specific services. The following section shows how the Council's net expenditure was financed externally through Council Tax, NDR and General Government Grants with a Surplus on Provision of Services of £16.6m (£11.2m 2018/19). Any revaluation gains and losses on Asset and the Pension Fund are then adjusted underneath this to give a Total surplus Comprehensive Income & Expenditure figure of £35m surplus (£6m surplus 2018/19). How this amount affects the Council's reserves is then explained in the Movement in Reserves Statement on page 12. There is decrease to the General Fund Balance of £2.3m (£186k 2018/19) and HRA £3K (£4k 2018/19).

## Balance Sheet (pages 10 & 11, and corresponding notes on pages 22 to 59)

This statement is fundamental to the understanding of an authority's financial position at the year-end. It shows balances and reserves available and the authority's long-term indebtedness, together with the fixed and current assets employed in its operations.

## Assets and Liabilities (page 10)

Property, Plant and Equipment (Note 10, page 28) – The major movement in the Fixed Assets between the two years was an increase £19m being: an increase in Council Dwellings of £19m; of which £8.6m relates to capital expenditure on fixed assets, including the purchase of 21 new properties (11 new properties 2018/19), £15.7m are revaluation gains offset by de recognition/disposal of Council Dwellings £3.8m, the sale of 44 properties (47 sold properties 2018/19), Other land and buildings and equipment £1.2m.

Intangible Fixed Assets – this comprises computer software and ancillary costs.

Current Assets - are items that could be readily converted into cash and the order of these represents their convertibility.

Current Liabilities – are short term creditors, being amounts due to suppliers within 12 months, provisions are amounts set aside for NDR backdated appeals and bank overdraft.

Long-Term Borrowings, over 12 months – this is the £79.19m borrowed in respect of the HRA plus an existing loan of £2m.

Pensions Liability – the £63.9m (£77.6m 2018/19) is calculated each year based on parameters in accordance with Pension valuation IAS 19 and represents the difference in the scheme's assets compared to its liabilities. This is offset by the Pension Reserve in the final part of the balance sheet. The contributions to the scheme by both employees and the Council are targeted to reduce any deficit over time.

#### Financing of the Assets less Liabilities (page 11)

The above descriptions dealt with the net assets side of the Balance Sheet and these are all supported by various reserves and balances. This is more complicated in a local authority because there are no shareholder funds, or proprietor's funds, as one would have in a commercial enterprise.

The Capital Adjustment Account represents the financing costs of the fixed assets used less the in-year costs of utilising those assets, for example depreciation and impairment. This reserve is not a resource available to the Council and represents assets already acquired.

#### Movement in Reserves Statement (page 12)

This shows the movement on the different reserves held by the Council during the financial year. It is analysed between those reserves which are usable by the Council and those which are held for accounting/legislative purposes and are unusable.

#### Consolidated Cash Flow Statement (page 14, and corresponding notes on page 44)

This statement shows the significant elements of receipts and payments of cash by the authority in dealing with third parties.

#### Housing Revenue Account (pages 60 to 66)

This 'ring fenced' account, although included in the Income & Expenditure Account, is separate from the General Fund and the entries are prescribed in legislation. The HRA Revenue balance brought forward was £613k and the use of reserves in the year was £3k leaving a HRA working balance £610k on the HRA Account to be carried forward into 2020/21.

The HRA Financing Fund is an earmarked reserve fund for future local government changes ring-fenced to the HRA; this balance is £8,234k. The HRA also has a Major Repair Reserve of £3,364k. Total overall HRA Reserves at 31<sup>st</sup> March 2019 £12,208k.

### Collection Fund (pages 67 to 72)

This is another account prescribed by statute and deals with the transactions relating to the collection of Council Tax and the payment of precepts out to the County Council, Combined Fire Authority and the Police, as well as to Charnwood. The account represents a quasi 'trust' account as the balance on the account is shared out between the preceptors in proportion to the precepts levied in the year of the sharing decision. Each year a decision is made in January to estimate the balance on the account and a deemed surplus, or deficit, is allocated to each of the preceptors. The total preceptors Council Tax carry forward surplus at 31st March 2020 is £1,377k (£1,268k 2018/19) to be re-allocated in future years. Charnwood Borough Councils share of the surplus is £160K. (surplus £150k 2018/19)

The National Non-Domestic Rates (business rates) are collected on behalf of Leicestershire County Council, Combined Fire Authority, central Government and the Council itself. The government sets various proportions and amounts to be paid to the parties and the Collection Fund then reflects the actual position based on the amounts collected and paid out, provisions for bad and doubtful debts, provisions for potential rating appeals and amounts retained to cover the cost of collection and 'disregarded amounts'. The latter relate to certain discounts made locally. The total preceptors NNDR carry forward surplus as at 31st March 2020 is £4,201k (deficit £2,199k 2018/19) and will be re-allocated in future years. Charnwood Borough Councils Share of the surplus is £1,561K funded from a new NDR earmarked reserve. (deficit £880k 2018/19)

### Mazars Independent Audit Report

This report will be explained by the external auditors.

### Annual Governance Statement 2019/20

This Statement explains the assurance gathering process and considers the wider arrangements supporting a sound corporate governance framework. A separate report to this Committee will set out considerations in respect of this statement in more detail.

The Chief Executive and the Leader of the Council must sign this statement each year following the audit of the accounts.

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Appendices:                    Appendix A – Statement of Accounts  
  Appendix B – Letter of Representation



**STATEMENT OF ACCOUNTS**

**2019/20**

# Statement of Accounts 2019/20

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## **Narrative Statement**

### Economic Environment

The major landmark event of the year in the UK up until the start of 2020 was the issue of Brexit. This was settled by the decisive result of the general election in December and the conclusion of the UK leaving the EU on 31 January. However, this still leaves a trade deal to be agreed by the end of 2020. Since January, the economic landscape of the UK, and the whole world, has been transformed by the coronavirus outbreak. This had a huge impact in China in February – March due to the lockdown of the country bringing a sharp reduction in economic activity, a story that has been replicated around the World and in the UK since March with massive Government interventions to provide financial support to businesses, employees and the self-employed, and assistance to banks to lend to businesses during the period of lock down. The Bank of England also joined in during March with two emergency cuts in Bank Rate from 0.75% down to 0.10%, £200bn of additional quantitative easing purchases of bonds and various measures to expand liquidity in financial markets. The Government and the Bank were also very concerned to stop people losing their jobs during this lock down period. Accordingly, the Government introduced various schemes to subsidise both employed and self-employed jobs for three months while the country is locked down. It also put in place a raft of other measures to help businesses access loans from their banks, (with the Government providing guarantees to the banks against losses), to tide them over the lock down period when some firms may have little or no income. However, at the time of writing, this leaves open a question as to whether some firms will be solvent, even if they take out such loans, and some may also choose to close as there is, and will be, insufficient demand for their services. At the time of writing, this is a rapidly evolving situation so there may be further measures to come from the Bank and the Government in the summer of 2020 and beyond. The measures to support jobs and businesses already taken by the Government will result in a huge increase in the annual budget deficit in 2020/21 from 2%, to nearly 11%. The ratio of debt to GDP is also likely to increase from 80% to around 105%. In the Budget in March, the Government also announced a large increase in spending on infrastructure; this will also help the economy to recover once the lock down is ended. Provided the coronavirus outbreak is brought under control relatively swiftly, and the lock down is eased, then it is hoped that there would be a sharp recovery, but one that would take a prolonged time to fully recover previous lost momentum.

**Investment rates** The Monetary Policy Committee felt unable to change Bank Rate during most of 2019-20 due to all the uncertainties around Brexit. However, investment rates did ebb and flow in response to positive and negative developments in the Brexit saga through Parliament during the year. Rates were on a falling trend during the first half of 2019-20 but then rose back up again. The cut in Bank Rate in March 2020 brought rates for up to one month sharply down, but longer term rates moved sharply up during a spell of shortage of liquidity in financial markets towards the end of March. The corona virus outbreak subsequently provided a further overlay of uncertainty. At the time of writing rates remain low but with government borrowing at unprecedented levels, the prospect of increasing rates arising from the need to finance government debt cannot be ruled out despite the adverse impact of the corona virus.

### Council Context

The Council's budget for 2019/20 planned to use around £1m of reserves. The outturn result evidenced significant pressures in certain income and expenditure lines (detailed further below), somewhat offset by performance exceeding expectations in some areas such as returns on investments and technical changes benefitting the collection fund. A mix of pre-existing structural deficits and the impact of the coronavirus require that further efficiencies will be required to ensure the Council remains financially sustainable over the period of the Medium Term Financial Strategy. The financial standing of the Council continues to be robust and built upon solid foundations, with Reserves held at a sufficient level to meet foreseeable future challenges and reductions in Government funding for local authorities. There are good financial management and governance processes and procedures in place which are reviewed regularly by management and internal audit. Resources are allocated as part of the annual budget setting process, and service pressures and savings are considered as part of this process which involves the submission and consideration of business cases. These are considered against the totality of available resources and budgets are then broken down by ten services organised into three directorates as can be seen in the Expenditure and Funding analysis on page 9.

Factors that impacted key income and expenditure lines (and hence working balance reserves) included unbudgeted costs of £588K incurred for Support living due to irrecoverable housing benefit claims, shortfalls in income, including those in the Planning and Building Control Service £388k and in the Leisure Centre Contract Fees of £165K. Further details of major variances are included in Section 6, Major Items.

### Financial Statements

The purpose of the published statement of accounts is to give electors, local taxpayers, members of the Council and other interested parties clear information about the Council's financial performance and economy, efficiency and effectiveness in its use of resources over the financial year. The aim is to provide users with information that is fair, balanced and understandable. A glossary of terms is included at the end of the document. The statements should inform readers of

- The cost of services provided by the Council in the year 2019/20.
- How services were paid for.
- The Council's assets and liabilities at the year-end and
- The financial performance of the Council.

For 2019/20 the Council invested in two Property Funds in order to access higher investment returns associated with these types of investment. This gave access to the Property market using the expertise of the Fund Managers whilst spreading the investment out over a portfolio of Properties to reduce the risk, both investments made gains in the year, which are reflected in the Statement of Accounts. The investment objective is to provide investors with capital appreciation and secure income returns through prudential investment across the UK's principal property sectors and geographic regions.

The following Core Financial statements are also included: -

- The **Comprehensive Income and Expenditure Statement** which shows all of the Council's income and expenditure for the financial year. The top part of the statement shows a breakdown by service and the bottom part relates to transactions and funding at a corporate level, which links the statement to budget monitoring reports that are produced for management throughout the year and are subject to Member scrutiny.
- The **Balance Sheet** which sets out a 'snapshot' of the overall financial position of the Council at 31st March 2020 showing its assets, liabilities and reserves.
- The **Movement in Reserves Statement**. This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves' (i.e. those that arise out of interaction of legislation and proper accounting practice to store revaluation gains or as an adjustment).
- The **Cash Flow Statement** which summarises the movements of cash and cash equivalents into and out of the Council arising from transactions with third parties. This also shows whether movements are due to operating activities, new investment or financing activities.
- **Notes to the Core Financial Statements** which give an explanation of key figures within the statements and more detail on the Council's accounting policies and individual transactions.

The following Supplementary Financial Statements and supporting notes are included:-

- **Housing Revenue Account (HRA)** – separately identifies income and expenditure in respect of the Council's statutory landlord function as a provider of social housing.
- **Collection Fund Statement** - shows the transactions in relation to the collection and distribution of Council Tax and National Non-domestic Rates ('NNDR').

The statement also contains links to the Council website which gives performance indicators relevant to the Council's performance against its stated Corporate Plan objectives and shows the development against these indicators throughout the year as well as the position at the year end. Performance against these objectives is measured and monitored on a quarterly basis and is reported to Members. Where performance is below target an action plan is developed to bring this back on track. Within indicators specific to finance 98.8% of purchase invoices were paid within 30 days, which is good. The average rate of return on internally managed investment funds was 0.929% (0.7815% 2018/19) compared to the average 3 month London Interbank Bid Rate (LIBID) of 0.636%, and the two externally managed property funds provided a net average return 3.26%. More details on the Council's performance and risk monitoring are provided in sections 9 and 10. Major differences between 2018/19 and 2019/20 are detailed in section 6. Overall the General Fund net controllable service expenditure of £19.5m in 2018/19 compared to £20.9m in 2019/20, an increase of 7.17%.

## **2. Pension Fund Liability**

Charnwood Borough Council participates in the Local Government Pension Scheme through which pension provision is made for those of its employees who wish to join the scheme. Under the Code, the Council must include its share of the net Pension Fund Liability as at 31st March 2020 and this amounted to a £64m deficit. This is an decrease of £14m on the position at 31st March 2019. Although this liability appears in the Council's Balance Sheet it is offset by the Pensions Reserve and is not funded from Council Tax or Government Grants in the current year. However, it represents the amount that will need to be found from future budgets to pay for pension entitlements already incurred in delivering services. Actual employer's contributions to the pension scheme during the year are paid out of the Council's expenditure as funded by Government Grants, Council Tax and National Non-Domestic Rates (business rates)

## **3. Borrowing Facilities and Funding of Capital Expenditure**

The Council has sufficient resources, through both the use of reserves and revenue, to fund General Fund capital expenditure without needing to borrow. It is expected that this position may change in the short term and if the Council

were to borrow then it would be able to obtain funds from the Public Works Loans Board (PWLB), which is part of Central Government, at relatively low rates compared to commercial borrowing. There is one old outstanding General Fund loan of £2m which is not due for repayment until 2024.

The HRA has external loans of £79.19m which arose from the change in the Housing Subsidy system in 2012. These are all with the PWLB and are repayable from 2024 to 2062 with fixed annual interest rates. The annual interest is covered by the HRA's rental income. Both the General Fund and HRA work within treasury parameters agreed each year by Council.

#### 4. General Fund Revenue Outturn Summary 2019/20

<b><u>GENERAL FUND OUTTURN 2019-20</u></b>	<b>Outturn</b>	<b>Original Budget</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Net Service Expenditure</b>	<b>19,176</b>	<b>18,138</b>	<b>(1,038)</b>
Revenue Contributions to Capital (RCCO)	213	0	(213)
Interest Paid	227	240	13
Less: Interest on Balances	(562)	(390)	172
<b>Total Borough Expenditure</b>	<b>19,054</b>	<b>17,988</b>	<b>(1,066)</b>
Contribution to (from) Reinvestment Reserve	74	0	(74)
Contribution to/(from) Working Balance	(2,200)	(798)	1,402
Contribution to/(from) Working Balance/Collection Fund	(173)	(173)	0
Contribution to/(from) Other Revenue Reserves	395	(63)	(458)
Contribution to/(from) Capital Plan Reserve	(213)	0	213
<b>Precept Requirement</b>	<b>16,937</b>	<b>16,954</b>	<b>17</b>
NNDR	5,290	5,290	0
Council Tax Receipts	6,893	6,893	0
Loughborough Special Levy	1,213	1,213	0
Collection Fund Surplus/(Deficit)	(173)	(173)	0
New Homes Bonus	3,731	3,731	0
S31 NDR and Government Grants	(17)	0	(17)
<b>Precept Income</b>	<b>16,937</b>	<b>16,954</b>	<b>(17)</b>
<b><u>General Fund Reserves</u></b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b><u>Working Balance 1st April</u></b>	<b>6,871</b>	<b>4,990</b>	<b>1,881</b>
Transfer from General Fund	(2,373)	(971)	(1,402)
<b>Balance at 31 March</b>	<b>4,498</b>	<b>4,019</b>	<b>479</b>
<b><u>Reinvestment Reserve 1st April</u></b>	<b>809</b>	<b>608</b>	<b>201</b>
Transfers from General Fund	74	0	74
<b>Balance at 31 March</b>	<b>883</b>	<b>608</b>	<b>275</b>
<b><u>Capital Plan Reserve 1st April</u></b>	<b>2,193</b>	<b>1,711</b>	<b>482</b>
Funding of Capital Expenditure	(213)	(618)	405
<b>Balance at 31 March</b>	<b>1,980</b>	<b>1,093</b>	<b>887</b>
<b><u>Growth Support Fund 1st April</u></b>	<b>101</b>	<b>0</b>	<b>101</b>
Funding of Capital Expenditure	0	0	0
<b>Balance at 31 March</b>	<b>101</b>	<b>0</b>	<b>101</b>
<b><u>Other Revenue Reserves 1st April</u></b>	<b>763</b>	<b>805</b>	<b>(42)</b>
Transferred from/(to) General Fund	395	(63)	458
<b>Balance at 31 March</b>	<b>1,158</b>	<b>742</b>	<b>416</b>
<b>TOTAL BALANCES</b>	<b>8,620</b>	<b>6,462</b>	<b>2,158</b>

The main purpose of the General Fund Revenue Outturn Summary is to compare the General Fund actual figures to the Original Budget set for 2019/20. This provides a summarised position of the Council's balances held. Please note that the table does not form part of the formal Statement of Accounts.

The Council's General Fund, Total Borough Expenditure which relates to all its activities except Housing Revenue Account, was £1,066K (5.92%) higher than the Original Budget of £17,988K. This was primarily due to:-

- Net Service Expenditure costs are £1,038K higher than the Original budget . The budgeted use of reserves were £971k plus an additional £1,402k has been used in the year, the total use of reserves being £2,373k for 2019/20, leaving a balance of £4,498k in working balance reserves.
- Revenue Contribution to Capital costs of £213K are higher than Budget, these costs relate to capital costs approved by Cabinet for major repairs during the year, £213k is funded from the Capital Plan reserve, there is no revenue impact to revenue reserves.
- Interest received on balances is £172K higher than budget, due to the investments in the Property Funds and better returns on investments than had been anticipated in the budget, lower levels of Capital expenditure and larger amounts being held available for investment.
- The Total revenue reserves balances at 31<sup>st</sup> March 2020 are £2,158k (33%) higher than the Original Budget. This is due both 2018/19 outturn balances brought forward and this years budget reserves were not fully spent. The Capital Plan expenditure was lower than the budget £887K, Reinvestment Reserves of £275k not fully utilised, an increase in earmarked reserves held £517k and the working balance £479k.

## 5. Capital Expenditure

For the financial year 2019/20 the Council's capital spending, on an accruals basis, totalled £10,444K compared with a final Capital Plan budget of £19,874K. The net underspend of £140K represented 0.7% of the programme. Budgets on committed schemes worth £9,290K will be carried forward to 2020/21 in order to complete the schemes in that year.

	2019/20 £'000	%
<b>Capital Expenditure</b>	<b>10,444</b>	<b>100</b>
<b>Financed by:-</b>		
Major Repairs Reserve	3,811	36
Revenue Contributions - General Fund	213	2
Revenue Contributions – HRA	3,659	35
Capital Receipts – General Fund	429	4
Capital Receipts – HRA	691	7
Capital Grants and Contributions	1,641	16
	<b>10,444</b>	<b>100</b>

## 6. Major Items in the 2019/20 Accounts

There are no major changes to the way the accounts have been compiled in 2019/20. The General Fund Net controllable service expenditure of £20.9m in 2019/20 compared to £19.5m in 2018/19, an increase of 7%. Some differences in the Comprehensive Income and Expenditure Statement between 2018/19 and 2019/20, these being:

- Head of Strategic and Private Sector Housing, net costs has increase in costs £238K due to the growth of the Housing Standards Licencing and Inspection scheme as well as the Lightbulb Service and the introduction of a Choice Based Lettings service. These have been offset by the ending of a Rough Sleeper Programme. There was £88K less income primarily relating to a reduction in government grants.
- Head of Strategic Support net costs has increased by £316k in 2019/20 than 2018/19 due to unplanned Election costs, reduction of Land charge fees and increased Corporate management costs.
- Head of Customer Experience net cost has increased by £603K, this is primarily due to a shortfall in Housing Rent Allowance Income for supported living £588K, following a change in the claimant's portfolio, and the balance being increases in costs of ICS and Customer Experience Service.
- Head of Leisure & Culture net cost has increased by £264k in 2019/20 than 2018/19 due to Loss of income relating to Leisure Centre Contract, increased costs of running the Town Hall and Loss of Income on Loughborough Markets.

- Head of Regulatory net cost is £129k higher in 2019/20 than 2018/19 due to lower Car Park Income £50k and increased costs in running this service.
- Head of Planning & Regeneration net cost is £180K lower in 2019/20 than 2018/19 due to one off £162k DCLG Town Deal Grant received and offset by shortfall in Planning Fee Income and Building Control Income.
- The HRA net cost of service is £901K is higher in 2019/20, than 2018/19 mainly due to the impact of the statutory 1% Income reduction £214K and other income losses of £50K, plus responsive repair cost are £257K higher than budget and £380k being various increased costs.
- The Council holds two Property Funds, Hermes Property Trust purchased with an initial value of £2.382m at July 2018. The market value at 31<sup>st</sup> March 2019 was £2.427m and these funds are valued at 31<sup>st</sup> March 2020 at £2.392m with a loss in the year of £35K. Lothbury Property Funds were purchased in 2017 with an initial value £2.501m, the market Value of these funds as at 31<sup>st</sup> March 2019 £2.460m and these funds were valued at £2.377m with a loss of £83k in the year. These have been accounted for as a Long Term Investment on the Balance Sheet as Unusable Financial Instrument Reserves. The losses have been charged to Financing and Investments section within the Comprehensive Income & Expenditure Account.
- Overall net gains on revaluation of fixed assets were £1.740m, being £3.784m lower than in 2018/19. This relates to a desktop revaluation of assets held by the Council at 31<sup>st</sup> March 2020. The effect of Covid 19 are are likely to be included in the valuation of assets in 2020/21.
- The Pension Liabilities on the Balance Sheet has decreased from £77.6m to £63.9m, this is due to an actuarial gain in the pension fund of £13.7m, further details are included in Note 34 below.

## **7. Provisions**

The provision for backdated appeals regarding NDR has decreased by £3.1m in 2019/20 from and increase of £2.6m in 2018/19 following a change in the calculation of the provision for of the appeals and accounting policy. The Council's share of this provision is £1.354m, and the balance has been accounted for within the preceptors accounts.

## **8. The Council's Finances**

The Council's budget for 2019/20 was approved with planned use of working balance reserves £971k, whilst the Medium Term Financial Strategy (MTFS) to the end of March 2021 anticipates deficits, these can be covered from the Council's reserves. Efficiencies will be refreshed to ensure long term financial sustainability as part of the next MTFS. At the time of writing the intentions of the new government regarding local authority funding are not clear, with significant items such as the retention of business rates still under consideration. These will be taken into account, if known, when the next MTFS to 31<sup>st</sup> March 2023 is prepared in late 2020.

## **9. Non-Financial Performance**

The Council's objectives are set out in the Corporate Plan and this is reviewed through Cabinet and wider consultation with local partners and the community. The achievement of the plan is monitored through performance management and review processes carried out by Cabinet, Scrutiny committees and officers. The Corporate Plan and associated quarterly performance monitors and annual performance report are available through the Council's website. The following link will take readers to the performance page on the Council's website.

[http://www.charnwood.gov.uk/pages/council\\_performance\\_indicators](http://www.charnwood.gov.uk/pages/council_performance_indicators)

A rigorous and robust annual service delivery and team planning process is in place that includes consultation with service users, which ensures that resources and budgets are aligned to the corporate objectives set out in the Corporate Plan, as well as providing for a controlled and objective means of identifying efficiency savings and opportunities for investment to improve service delivery.

## **Outlook and Risk**

Previous paragraphs have outlined the negative economic conditions which the Council is likely to face in the near future, in particular, those created by the coronavirus outbreak and potential economic dislocation arising from the implementation of Brexit. These factors will impact government finances (and hence the ability to fund public services), which in turn will influence the Council's funding settlements in future years.

This outlook combined with a pre-existing structural deficit within the budget that has recently emerged obviously gives rise to financial challenges with which the Council are already fully engaged, as is illustrated by plans to bring forward interim and updated versions of the 2020/21 budget, and the extant Capital Plan and Capital Strategy in the autumn.

Underpinning these plans are ongoing initiatives targeted at increasing efficiencies, developing commercial opportunities and looking to leverage existing asset and treasury resources.

As noted above, the Council does maintain adequate levels of reserves (and there is confidence that the Council can continue to provide services in a financially sustainable way).

In terms of managing risk, a risk management framework has been established under which strategic risks which may cause the Council to be unable to operate or provide key services leading to a significant adverse effect on public wellbeing are identified on an annual basis, are approved as reasonable and complete by Cabinet, and are subsequently monitored on a quarterly basis by senior managers and by the Audit Committee. Lower level corporate and operational risks are identified by the annual service delivery planning process and are monitored on an ongoing quarterly basis, with any exceptions or significant concerns being escalated to senior managers and to the Audit Committee.

All Cabinet reports recommending decisions include details of any relevant financial and legal implications, and contain a risk management section which sets out any identified risks together with their likelihood and impact, and actions planned to manage the risks.

## **10. Statement of Authorisation**

The Statement of Accounts were authorised for presentation on 10th July 2020 by Simon Jackson, Strategic Director of Corporate Services and S.151 Officer. All financial events up to and including 10<sup>th</sup> July 2020, have been considered in these accounts.

## **11. Preparation of Accounts**

I would like to thank all staff who have been involved in the preparation of these accounts.

## **12. Further Information**

Further information regarding the accounts may be obtained from:

The Head of Finance and Property Services,  
Charnwood Borough Council,  
Southfield Road,  
Loughborough,  
LE11 2TU.

**13.** Members of the public have a statutory right to inspect the accounts on deposit for audit purposes and the availability of the accounts for inspection is advertised on the Council's web site at [www.charnwood.gov.uk](http://www.charnwood.gov.uk) and on public notices displayed in the Council Offices.

## **Statement of Responsibilities for the Statement of Accounts**

### **The Council's Responsibilities**

The 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 Council, that officer is the Strategic Director of Corporate Services and Chief Financial Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

### **Chief Financial Officer's Responsibilities**

The Chief Financial Officer is responsible for the preparation of the Council's Statement of Accounts, in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, the Chief Financial Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code;
- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.
- Assessed the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- Used the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future; and
- Maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Council at the reporting date and of its expenditure and income for the year ended 31st March 2020.

**Certified by the S151 Officer:**

**Simon Jackson**  
**Strategic Director of Corporate Services**

**25th November 2020**

In accordance with section 9 of the Accounts and Audit Regulations 2015 No 234, the Statement of Accounts shall be signed and dated by the Chairman of the Audit committee who presided at the meeting at which approval was given.

**Signed by the Chairman of the Audit Committee**

**25<sup>th</sup> November 2020**

## Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation and rents. Authorities raise taxation and rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Gross Expenditure	Gross Income	Net Costs		Gross Expenditure	Gross Income	Net Costs
2018/19	2018/19	2018/19		2019/20	2019/20	2019/20
£'000	£'000	£'000		£'000	£'000	£'000
112	0	112	Housing, Planning Regeneration Director	115	0	115
1,328	(744)	584	Head of Strategic & Private Sector Housing	1,478	(656)	822
0	(194)	(194)	Head of Landlord Services	0	(225)	(225)
2,975	(1,341)	1,634	Head of Planning & Regeneration	2,957	(1,503)	1,454
2,187	(1,537)	650	Head of Regulatory Services	2,257	(1,478)	779
6,602	(3,816)	2,786	<b>Housing, Planning Regeneration Directorate</b>	6,807	(3,862)	2,945
7,888	(2,070)	5,818	Head of Waste, Engineering & Open Spaces	8,135	(2,244)	5,891
282	0	282	Neighbourhoods & Community Wellbeing Director	183	0	183
2,782	(2,268)	514	Head of Leisure Services	2,820	(2,042)	778
1,942	(350)	1,592	Head of Neighbourhood Services	1,880	(346)	1,534
12,894	(4,688)	8,206	<b>Neighbourhoods &amp; Community Wellbeing Directorate</b>	13,018	(4,632)	8,386
113	0	113	Strategic Corporate Services Director	116	0	116
237	0	237	Chief Executive's Team	355	0	355
2,680	(1,236)	1,444	Head of Finance & Property Services	2,756	(1,267)	1,489
34,476	(30,410)	4,066	Head of Customer Experience	30,665	(25,996)	4,669
3,045	(350)	2,695	Head of Strategic Support	3,597	(586)	3,011
40,551	(31,996)	8,555	<b>Corporate Services Directorate</b>	37,489	(27,849)	9,640
<b>60,047</b>	<b>(40,500)</b>	<b>19,547</b>	<b>Total General Fund</b>	<b>57,314</b>	<b>(36,343)</b>	<b>20,971</b>
<b>10,319</b>	<b>(22,095)</b>	<b>(11,776)</b>	<b>Housing Revenue Account</b>	<b>10,956</b>	<b>(21,831)</b>	<b>(10,875)</b>
<b>70,366</b>	<b>(62,595)</b>	<b>7,771</b>	<b>Net Cost of Service</b>	<b>68,270</b>	<b>(58,174)</b>	<b>10,096</b>
		<b>(6,348)</b>	<b>Net Recharges, REFCUS &amp; Capital Charges</b>			<b>(13,342)</b>
		3,547	Parish Precepts			3,678
		683	Contribution to Housing Pooled Capital Receipts			818
		727	(Gains)/Loss on Disposal Fixed Assets			254
		(33)	Capital Receipt not related to Asset Disposal			(54)
		<b>4,924</b>	<b>Other Operating Expenditure</b>			<b>4,696</b>
		3,100	Interest Payable and similar charges (Note 23)			2,938
		1,725	Pensions Interest Costs and Returns on Assets (Note 34)			1,885
		(540)	Interest and Investment Income (Note 23)			(687)
		(72)	(Gains)/Losses Financial Instruments Revaluation of Property Funds (Note 22)			118
		(26)	Investment Properties Change in Fair Value (Note 11)			(202)
		<b>4,187</b>	<b>Financing and Investment Income and Expenditure</b>			<b>4,052</b>
		(4,345)	General Government Grant (Note 29)			(3,739)
		(397)	Capital Grants & Contributions (Note 29)			(96)
		(5,981)	Non Domestic Rates Distribution (Note 6)			(8,049)
		(11,243)	Council Tax Income (Note 6)			(11,785)
		200	Collection Fund (Note 6)			164
		<b>(21,766)</b>	<b>Taxation &amp; Non-Specific Grant Income</b>			<b>(23,505)</b>
		<b>(11,232)</b>	<b>(Surplus)/Deficit on provision of services</b>			<b>(18,003)</b>
		(5,525)	(Gains)/Losses on revaluation of Fixed Assets			(1,705)
		10,765	Actuarial (Gains)/Losses on pension assets/liabilities (Note 34)			(17,019)
		<b>5,240</b>	<b>Other Comprehensive Income &amp; Expenditure</b>			<b>(18,759)</b>
		<b>(5,992)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>			<b>(36,726)</b>

## Balance Sheet as at 31st March 2020

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council are not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31st March 2019 £'000		Note	31st March 2020 £'000	31st March 2020 £'000
271,931	Council Dwellings	10	291,298	
56,662	Other Land & Buildings	10	58,426	
1,495	Vehicles, Plant & Equipment	10	1,421	
32	Infrastructure Assets	10	29	
3,905	Community Assets	10	3,916	
1	Assets Under Construction	10	59	
812	Surplus Assets Not Held for Sale	10	837	
334,838	<b>Property, Plant and Equipment Total</b>			<b>355,986</b>
279	Heritage Assets	13		279
3,483	Investment Property	11		3,685
6,888	Long Term Investments	14		4,770
192	Intangible Assets	12		178
345,680	<b>Non Current Assets (Sub-total)</b>			<b>364,898</b>
27,000	Short -Term Investments	14		17,000
119	Inventories	15		129
8,339	Short -Term Debtors	16		9,039
(3,596)	Bad Debt Impairments	16		(3,717)
15,927	Cash and Cash Equivalents	17		34,156
47,789	<b>Current Assets (Sub-Total)</b>			<b>56,607</b>
(613)	Bank Overdraft	17		(34)
(15,542)	Short-Term Creditors	19		(22,376)
(2,687)	Provisions	20		(1,354)
(18,842)	<b>Current Liabilities (Sub-Total)</b>			<b>(23,764)</b>
(81,190)	Long-Term Borrowing, over 12 Months	14		(81,190)
(77,619)	Defined Benefit Pension Scheme Asset/(Liability)	34		(63,984)
(3,359)	Capital Grants Receipts in Advance	29		(3,382)
(162,168)	<b>Long term Liabilities Total</b>			<b>(148,556)</b>
<b>212,459</b>	<b>Net Assets Total</b>			<b>249,185</b>

## Balance Sheet as at 31st March 2020

31st March 2019 £'000		Note	31st March 2020 £'000	31st March 2020 £'000
(10,384)	Capital Receipts Reserve	21		(12,007)
(3,926)	HRA Major Repairs Reserve	7		(3,364)
(3,057)	Revenue Reserves	7		(3,239)
(809)	Reinvestment Reserve	7		(883)
(252)	Capital Grants Unapplied	21		(219)
(6,871)	General Fund Balance			(4,498)
(613)	HRA Fund Balance			(610)
(8,060)	HRA Financing Fund	8		(8,234)
<b>(33,972)</b>	<b>Usable Reserves Total</b>			<b>(33,054)</b>
703	Collection Fund Adjustment Account	22		(2,092)
(228,147)	Capital Adjustment Account	22		(248,168)
(91)	Financial Instruments Revaluation Reserve			27
77,619	Pension Reserve (Surplus)/Deficit	22		63,984
(28,825)	Revaluation Reserve	22		(30,140)
254	Accumulated Absences Account			258
<b>(178,487)</b>	<b>Unusable Reserves Total</b>			<b>(216,131)</b>
<b>(212,459)</b>	<b>Total Reserves</b>			<b>(249,185)</b>

## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to the Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance, before any discretionary transfers to or from earmarked reserves undertaken by the Council.

<b>Movement in Reserves Statement 2019-20</b>	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked Housing Revenue Account Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Opening Balance at the beginning of the period</b>	<b>(6,871)</b>	<b>(3,866)</b>	<b>(613)</b>	<b>(11,986)</b>	<b>(10,384)</b>	<b>(252)</b>	<b>(33,972)</b>	<b>(178,487)</b>	<b>(212,459)</b>
(Surplus)/Deficit on provision of Services (accounting basis)	2,260	0	(20,263)	0	0	0	(18,003)	0	(18,003)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(18,723)	(18,723)
<b>Total Comprehensive Income and Expenditure</b>	<b>2,260</b>	<b>0</b>	<b>(20,263)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(18,003)</b>	<b>(18,723)</b>	<b>(36,726)</b>
<b>Adjustments Primarily involving the Capital Receipts Reserve:</b>									
Use of Capital Receipts Reserve to finance new Capital Expenditure	0	0	0	0	1,120	0	1,120		
Cash Proceeds	0	0	0	0	(2,744)	0	(2,744)		
<b>Adjustments Primarily involving the Capital grants Unapplied Account:</b>									
Application of Grants to Capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	(7)	(7)		
Capital grants unapplied adjustment and Contributions Applied	0	0	0	0	0	0	0		
Transfer to General Fund	0	0	0	0	0	40	40		
<b>Adjustments Primarily involving the Major Repairs Reserve:</b>									
Depreciation credited to MRA Use of the Major Repair Reserve to finance new Capital Expenditure	0	0	0	(3,249)	0	0	(3,249)		
	0	0	0	3,811	0	0	3,811		
<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>562</b>	<b>(1,623)</b>	<b>33</b>	<b>(1,028)</b>	<b>1,028</b>	<b>0</b>
<b>Adjustment between Accounting basis and Funding basis under Regulations:</b>									
Pension Fund Reserve	(2,827)	0	(556)	0	0	0	(3,383)		
Financial Instruments	(118)	0	0	0	0	0	(118)		
Council Tax	10	0	0	0	0	0	10		
NNDR Business Rates	2,785	0	0	0	0	0	2,785		
Accumulated Absences Account	(3)	0	(1)	0	0	0	(4)		
Capital Adjustment Account									
-Upward Revaluation	1,884	0	18,921	0	0	0	20,805		
- Downward Revaluation	(674)	0	(1,029)	0	0	0	(1,703)		
-Gain/(Loss) on Disposal of Non-Current Assets	695	0	(950)	0	0	0	(254)		
-Revenue Expenditure Funded from Capital	(1,712)	0	0	0	0	0	(1,712)		
- Depreciation	(1,192)	0	0	0	0	0	(1,192)		
Capital Expenditure charged against General Fund and HRA balances	213	0	3,659	0	0	0	3,872		
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0	0		
Application of Grants to Capital Adjustment Account	1,561	0	47	0	0	0	1,608		
Capital Receipts Reserve	(764)	0	0	0	0	0	(764)		
<b>Sub Total Adjustments between accounting basis and funding basis under regulations</b>	<b>(143)</b>	<b>0</b>	<b>20,092</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>19,948</b>	<b>(19,948)</b>	<b>0</b>
<b>Net (Increase)/Decrease before transfers to earmarked reserves</b>	<b>2,117</b>	<b>0</b>	<b>(171)</b>	<b>562</b>	<b>(1,623)</b>	<b>33</b>	<b>918</b>	<b>(37,643)</b>	<b>(36,726)</b>
Transfers to/(from) earmarked reserves	256	(256)	174	(174)	0	0	0	0	0
<b>Sub Total (increase)/decrease in the year</b>	<b>2,373</b>	<b>(256)</b>	<b>3</b>	<b>389</b>	<b>(1,623)</b>	<b>32</b>	<b>(918)</b>	<b>(37,643)</b>	<b>(36,726)</b>
<b>Balance at the end of the period</b>	<b>(4,499)</b>	<b>(4,122)</b>	<b>(610)</b>	<b>(11,598)</b>	<b>(12,007)</b>	<b>(219)</b>	<b>(33,055)</b>	<b>(216,130)</b>	<b>(249,185)</b>

<b>Movement in Reserves Statement 2018-19</b>	<b>General Fund Balance</b>	<b>Earmarked General Fund Reserves</b>	<b>Housing Revenue Account</b>	<b>Earmarked Housing Revenue Account</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Authority Reserves</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Opening Balance at the beginning of the period</b>	<b>(7,057)</b>	<b>(4,166)</b>	<b>(617)</b>	<b>(9,615)</b>	<b>(9,793)</b>	<b>(222)</b>	<b>(31,470)</b>	<b>(174,996)</b>	<b>(206,466)</b>
(Surplus)/Deficit on provision of Services (accounting basis)	5,557	0	(16,789)	0	0	0	(11,232)	0	(11,232)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	5,240	5,240
<b>Total Comprehensive Income and Expenditure</b>	<b>5,557</b>	<b>0</b>	<b>(16,789)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(11,232)</b>	<b>5,240</b>	<b>(5,993)</b>
<b>Adjustments Primarily involving the Capital Receipts Reserve:</b>									
Use of Capital Receipts Reserve to finance new Capital Expenditure	0	0	0	0	1,359	0	1,359		
Cash Proceeds	0	0	0	0	(1,950)	0	(1,950)		
<b>Adjustments Primarily involving the Capital grants Unapplied Account:</b>									
Application of Grants to Capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	56	56		
Capital grants unapplied adjustment and Contributions Applied	0	0	0	0	0	(94)	(94)		
Transfer to General Fund	0	0	0	0	0	8	8		
<b>Adjustments Primarily involving the Major Repairs Reserve:</b>									
Depreciation credited to MRA	0	0	0	(3,025)	0	0	(3,025)		
Use of the Major Repair Reserve to finance new Capital Expenditure	0	0	0	1,732	0	0	1,732		
<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,293)</b>	<b>(591)</b>	<b>(30)</b>	<b>(1,914)</b>	<b>1,914</b>	<b>0</b>
<b>Adjustment between Accounting basis and Funding basis under Regulations:</b>									
Pension Fund Reserve	(3,724)	0	(388)	0	0	0	(4,112)		
Financial Instruments	72	0	0	0	0	0	72		
Council Tax	33	0	0	0	0	0	33		
Accumulated Absences Account	12	0	5	0	0	0	17		
NNDR Business Rates	(231)	0	0	0	0	0	(231)		
Capital Adjustment Account									
-Upward Revaluation	520	0	13,261	0	0	0	13,781		
- Downward Revaluation	(735)	0	(189)	0	0	0	(924)		
-Gain/(Loss) on Disposal of Non-Current Assets	(9)	0	(718)	0	0	0	(727)		
-Revenue Expenditure Funded from Capital	(1,027)	0	0	0	0	0	(1,027)		
- Depreciation	(1,349)	0	0	0	0	0	(1,349)		
Capital Expenditure charged against General Fund and HRA balances	753	0	3,716	0	0	0	4,469		
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	94	0	0	0	0	0	94		
Application of Grants to Capital Adjustment Account	1,171	0	27	0	0	0	1,198		
Capital Receipts Reserve	(650)	0	0	0	0	0	(650)		
<b>Sub Total Adjustments between accounting basis and funding basis under regulations</b>	<b>(5,070)</b>	<b>0</b>	<b>15,714</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,644</b>	<b>(10,644)</b>	<b>0</b>
<b>Net (Increase)/Decrease before transfers to earmarked reserves</b>	<b>487</b>	<b>0</b>	<b>(1,075)</b>	<b>(1,293)</b>	<b>(591)</b>	<b>(30)</b>	<b>(2,502)</b>	<b>(3,491)</b>	<b>(5,993)</b>
Transfers to/(from) earmarked reserves	(300)	300	1,079	(1,078)	0	0	0	0	0
<b>Sub Total (increase)/decrease in the year</b>	<b>186</b>	<b>300</b>	<b>4</b>	<b>(2,371)</b>	<b>(591)</b>	<b>(30)</b>	<b>(2,502)</b>	<b>(3,491)</b>	<b>(5,993)</b>
<b>Balance at the end of the period</b>	<b>(6,871)</b>	<b>(3,866)</b>	<b>(613)</b>	<b>(11,986)</b>	<b>(10,384)</b>	<b>(252)</b>	<b>(33,972)</b>	<b>(178,487)</b>	<b>(212,459)</b>

## Cash Flow Statement

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

2018/19 £'000		2019/20 £'000
(11,232)	<b>Net (Surplus)/Deficit on the provision of services</b>	<b>(18,003)</b>
	<b>Adjustments for non-cash movements</b>	
8,457	Depreciation, Impairment, Amortisation of Non-current Assets	14,458
(4,112)	Net Charges made for Retirement Benefit	(3,383)
10	Increase/(Decrease) in Inventories	10
(2,859)	Increase/(Decrease) in Debtors	547
(1,627)	(Increase)/Decrease in Creditors	(1,286)
(3,327)	Carrying Amount of non-current Assets and non-current Assets held for sale	(3,762)
(1,132)	Other non-cash items charged to the net Surplus or Deficit on Provision of Services	(10,703)
<b>(4,590)</b>	Adjustments to net Surplus/Deficit for non-cash movements	<b>(4,118)</b>
	<b>Adjustments for items that are Investing or Financing Activities</b>	
4,057	Other Capital Receipts and (Gains)/Loss on Sale non-current Assets	5,210
<b>(11,765)</b>	<b>Net Cash outflows/(inflows) from Operating Activities</b>	<b>(16,911)</b>
1,595	Net Capital Activities	3,461
16,380	Net Change in Investments	0
<b>17,975</b>	<b>Net Cash outflows/(inflows) from Investing Activities (Note 24)</b>	<b>3,461</b>
<b>(389)</b>	<b>Net Cash outflows/(inflows) from Financing Activities (Note 25)</b>	<b>(5,358)</b>
<b>5,821</b>	<b>Net (Increase)/Decrease in Cash and Cash Equivalents</b>	<b>(18,808)</b>
21,135	Cash and Cash Equivalents at the beginning of the period	15,314
15,314	<b>Cash and Cash Equivalents at the end of the period (Note 17)</b>	34,122
<b>5,821</b>	<b>(Increase)/Decrease in Cash and Cash Equivalents</b>	<b>18,808</b>

## Accounting Policies

### 1. General Principles

This Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at 31<sup>st</sup> March 2020 year end. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audits Regulations 2015. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) and the Service Reporting Code of Practice 2019/20, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### 2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

#### Debtors and Creditors

The Council's revenue accounts are maintained on an accruals basis in accordance with the Code. That is, sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year. An exception to this principle relates to repayments of NNDR which are made on a cash basis in the year that the Council is notified of the necessity to refund and, although the amount is outside of the Council's control, a provision has been established to cover the Council's share of such possible refunds.

#### Interest on balances

General Fund interest for the year is accrued and accounted for in the accounts in the relevant period to which it relates. Interest is credited to the Housing Revenue Account based on an average rate of interest earned on the Council's investments during the year.

### 3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash Equivalents are investments that mature in no more than 3 months 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, cash and cash equivalents are shown net of debit amounts with banks that are repayable on demand and form an integral part of the Council's cash management.

### 4. Provisions and Contingent Liabilities

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

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made they are charged to the provision carried in the balance sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

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.

## **5. Employee Benefits**

Benefits Payable During Employment - Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as salaries, paid annual leave and paid sick leave, and any bonuses for current employees and are recognised as an expense for services in the year in which the employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

## **6. Retirement Benefits**

Most employees of the Council are members of the Local Government Pensions Scheme (the 'Scheme'), administered by Leicestershire County Council, which provides defined benefits to members, earned as employees work for the Council.

The liabilities of the pension fund 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 about mortality rates, staff turnover etc. and projections of projected earnings for current staff. Liabilities are discounted to their value at current prices, using a discount rate of 2.3% based on the indicative rate of return on high quality corporate bonds as measured by the yield on iBoxx Sterling Corporate Index, AA over 15 years, at the IAS 19 valuation date. (The corresponding figure for 2018/19 was 2.4%).

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

- Current service cost, which is the increase in liabilities as a result of years of service earned this year and is allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for the relevant employees.
- Past service cost, the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment. These costs are part of Non Distributed Costs.
- Interest cost, which is the expected increase in the present value of liabilities during the year and is debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.
- Expected return on assets is the annual investment return on the Scheme's fund based on the average of the expected long-term return and is credited to the Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.
- Gains/losses on settlements and curtailments which result from actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees. This is debited or credited, as appropriate, to the Net Cost of Services as part of Non Distributed Costs.
- Actuarial gains and losses change to the net pension liability and arise because events have not coincided with assumptions made at the last actuarial valuation or because those assumptions have been updated and these are debited to the Statement of Total Recognised Gains and Losses.
- Contributions paid to the Scheme as the employer's contributions.

Statutory provisions limit the Council to raising council tax to cover the amounts payable to the Scheme in the year. This results in appropriations to and from the Pensions Reserve in the Movement in Reserves Statement to remove the notional debits and credits and replace them with debits for cash paid and payable to the Scheme in the year.

## **7. 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 future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effects 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 stated otherwise, by adjusting opening balances and comparative amounts for the prior period as if the new policy has always been applied. Should any material errors be discovered in prior period figures they are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## 8. Financial Instruments

### Financial Liabilities

Financial Liabilities are initially measured at fair value and are carried in the Balance Sheet at their amortised cost, which is based upon the nature of the liability concerned. 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 value of the liability, multiplied by the effective rate of interest for the instrument. For the borrowings that the Council has, this means that 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 loan in the agreement.

Gains or losses arising on the repurchase or early settlement of borrowings are debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. Where, however, the repurchase of borrowing has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

### Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available for Sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially valued at fair value, based upon prevailing benchmark market rates for new borrowing. They are subsequently measured and carried on the Balance Sheet at amortised cost. PWLB loan fair value estimates are based upon new borrowing (certainty rate) discount rates. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable, interest is credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the investment's original effective interest rate.

Any gains and losses on de-recognition of an asset are credited or debited directly to the Comprehensive Income and Expenditure Statement.

Available for sale assets are recognised when the Council becomes a party to the contractual provisions of a financial instrument and are initially valued at fair value in the Balance Sheet. Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain/loss is recognised in the surplus or deficit on Revaluation of Available for Sale Financial Assets. Any gains/losses on de-recognition are taken directly to the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available For Sale Reserve.

The Council also holds a very small amount of Government stock. This is treated as an Available for Sale asset under the Code. However, these are held at cost in the Balance Sheet as the difference between this and their market value is immaterial to the Council as a whole.

The notes to the financial statements, show this information, where relevant, relating to the appropriate class of assets and liabilities.

## 9. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (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.

#### **10. Intangible Assets**

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

#### **11. Heritage Assets**

The Council owns heritage assets such as civic regalia, statues, paintings and sculptures. Those valued at £10k or more are included on the Balance Sheet as Heritage Assets. The actual assets are situated in Council premises, parks and squares in Loughborough. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets in that heritage items are reported in the Balance Sheet at insurance valuation.

#### **12. Inventories**

Inventories are included in the Balance Sheet at the latest purchase price.

#### **13. Investment Property**

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated. Gains and losses on revaluation and disposal are posted to the Comprehensive Income and Expenditure Statement.

Rentals received in relation to investment properties are credited to the Comprehensive Income and Expenditure Statement. 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 (for any sale proceeds greater than £10K) the Capital Receipts Reserve.

#### **14. 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. No finance leases have been identified and currently all the Council's leases are classified as operating leases.

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefitting from the use of the leased property, plant or equipment.

#### **15. Charges to Revenue for Non-Current Assets**

Service revenue accounts, including support services and trading accounts, are debited with the following amounts to record the real cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service,

- revaluation and impairment losses, if relevant, on non-current assets used by the service, if there are no accumulated gains in the Revaluation Reserve against which they can be written off,
- Amortisation of intangible non-current assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment or amortisation and therefore these are reversed in the Movement in Reserves Statement on the General Fund Balance.

## 16. Overheads

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2019/20. The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

## 17. Property, Plant and Equipment

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

The effect of Covid 19 are likely to be included in the valuation of assets in 2020/21.

### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accrual basis, 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 on routine repairs and maintenance of non-current assets that do not enhance the asset or extend its useful economic life is charged directly to service revenue accounts. The de-minimus level for accounting for property, plant and equipment is £10K.

### Measurement

Assets are initially measured at cost, comprising of the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

- Infrastructure assets, community assets and assets under construction are included in the balance sheet at depreciated historical cost.
- Council dwellings have been valued using the 'Beacon valuation' method, whereby a sample of each category of dwelling is valued and then these valuations are applied to all similar dwellings to arrive at a gross valuation. They are valued at fair value, determined using the basis of existing use value for social housing (EUV-SH).
- Land, operational properties and other operational assets are included in the balance sheet at existing use value, market value or depreciated replacement cost.

Non-specialised operational properties are valued at either existing use or market value. Depreciated replacement cost is used for specialised operational properties and market value for investment properties and surplus assets.

Revaluations of non-current assets take place at five yearly intervals, also annual desktop valuations are carried out with any changes to valuations of plus or minus £10K will continue to be adjusted for in the interim period, as they occur. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains, unless the increase is reversing a previous revaluation decrease charged to Surplus or Deficit on the Provision of Services on the same asset.

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

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

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

## Impairment

Non-Current Assets are assessed at each year end as to whether there is any indication that an asset may be impaired.

## Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets under construction.

Depreciation is provided using the straight-line method over either the remaining life of the asset or the following periods:

Buildings (where appropriate – including HRA)	15 - 60	years
Infrastructure	20	years
Plant, vehicles and equipment (excluding computers)	7	years
Computers and software licences	5	years

No item of Property, Plant and Equipment has been identified as having major components whose cost is significant in relation to the total cost of the item; therefore no separate depreciation calculations are required.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged to 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 and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is devalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Depreciation is not charged to Assets Held for Sale. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

Receipts from disposals are part of the gain or loss on disposal line in the Comprehensive Income and Expenditure Statement (i.e. netted off against the carrying value of the assets at the time of disposal). 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 £10K are categorised as a capital receipt. A proportion of receipts relating to housing disposals are payable to the Government. The balance of receipts is credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

## **18. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. Expenditure to be funded from a reserve is charged to the appropriate service revenue account and reflected in the Net Cost of Services in the Comprehensive Income and Expenditure Statement. The relevant amount is then transferred back into the General Fund Balance so that there is no net charge to council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits and do not represent usable resources for the Council. These reserves are explained elsewhere in these Accounting Policies.

## **19. Revenue Expenditure Funded from Capital under Statute**

This is expenditure incurred during the year that may be capitalised under statutory provisions, but does not result in the creation of a non-current asset for the Council. This is charged as expenditure to the relevant service revenue account in the year. The cost of this expenditure is met from existing capital resources and a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Movement in Reserves Statement so there is no impact on the level of council tax.

## **20. Value Added Tax**

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

## **21. Accounting for Council Tax**

The Council Tax income for the year credited to the Collection Fund is the accrued income for the year but regulations determine when it should be released from the Collection Fund to the Council's General Fund or to major preceptors. The amount credited to the General Fund under statute is Council's demand for the year plus or minus its share of the surplus or deficit on the Collection Fund for the previous year. The Council Tax income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year. The difference between this amount and the amount credited to the General Fund is transferred to the Collection Fund Adjustment Account via the Movement in Reserves Statement.

The cash collected by the Council from Council Tax payers belongs proportionately to the Council and the major preceptors. The difference between the amounts collected on behalf of the major preceptors and the payments made to them is reflected as a debtor or creditor balance as appropriate.

## **22. Accounting for Business Rates**

The Business Rates income for the year credited to the Collection Fund is the accrued income for the year but regulations determine when it should be released from the Collection Fund to the Council's General Fund or to major preceptors and the Government. The amount credited to the General Fund under statute is the Council's estimated share of Business Rates for the year from the National Non Domestic Rates (NNDR) 1 return.

The Business Rates income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year from the NNDR3 return. The difference between this amount and the amount credited to the General Fund is transferred to the Collection Fund Adjustment Account via the Movement in Reserves Statement.

The cash collected by the Council from Business Ratepayers belongs proportionately to the Council, the major preceptors, and the Government. The difference between the amounts collected on behalf of the major preceptors and Government, and the payments made to them is reflected as a debtor or creditor balance as appropriate.

## **23. Fair Value Measurement of Non-Financial Assets**

The Council's accounting policy for fair value measurement of financial assets is set out in the policy on financial instruments in Note 14. The Council also measures some of its non-financial assets such as investment properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

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

- in the principal market for the asset or liability, or
- 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 using the assumptions that market participants would use when pricing the asset, 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 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 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, either directly or indirectly;
- Level 3 – unobservable inputs for the asset.

## Notes to the Financial Statements

### Note 1 Accounting Standards Issued, Not Adopted

There have been no substantial changes to the Council's accounting policies in 2019/20 and, whilst there have been some changes to International Financial Reporting Standards (IFRS), these have either been incorporated in the Financial Statements or they do not apply to the Council.

### Note 2 Critical Judgements in Applying Accounting Policies

In applying the accounting policies the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

- There is uncertainty about future levels of funding for local government notably issues around welfare reform, localisation of Business Rates and the upcoming Fairer Funding and Spending Reviews. Government have proposed that Councils will get to keep 75% of business rates income in the future, but will also need to take on new responsibilities. The Council has determined that the information regarding this is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- One factor that has had a demonstrable impact in the past few years on the accounts concerns the assumptions surrounding pensions and the likelihood of legislative change and the impact of such change.
- At this stage in the response to the Novel Coronavirus (COVID-19) pandemic, it is difficult to assess the longer term nature of ongoing impacts of the virus upon the Council. Regular monitoring will be undertaken and reported as appropriate, and future years' Accounts will reflect the situation as it is known at that time.
- It is anticipated that no substantial legal claims or appeals will be made against the Council in the next financial year.
- No contracts exist with other bodies which need to be accounted for as a service concession or contain an embedded lease.
- The decision to leave the European Union (EU) was made in 2016/17 and the UK left the EU on 31 January 2020. This began a transition period that is set to end on 31 December 2020, during which the UK and EU will negotiate their future relationship. It is still unclear what the implications of withdrawal from the EU might be for this Council and Local Government as a sector.

### Note 3 Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However the actual results could be materially different from the assumptions and estimates. Major estimates are Pensions, Plant Property and Equipment, Property Funds and provisions in respect of NNDR.

The outbreak of the COVID-19, declared by the World Health Organisation as a Global Pandemic on 11 March 2020 has impacted on global financial markets and market activity is being impacted in many sectors, as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances of which to base a judgement. Valuations are therefore reported on the basis of "material valuation uncertainty" as per the RICS Red book Global. Consequently less certainty and a higher degree of caution should be attached to the valuation.

Plant, Property and Equipment Valuations – Our independent valuers Wilks Head and Eve report has qualified their valuations regarding material uncertainty because of BEXIT and COVID.

Freehold, Leasehold, Property funds, valuation techniques are used to determine the carrying amount. Where possible these valuation techniques are based on observable data but where this is not possible management uses the best available data.

COVID 19 has significantly impacted the Council's ability to generate income. The Council has had to perform additional duties due to the demands placed on Local Government to deliver Community Hubs and Business Rate Grant Support. This has resulted in additional costs, which in turn will have an adverse affect on the Council's reserves. On the 1<sup>st</sup> April 2020, the government provided the council with £32m grant funding for business support packages to be delivered by the

council and other grant funding has been received to support business as a discretionary scheme, hardship support scheme and an emergency budget to support the Council throughout the COVID period.

**Note 4 Exceptional Items of Income and Expenditure**

There are no Exceptional Items for 2019/20.

**Note 5 Events after the Balance Sheet Date**

The Statement of Accounts was authorised for presentation by the S151 Officer on 10th July 2020. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## Note 6 Expenditure and Income Analysed by Nature

The Council's expenditure and income is analysed as follows:

2018/19 £'000		2019/20 £'000
	<b>Expenditure</b>	
19,059	Employee Benefits Expenses	19,844
52,336	Other Services Expenses	50,016
18,617	Support Service Recharges	17,751
(8,457)	Depreciation, Amortisation, Impairments	(14,661)
3,100	Interest Payments	2,937
1,725	Net Pension Interest	1,885
3,547	Parish Precepts	3,678
683	Payment to Housing Capital Receipts Pool	818
(33)	Capital Receipts Not Related to Asset Disposal	(54)
727	Gain on the Disposal of Assets	254
<b>91,304</b>	<b>Total Expenditure</b>	<b>82,669</b>
	<b>Income</b>	
(63,500)	Fees, Charges and Other Income	(59,685)
(16,659)	Recharge Income	(16,914)
(540)	Interest and Investment Income	(687)
(72)	(Gains)/Losses on Revaluation of Property Funds	118
(17,023)	Income from Council Tax and Non Domestic Rates	(19,670)
(4,345)	Government Grants and Contributions	(3,739)
(397)	Capital Grants	(96)
<b>(102,536)</b>	<b>Total Income</b>	<b>(100,673)</b>
<b>(11,232)</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(18,003)</b>

## Note 7 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts transferred out from earmarked reserves to meet General Fund and HRA expenditure in 2019/20.

	Balance at 31st March 2019 £'000	Transfers Out £'000	Transfers in £'000	Balance at 31st March 2020 £'000
<b>Revenue Reserves</b>				
Reinvestment Reserve	(809)	96	(170)	(883)
Growth Support Fund	(101)	0	0	(101)
Capital Plan Reserve	(2,193)	213	0	(1,980)
Other Reserves	(763)	30	(425)	(1,158)
<b>Total General Fund</b>	<b>(3,866)</b>	<b>339</b>	<b>(595)</b>	<b>(4,122)</b>
<b>HRA Financing Fund</b>	<b>(8,060)</b>	<b>0</b>	<b>(174)</b>	<b>(8,234)</b>
<b>HRA Major Repairs Reserve</b>	<b>(3,926)</b>	<b>3,811</b>	<b>(3,249)</b>	<b>(3,364)</b>

## Reinvestment Reserve

The purpose of this reserve is to fund items that produce a payback to the Council, to fund costs that lead to appreciable service improvements and to fund one off costs. Transfers to and from the Reinvestment Reserve are detailed below:

2018/19			2019/20	
£'000	£'000		£'000	£'000
	<b>(595)</b>	<b>Balance at 1st April</b>		<b>(809)</b>
0		Online Customer Experience Project	14	
47		Member Grant Scheme	0	
14		Digital Programme Investment Plan	16	
5		Our Space Programme – Decommissioning costs		
		Limehurst Depot	39	
120		Property Fund Investment	0	
0		Transformation Programme – Resourcing for		
		Mobilisation	27	
60		Capital Allocation – Digital Democracy	0	
25		Capital Allocation – Wireless Connectivity	0	
184		Capital Allocation – Future Use of Industrial Land at		
		Messenger Close Loughborough	0	
	<b>455</b>	<b>Total Expenditure in the Year</b>		<b>96</b>
	<b>(669)</b>	<b>Transfer from the General Fund</b>		<b>(170)</b>
	<b>(809)</b>	<b>Balance at 31st March</b>		<b>(883)</b>

## Note 8 Other Income and Expenditure

Other income and expenditure included within the Comprehensive Income and Expenditure Cost of Service are Loughborough Special Expenses and the Building Control Account as detailed below:-

### Loughborough Special Expenses

Loughborough Special Expenses is the town precept comparable to parish precepts. These costs are included within specific service lines in the Comprehensive Income and Expenditure Statement.

There was a credit balance of £1K in 2018/19. However, a credit of £20K was adjusted in the setting of the special expenses levy for 2020/21, leaving a debit balance of £19K to be adjusted for in future years. The 2019/20 debit balance of £10K will be adjusted in the setting of the special expenses levy for 2021/22.

Budget 2018/19 £'000	Actuals 2018/19 £'000	Credit Balance 2018/19 £'000		Budget 2019/20 £'000	Actuals 2019/20 £'000	Debit Balance 2019/20 £'000
1,351	1,350	1	Total Levy	1,368	1,378	10
(130)	(130)	0	Adjustments from Year 2016/17	0	0	0
0	0	0	Adjustments from Year 2017/18	(149)	(149)	0
(27)	(27)	0	Council Tax Support Grant	(6)	(6)	0
<b>1,194</b>	<b>1,193</b>	<b>1</b>	<b>Amended Total Levy</b>	<b>1,213</b>	<b>1,223</b>	<b>10</b>

## Building Control Account

The Building (Local Council Charges) Regulations 2010 (SI 2010/404) requires the disclosure of information regarding the setting of charges for the administration of the building control function. However the Building Control Unit cannot charge for building work solely required for disabled persons. The overriding objective is to ensure the chargeable account recovers costs for chargeable functions.

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
	<b>Chargeable Work</b>	
283	Expenditure	294
(191)	Income	(198)
<b>92</b>	<b>(Surplus)/Deficit</b>	<b>96</b>
	<b>Non-Chargeable Work</b>	
198	Expenditure	200
(27)	Income	(43)
<b>171</b>	<b>(Surplus)/Deficit</b>	<b>157</b>

## Note 9 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 local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It shows how this expenditure is allocated for decision making purposes between the council's services. Income & Expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income & Expenditure Statement.

Net Expenditure Chargeable to Services	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES		Net Expenditure Chargeable to Services	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
2018/19 £'000	2018/19 £'000	2018/19 £'000		2019/20 £'000	2019/20 £'000	2019/20 £'000
1,103	52	1,155	Head of Strategic & Private Sector Housing	1,308	70	1,378
83	(7)	76	Head of Landlord Services	75	4	79
2,229	107	2,336	Head of Planning & Regeneration	2,116	222	2,338
1,089	87	1,176	Head of Regulatory Services	1,233	172	1,405
4,504	239	4,743	<b>Housing, Planning Regeneration Directorate</b>	4,732	468	5,200
6,406	401	6,807	Head of Waste, Engineering & Open Spaces	6,674	499	7,173
892	546	1,438	Head of Leisure Services	1,138	620	518
1,894	101	1,995	Head of Neighbourhood Services	1,820	162	1,982
9,192	1,048	10,240	<b>Neighbourhood &amp; Community Wellbeing Directorate</b>	9,632	41	9,673
(42)	2,099	2,057	Head of Finance & Property Services	84	2	86
1,708	196	1,904	Head of Customer Experience	2,286	273	2,559
2,516	93	2,609	Head of Strategic Support	2,854	132	2,986
4,182	2,388	6,570	<b>Corporate Services Directorate</b>	5,224	407	5,631
<b>17,879</b>	<b>3,675</b>	<b>21,554</b>	<b>Total General Fund</b>	<b>19,588</b>	<b>916</b>	<b>20,504</b>
<b>(3,722)</b>	<b>(16,408)</b>	<b>(20,130)</b>	<b>Housing Revenue Account</b>	<b>(2,195)</b>	<b>(21,556)</b>	<b>(23,751)</b>
<b>14,157</b>	<b>(12,733)</b>	<b>1,424</b>	<b>Cost of Service</b>	<b>17,393</b>	<b>(20,640)</b>	<b>(3,247)</b>
3,514	1,410	4,924	Other Operating Expenditure	3,678	1,018	4,696
2,534	1,653	4,187	Financing & Investment Income & Expenditure	2,049	2,003	4,052
(22,085)	319	(21,766)	Taxation and non-specific Grant Income	(20,614)	(2,891)	(23,505)
<b>(1,881)</b>	<b>(9,351)</b>	<b>(11,232)</b>	<b>(Surplus)/Deficit on provision of services</b>	<b>2,507</b>	<b>(20,510)</b>	<b>(18,003)</b>
		(5,525)	(Gains)/Losses on revaluation of Fixed Assets			(1,705)
		10,765	Actuarial (Gains)/Losses on pension assets/liabilities			(17,018)
		<b>5,240</b>	<b>Other comprehensive Income and Expenditure</b>			<b>(18,723)</b>
		<b>(5,992)</b>	<b>Total comprehensive Income &amp; Expenditure</b>			<b>(36,726)</b>

This note provides a reconciliation of the main adjustments to Net Expenditure chargeable to the General Fund and HRA balances to arrive at the amount in the Comprehensive Income and Expenditure statement.

Adjustments for Capital Purpose	Net Change for Pension Adjustments	Other Differences	Total Adjustments Adjustment between Funding & Accounting Basis		Adjustments for Capital Purpose	Net Change for Pension Adjustments	Other Differences	Total Adjustments Adjustment between Funding & Accounting Basis
2018/19	2018/19	2018/19	2018/19		2019/20	2019/20	2019/20	2019/20
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
2	43	7	52	Head of Strategic & Private Sector Housing	4	56	10	70
0	(7)	0	(7)	Head of Landlord Services	0	4	0	4
21	80	6	107	Head of Planning & Regeneration	16	113	93	222
49	40	(2)	87	Head of Regulatory Services	115	57	0	172
<b>72</b>	<b>156</b>	<b>11</b>	<b>239</b>	<b>Housing, Planning Regeneration Directorate</b>	<b>135</b>	<b>230</b>	<b>103</b>	<b>468</b>
152	230	19	401	Head of Waste, Engineering & Open Spaces	383	328	(212)	499
498	49	(1)	546	Head of Leisure Services	(690)	69	1	(620)
13	67	21	101	Head of Neighbourhood Services	11	96	55	162
<b>663</b>	<b>346</b>	<b>39</b>	<b>1,048</b>	<b>Neighbourhoods &amp; Community Wellbeing Directorate</b>	<b>(296)</b>	<b>493</b>	<b>(156)</b>	<b>41</b>
664	1,371	64	2,099	Head of Finance & Property Services	(36)	(6)	44	2
159	39	(2)	196	Head of Customer Experience	173	100	0	273
6	88	(1)	93	Head of Strategic Support	6	126	0	132
<b>829</b>	<b>1,498</b>	<b>61</b>	<b>2,388</b>	<b>Corporate Services Directorate</b>	<b>143</b>	<b>220</b>	<b>44</b>	<b>407</b>
<b>1,564</b>	<b>2,000</b>	<b>111</b>	<b>3,675</b>	<b>General Fund Total</b>	<b>(18)</b>	<b>943</b>	<b>(9)</b>	<b>916</b>
<b>(13,072)</b>	<b>387</b>	<b>(3,723)</b>	<b>(16,408)</b>	<b>Housing Revenue Account</b>	<b>(17,892)</b>	<b>556</b>	<b>(4,220)</b>	<b>(21,556)</b>
<b>(11,508)</b>	<b>2,387</b>	<b>(3,612)</b>	<b>(12,733)</b>	<b>Net Cost of Service</b>	<b>(17,910)</b>	<b>1,499</b>	<b>(4,229)</b>	<b>(20,640)</b>
				<b>Other Income and Expenditure from Funding Analysis</b>				
		683	683	Contribution to Housing Pooled Capital Receipts			764	764
		727	727	(Gains)/Loss on Disposal Fixed Assets			254	254
		1,725	1,725	Net Pensions Interest and Costs			1,885	1,885
		(72)	(72)	(Gains)/Loss on Property Fund			118	118
		121	121	Capital Grants and Contributions			(96)	(96)
		231	231	Non Domestic Rates Distribution			(2,785)	(2,785)
		(33)	(33)	Collection Fund			(10)	(10)
<b>(11,508)</b>	<b>2,387</b>	<b>(230)</b>	<b>(9,351)</b>	<b>Adjustments between Funding &amp; Accounting Basis General Fund/HRA Surplus and Comprehensive Income &amp; Expenditure</b>	<b>(17,910)</b>	<b>1,499</b>	<b>(4,099)</b>	<b>(20,510)</b>
			<b>(1,881)</b>	<b>Net Expenditure Chargeable to General Fund &amp; HRA Balances</b>				<b>2,507</b>
			<b>(11,232)</b>	<b>(Surplus)/Deficit on Comprehensive Income &amp; Expenditure Statement</b>				<b>(18,003)</b>

Note 10 Property, Plant and Equipment

<b>Movements in 2019/20</b>	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets under Construction</b>	<b>Total Plant, Property and Equipment</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>								
At 1st April 2019	271,938	56,752	5,580	166	3,916	814	1	339,167
Additions	8,201	142	253	0	21	0	58	8,675
Revaluation increases/(decreases) recognised in the Revaluation Reserve	159	1,216	0	0	0	17	0	1,392
Revaluation increases/(decreases) recognised in the Provision of Services	14,810	955	0	0	0	14	0	15,779
Derecognition – disposals	(3,803)	(577)	(668)	0	0	0	0	(5,048)
<b>At 31st March 2020</b>	<b>291,305</b>	<b>58,488</b>	<b>5,165</b>	<b>166</b>	<b>3,937</b>	<b>845</b>	<b>59</b>	<b>359,965</b>
<b>Accumulated Depreciation and impairment</b>								
At 1st April 2019	(7)	(90)	(4,085)	(134)	(11)	(2)	0	(4,329)
Depreciation charge	(3,196)	(827)	(327)	(3)	(10)	(8)	0	(4,371)
Depreciation written out to the Revaluation Reserve	134	832	0	0	0	2	0	968
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,062	23	0	0	0	0	0	3,085
Derecognition – disposals	0	0	668	0	0	0	0	668
<b>At 31st March 2020</b>	<b>(7)</b>	<b>(62)</b>	<b>(3,744)</b>	<b>(137)</b>	<b>(21)</b>	<b>(8)</b>	<b>0</b>	<b>(3,979)</b>
<b>Net Book Value at 31st March 2020</b>	<b>291,298</b>	<b>58,426</b>	<b>1,421</b>	<b>29</b>	<b>3,916</b>	<b>837</b>	<b>59</b>	<b>355,986</b>
<b>Net Book Value at 31st March 2019</b>	<b>271,931</b>	<b>56,662</b>	<b>1,495</b>	<b>32</b>	<b>3,905</b>	<b>812</b>	<b>1</b>	<b>334,838</b>

<b>Movements in 2018/19</b>	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets under Construction</b>	<b>Total Plant, Property and Equipment</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>								
At 1st April 2018	258,531	52,509	5,423	1,461	3,201	809	0	321,934
Additions	6,086	311	668	0	715	0	210	7,990
Revaluation increases/(decreases) recognised in the Revaluation Reserve	499	3,810	0	0	0	360	0	4,669
Revaluation increases/(decreases) recognised in the Provision of Services	10,177	(87)	0	0	0	(355)	0	9,735
Derecognition – disposals	(3,355)	0	(511)	(1,295)	0	0	0	(5,161)
Asset Reclassification	0	209	0	0	0	0	(209)	0
<b>At 31st March 2019</b>	<b>271,938</b>	<b>56,752</b>	<b>5,580</b>	<b>166</b>	<b>3,916</b>	<b>814</b>	<b>1</b>	<b>339,167</b>
<b>Accumulated Depreciation and impairment</b>								
At 1st April 2018	(6)	(63)	(4,289)	(1,425)	(4)	(1)	0	(5,788)
Depreciation charge	(2,965)	(1,002)	(307)	(4)	(7)	(1)	0	(4,286)
Depreciation written out to the Revaluation Reserve	115	727	0	0	0	0	0	842
Depreciation written out to the Surplus/Deficit on the Provision of Services	2,849	248	0	0	0	0	0	3,097
Derecognition – disposals	0	0	511	1,295	0	0	0	1,806
<b>At 31st March 2019</b>	<b>(7)</b>	<b>(90)</b>	<b>(4,085)</b>	<b>(134)</b>	<b>(11)</b>	<b>(2)</b>	<b>0</b>	<b>(4,329)</b>
<b>Net Book Value at 31st March 2019</b>	<b>271,931</b>	<b>56,662</b>	<b>1,495</b>	<b>32</b>	<b>3,905</b>	<b>812</b>	<b>1</b>	<b>334,838</b>
<b>Net Book Value at 31st March 2018</b>	<b>258,525</b>	<b>52,446</b>	<b>1,134</b>	<b>36</b>	<b>3,197</b>	<b>808</b>	<b>0</b>	<b>316,146</b>

## Impairment Losses

The code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the surplus or deficit on the provision of services and to other Comprehensive Income and Expenditure Statement.

These disclosures are consolidated in Notes 10 and 12 reconciling movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

## Capital Budgets

At 31st March 2020, the Council had entered into a number of contracts and capital commitments for the construction or enhancement of Property, Plant and Equipment, as well as certain capital grants and contributions in 2020/21. Similar commitments at 31st March 2019 were £14,832K with future year's budgets being £32,380K. The current major commitments are:

	<b>31st March 2020 £'000</b>
Shepshed Bull Ring	600
Bedford Square Gateway	1,338
Environmental Services - Fleet Purchase	4,800
Car Parks	352
Loughborough Cemetery - New Burial Provision	600
Planned Building Improvements	500
Investment in Commercial Property	10,000
Carbon Neutral Action Fund	500
Private Sector Housing and Disabled Facilities Grants	1,820
HRA Decent Homes and Neighbourhoods	9,424
Other Commitments	2,446
	<b>32,380</b>

## Revaluations

There was a full revaluation of the Council's Operational and Non-Operational non housing stock (Land and Property), on 1st April 2019. The valuation report was prepared by G S C Harbord MA MRICS IRRV (Hons) RICS Registered Valuer of Wilks Head and Eve LLP, Third Floor, 55 New Oxford Street, London (the "Valuer"). The valuations were made in accordance with RICS Valuation Standards the Red Book UK Appendix 5 – Valuation of Local Authority Assets. Each land parcel and property has been assessed for the most appropriate method of valuation. The valuation categories used are – open market value, existing use value and depreciated replacement cost. Where the parcel includes a property this has been valued separately. The value of the site is the sum of the land value and the value of the property. Life expired buildings or infrastructure are given a notional value of one pound. The valuation included an inspection of all assets.

The operational Housing Revenue stock comprising dwellings, shops, garages and a store were valued as at 1st April 2019. The valuations were made by the Valuer in accordance with RICS Valuation Standards the Red Book UK Appendix 5 – Valuation of Local Authority Assets. The dwellings were valued using the Beacon approach. This valuation included:

- an inspection of each beacon property for each archetype group
- research on sales of directly comparable property which took place during the financial year.
- information at local level showing house price movements
- regional and national Indices
- a review of the existing asset groups and archetypes

The dwellings, store, shops and garages are valued on an existing use value.

Council HRA dwellings, shops, garages and stores along with the Council's Operational and Non-Operational non-housing stock (land and property) were revalued at the end of March 2020 on a 'desk top' basis by the Valuer to reflect their fair value as at that time.

### Note 11 Investment Properties

The following items of income and expense have been accounted for in the Comprehensive Income and Expenditure Statement.

2018/19 £'000		2019/20 £'000
(62)	Rental Income from Investment Property	(56)
0	Direct Operating expenses arising from investment property	0
<b>(62)</b>	<b>Total</b>	<b>(56)</b>

The following table summarises the movement in the fair value of investment properties.

2018/19 £'000		2019/20 £'000
<b>3,457</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>3,483</b>
26	Change in Fair Values	202
<b>3,483</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>3,685</b>

## Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31<sup>st</sup> March 2020 are as follows:

	<b>Quoted prices in active markets for identical assets (Level 1) £'000</b>	<b>Other significant observable inputs (Level 2)  £'000</b>	<b>Significant unobservable inputs (Level 3)  £'000</b>	<b>Fair value as at 31 March 2020  £'000</b>
Investment Land	1,260	1,661	228	3,149
Investment Properties	0	356	180	536
Surplus	0	837	0	837
<b>Total</b>	<b>1,260</b>	<b>2,854</b>	<b>408</b>	<b>4,522</b>

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

### Significant Observable Inputs – Level 2

Land, Office, Residential, Industrial and Retail assets have been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions for these asset types are such that the level of observable inputs is significant leading to the properties being categorised at Level 2 in the fair value hierarchy.

### Significant Unobservable Inputs – Level 3

Community Buildings, Sports Ground and Centres assets have been based on a comparable approach either by estimated market rental values as the majority of these assets are let at sub-market or subsidised passing rents. We have had to draw on a number of our own assumptions and utilised third party resources in order to value these assets. These assets are therefore 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).

Typical valuation inputs which have been analysed in arriving at our Fair Valuations include:

Market Rental and Sale Values  
Yields  
Void and Letting Periods  
Size  
Configuration, proportions and layout  
Location, visibility and access  
Condition  
Lease covenants  
Obsolescence

### Highest and Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

### Valuation Techniques

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

Quantitative Information about Fair Value Measurement of Investment Properties using Significant Unobservable Inputs – Level 3

	<b>As at 31st March 2020</b>	<b>Valuation technique used to measure fair value</b>	<b>Unobservable inputs</b>	<b>Range</b>	<b>Sensitivity</b>
	<b>£'000</b>				
Community Centres	29	Comparative based on limited rental evidence	Rental Value  Yields	£10 - £40 psm  10% - 14%	Changes in rental growth, yields, occupancy will result in a lower or higher fair value
Sports Ground and Centres	380	Comparative based on limited rental evidence	Rental Value  Yields	£5,000 - £15,000/ha  8% - 12%	Changes in rental growth, yields, occupancy will result in a lower or higher fair value

## Note 12 Intangible Assets

The Council accounts for its software purchases as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. There is no internally generated software.

All software assets are given a finite useful life of 5 years. The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £69K was charged to revenue in 2019/20 and is analysed in the following table:

**Movement on Intangible Asset balances during the year is as follows:**

2018/19 £'000		2019/20 £'000
	<b>Balance at 1<sup>st</sup> April:</b>	
3,048	Gross carrying amounts	3,086
(2,823)	Accumulated Amortisation	(2,894)
225	<b>Net carrying amount at 1<sup>st</sup> April</b>	192
55	Additions: Purchases	55
(88)	Amortisation for the period	(69)
(17)	Derecognition – disposals	(156)
17	Derecognition – depreciation written out	156
<b>192</b>	<b>Net carrying amount at 31<sup>st</sup> March</b>	<b>178</b>
3,086	Gross carrying amounts	2,985
(2,894)	Accumulated Amortisation	(2,807)
<b>192</b>		<b>178</b>

## Note 13 Heritage Assets

2018/19 £'000		2019/20 £'000
<b>239</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>279</b>
40	Revaluations	0
<b>279</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>279</b>

## Note 14 Financial Instruments

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

<b>Financial Assets</b>	Long-Term	Long-Term	Long-Term	Long-Term	Short-Term	Short-Term	Short-Term	Short-Term	Total	Total
	Investments	Investments	Debtors	Debtors	Investments	Investments	Debtors	Debtors		
	31st March 2019	31st March 2020								
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value through Profit and Loss	4,888	4,770							4,888	4,770
Amortised Cost										
Investments	2,000				27,000	17,000			29,000	17,000
Cash and Cash Equivalents					15,307	34,156			15,307	34,156
Trade Debtors							2,083	2,024	2,083	2,024
<b>Total Financial Assets</b>	<b>6,888</b>	<b>4,770</b>	<b>-</b>	<b>-</b>	<b>42,307</b>	<b>51,156</b>	<b>2,083</b>	<b>2,024</b>	<b>51,278</b>	<b>57,950</b>
<b>Financial Liabilities</b>	Long-Term	Long-Term	Long-Term	Long-Term	Short-Term	Short-Term	Short-Term	Short-Term	Total	Total
	Borrowings	Borrowings	Creditors	Creditors	Borrowings	Borrowings	Creditors	Creditors		
	31st March 2019	31st March 2020								
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised Cost										
External Borrowings	(81,190)	(81,190)							(81,190)	(81,190)
Trade Creditors							(9,154)	(10,435)	(9,154)	(10,435)
<b>Total Financial Liabilities</b>	<b>(81,190)</b>	<b>(81,190)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,154)</b>	<b>(10,435)</b>	<b>(90,344)</b>	<b>(91,625)</b>

Whilst no amount is shown above there is one long-term 'Loans and Receivables' being:

<b>Investment held on behalf of Newtown Linford Parish Council</b>	<b>Cost Price £</b>	<b>Nominal Value £</b>
Common Investment Fund - High Yield Units	152	180

Charnwood Borough Council holds an investment on Behalf of Newtown Linford Parish Council. There is no current market value for this investment, the last time it was sold in December 2008, its Value was £1,145. Interest on this investment is received and paid over to Newtown Linford Parish Council.

In addition to the above, the Council holds 10.2% of the Ordinary Shares of the Great Central Railway (1986) plc. These cost £261K and the shares are fully paid-up and there is no further liability to pay any more to the company. The company is operated to re-create the best years of steam locomotives and experience mainline railway operation. The company has a non-profit distribution status and its Memorandum and Articles of Association prohibits any distribution to shareholders. As such the shares have no current value and are shown at Nil as an Unquoted Equity Investment at amortised cost.

The Borrowing of £81.19m outstanding is classified as a 'Financial liability at amortised cost' under the Code and requires a fair value to be disclosed where this is different to the carrying amount stated in the Balance Sheet. £2m of these loans has been attributed a fair value of £2.875m at the date of the Balance Sheet. The reason for the value difference is that this loan is running at a high coupon, set at the original loan date in 1984, and although it carries a LOBO (Lender's Option, Borrower's Option) it is unlikely to be called in by the counterparty before the maturity date in 2024. This would only occur if the prevailing interest rate became consistently above 11.625%. Therefore the risk of replacement is slight. In this event the Council has access to the Public Works Loan Board funds, or could disinvest surplus cash.

The fair value of the remaining £79.19m is £91.932m and these loans were taken out to fund a repayment to the government in order to 'buy out' the Council's participation in the old Housing Subsidy system. All the loans are at fixed rates of interest maturing between 4.5 years and 41.5 years' time and the loan interest will be serviced from housing rental income. The Council does not currently intend to pay off any of these loans early

and they are therefore held at their face value, which is the same basis as in previous years when the fair value was less than the book value.

The fair value of all the loans is determined by calculating the Net Present Value (NPV) of future cash flows which provides an estimate of the value of payments in the future. The discount rate used in the NPV calculation should be equal to the current rate in relation to the same instrument from a comparable lender or the new loan rate in respect of the £79.19m of PWLB loans. The discount/new loan rates were evaluated at between 2.82% and 3.48% by Link Asset Services Ltd, the Council's treasury adviser.

These will be the rates applicable in the market on the date of valuation for an instrument of the same duration, i.e. equal to the outstanding period from valuation date to maturity. The structure and terms of the comparable instrument should be the same. Total Interest of £2.696m a year is payable in two instalments on the loans each year and is charged directly to the Comprehensive Income and Expenditure Statement.

Financial Liabilities in Creditors are in respect of various trade creditors and accruals which are classified as financial instruments and are shown at cost.

### **Other Short-Term Investments**

Short-term lending is carried in the Balance Sheet at amortised cost at the Balance Sheet date. Therefore the material accrued interest at 31st March 2020 is included in the above value for Balance Sheet purposes. Interest received during the year is credited to the Comprehensive Income and Expenditure Statement. There are no costs associated with these transactions.

As at 31<sup>st</sup> March 2020, the Council held two loans to other local authorities made initially for two years and classed as fixed term deposits. The fair value of these loans as at the balance sheet date is £4.023m.

### **Long-Term Investments**

The Council holds £2.377m in the Lothbury Property Trust and £2.392m in Hermes Property Funds as at the Balance Sheet date. These are accounted for as a long term investments on the Balance Sheet as a Financial Instrument Reserve and the revaluation gain on the property funds has been accounted for under financing and Investment Income in the Comprehensive Income and Expenditure Statement.

## Income, Expense, Gains and Losses on Financial Instruments

	2018/19			2019/20		
	Financial Assets: Loans and Receivables £'000	Financial Liabilities at Amortised Costs £'000	Total £'000	Financial Assets: Loans and Receivables £'000	Financial Liabilities at Amortised Costs £'000	Total £'000
Interest Expense	0	2,929	2,929	0	2,937	2,937
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>2,929</b>	<b>2,929</b>	<b>0</b>	<b>2,937</b>	<b>2,937</b>
Interest Income	(494)	0	(494)	(687)	0	(687)
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>(494)</b>	<b>0</b>	<b>(494)</b>	<b>(687)</b>	<b>0</b>	<b>(687)</b>
Gain on Revaluation	0	0	0	0	0	0
<b>Surplus/deficit arising on revaluation of Financial Assets in Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net (Gain)/Loss for the Year</b>	<b>(494)</b>	<b>2,929</b>	<b>2,435</b>	<b>(687)</b>	<b>2,937</b>	<b>2,250</b>

## Note 15 Inventories

31st March 2019 £'000		31st March 2020 £'000
83	Housing Van Stock	84
11	Franking Machines	19
25	Other	26
<b>119</b>		<b>129</b>

## Note 16 Short-Term Debtors

31st March 2019 £'000		31st March 2020 £'000
	<u>Amounts falling due in one year:</u>	
351	HM Revenue and Customs	537
1,067	Housing Rents	1,197
588	Reserved Debtors	697
4,024	Sundry Debtors	3,847
505	CBC Net Share of Council Tax Debtors	556
1,346	Council Tax Preceptors Cash Paid in Advance	1,537
0	Government Departments	270
407	CBC Share of NNDR Arrears	300
51	Other	98
<b>8,339</b>		<b>9,039</b>

Most Debtors are considered to be Financial Instruments and are classified as Loans and Receivables. Statutory debts such as Council Tax and National Non-Domestic Rates are not Financial Instruments. Those that are Financial Instruments are measured at amortised cost at Balance Sheet date. In effect that is the initial amount less any repayments or accrued interest. The Council does not routinely charge interest on the debtor accounts and impairment is dealt with as set out below. The impairment of these assets is considered in depth when calculating the provision for doubtful debts and appropriate provision is made which is charged to the Comprehensive Income and Expenditure Statement. There is a general provision for doubtful debts of £3,717K (2018/19 £3,596K).

### Bad Debts Impairments

The Provision for Bad Debt Impairments are analysed as follows:-

2018/19 £'000		2019/20 £'000
(34)	Bed and Breakfast	(75)
(1,953)	Housing Benefits	(1,893)
(136)	General Fund Other	(269)
(1,257)	Housing Rents	(1,344)
(204)	CBC Share of NNDR Bad/Doubtful Debt	(124)
(12)	General Fund Rent	(12)
<b>(3,596)</b>		<b>(3,717)</b>

## Note 17 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

<b>31st March 2019</b>		<b>31st March 2020</b>
<b>£'000</b>		<b>£'000</b>
167	Cash held by the Council	126
15,760	Short-term deposits with approved institutions	34,030
<b>15,927</b>		<b>34,156</b>
(613)	Bank Overdraft	(34)
<b>(613)</b>		<b>(34)</b>
<b>15,314</b>	<b>Total Cash and Cash Equivalents</b>	<b>34,122</b>

## Note 18 Surplus Assets Held for Sale

The authority does not currently hold any Surplus Assets held for Sale

**Note 19 Short-Term Creditors**

<b>31st March 2019</b>		<b>31st March 2020</b>
<b>£'000</b>		<b>£'000</b>
586	HM Revenue and Customs	594
433	Government Departments	137
245	Leicestershire County Council	277
567	Housing Rents	401
2,613	Other Sundry Creditors	2,971
5,974	Reserved Creditors	7,063
1,227	Section 106 Developers' Contributions	1,363
177	CBC Share of Overpaid Council Tax	196
254	Accumulated Absences Account	258
0	NNDR - CBC Share Overpayments	0
426	NNDR - Leicestershire County Council	3,201
2,490	NNDR - Central Government	4,660
503	NNDR - Leicestershire Pool	1,172
47	NNDR - Combined Fire Authority	83
<b>15,542</b>		<b>22,376</b>

Creditors are regarded as financial instruments for accounting purposes except those in respect of items such as NNDR and payments due to certain government departments. All such items regarded as financial instruments are valued at fair value as at 31st March 2020.

**Note 20 Provisions**

The Code requires that the accounts clearly differentiate the provisions from the reserves of the Council. Provisions are required for any liabilities of uncertain timing or amounts that have been incurred.

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
(1,637)	<b>NNDR Provision for Appeals Brought Forward 1<sup>st</sup> April</b>	(2,687)
(1,050)	<b>Changes to NNDR Provision:</b> decrease in Provision NNDR Appeals	1,333
<b>(2,687)</b>	<b>Balance at 31st March</b>	<b>(1,354)</b>

## Note 21 Usable Reserves

### General Fund Balance

Purpose of Reserve: Resources available to meet future running costs for non-housing services. The guideline used by the Council requires a balance to be maintained of at least £2m.

### Housing Revenue Account

Purpose of Reserve: Resources available to meet future running costs for council houses. It is recommended that there is at least £110 per council house dwelling within this reserve. The actual dwelling amount at 31<sup>st</sup> March 2020 was £110 per council house dwelling.

Movements in the Council's Usable Reserves are detailed in the Movement in Reserves Statement, being:- General Fund Balance, General Fund Earmarked Reserves, HRA Balance, HRA Earmarked Reserves in addition to those Usable Reserves below:-

### Usable Capital Receipts Reserve

Purpose of Reserve: proceeds of non-current asset sales available to meet future capital investment.

2018/19 £'000		2019/20 £'000
(9,793)	<b>Balance at 1st April</b>	<b>(10,384)</b>
(1,300)	General Fund amounts receivable	(1,921)
(650)	HRA amounts receivable – 1-4-1 receipts	(822)
1,359	Amounts applied to finance new capital investments	1,120
<b>(10,384)</b>	<b>Balance at 31st March</b>	<b>(12,007)</b>

### Usable Capital Grants and Contributions Reserve

Purpose of Reserve: proceeds of grants and contributions to meet future capital investment and specific revenue expenditure.

2018/19 £'000		2019/20 £'000
(222)	<b>Balance at 1st April</b>	<b>(252)</b>
56	Amounts applied to finance new capital investments	40
(86)	Amounts transferred to/(from) revenue	(7)
<b>(252)</b>	<b>Balance at 31st March</b>	<b>(219)</b>

## Note 22 Unusable Reserves

31st March 2019 £'000		31st March 2020 £'000
703	Collection Fund Adjustment Account	(2,092)
(228,147)	Capital Adjustment Account	(248,168)
(91)	Financial Instrument Revaluation Reserve	27
77,619	Pension Reserve Deficit	63,984
(28,825)	Revaluation Reserve	(30,140)
254	Accumulated Absences Account	258
<b>(178,487)</b>		<b>(216,131)</b>

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property. 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.

The Reserve contains only revaluation gains accumulated since 1st April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2018/19 £'000		2019/20 £'000	2019/20 £'000
(23,715)	<b>Balance at 1st April</b>		(28,825)
(6,766)	Upward Revaluation of Assets	(6,108)	
1,213	Downward Revaluation of Assets and Impairment	3,784	
0	Accumulated gains on assets sold or scrapped	577	
(5,553)	<b>Surplus or Deficit on Revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>		(1,747)
28	Adjusting amounts written to the Capital Adjustment Account	42	
415	Difference between Fair Value Depreciation and Historical Cost Depreciation	390	
443	<b>Amount written off to the Capital Adjustment Account</b>		432
<b>(28,825)</b>	<b>Balance at 31st March</b>		<b>(30,140)</b>

## Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

31st March 2019 £'000		31st March 2020	
		£'000	£'000
(214,779)	<b>Balance at 1st April</b>		(228,147)
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
(9,412)	Charges for Depreciation and Impairment on Non-current Assets	(15,920)	
866	Revaluation losses on Property, Plant and Equipment	1,392	
88	Amortisation of Intangible assets	69	
1,027	Revenue Expenditure Funded from Capital under Statute	1,712	
	Amounts of Non-current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,762	(8,985)
(4,104)			
(415)	Adjusting amounts written out of the Revaluation Reserve		(390)
<b>(219,298)</b>	Net written out amount of the cost of Non-current Assets consumed in the year		<b>(237,522)</b>
	<b>Capital financing applied in the year:</b>		
(1,359)	Use of Capital Receipts to finance new capital expenditure	(1,120)	
(1,732)	Use of Major Repairs Reserve to finance new capital expenditure	(3,811)	
(1,207)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,648)	
(56)	Application of grants to capital financing from the Capital Grants Unapplied Account	7	
(4,469)	Capital expenditure charged against the General Fund and HRA balances	(3,872)	
<b>(8,823)</b>			<b>(10,444)</b>
(26)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(202)
<b>(228,147)</b>	<b>Balance at 31st March</b>		<b>(248,168)</b>

### Pension Reserve

The Pension Reserve absorbs the timing differences arising from the arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However statutory arrangements require benefits earned to be financed as the Council makes employers contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2018/19 £'000		2019/20 £'000
62,742	<b>Balance at 1st April</b>	77,619
10,764	Actuarial (gains) or losses on pension assets and liabilities	(17,018)
7,687	Reversal of items relating to retirement benefits to the Comprehensive Income and Expenditure Statement	7,206
(3,575)	Employers Pension Contributions in the year	(3,823)
<b>77,619</b>	<b>Balance at 31st March</b>	<b>63,984</b>

### Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income and proportionate shares of business rates in the Comprehensive Income and Expenditure Statement as it falls due, compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Purpose of Reserve: A separate fund is maintained by billing authorities for the collection and distribution of amounts due in respect of Council Tax and NNDR of which, in-year surpluses and deficits are due to/from precepting authorities in future years. This shows the amount owed (to)/from the Council towards the current Collection Fund balance and Notes to the Collection Fund Statement.

31st March 2019 £'000		31st March 2020 £'000
504	<b>Balance at 1st April</b>	703
	Amounts credited to the Comprehensive Income and Expenditure Statement are different from council tax income calculated for the year in accordance with statutory requirements:	
(33)	Council Tax	(10)
232	NDR Business Rates	(2,785)
<b>703</b>	<b>Balance at 31st March</b>	<b>(2,092)</b>

**Note 23 Cash Flow Statement – Operating Activities** include the following within the Comprehensive Income and Expenditure Statement:-

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
(540)	Interest Received	(687)
3,100	Interest Paid	2,937
<b>2,560</b>	<b>Cash (Inflow)/Outflow</b>	<b>2,250</b>

**Note 24 Cash Flow Statement – Investing Activities**

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
7,284	Purchase of Property, Plant, Equipment, Investment Property and Intangible Assets	8,733
0	Other payments for investing activities	0
(2,658)	Proceeds from the Sale of Property, Plant, Equipment, Investment Property and Intangible Assets	(3,599)
16,380	Purchase of Short-term and Long-term Investments	0
(3,031)	Other Receipts for Investing Activities	(1,673)
<b>(17,975)</b>	<b>Cash (Inflow)/Outflow</b>	<b>(3,461)</b>

**Note 25 Cash Flow Statement – Financing Activities**

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
389	Net Council Tax/NNDR Debtor and Creditors	5,358
<b>389</b>	<b>Cash (Inflow)/Outflow</b>	<b>5,358</b>

**Note 26 Trading Operations**

The Council's trading operations include Loughborough Market, Shepshed Market, Woodgate Chambers and Museum Cafe.

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
(441)	Income	(421)
424	Expenditure	432
<b>(17)</b>	<b>(Surplus)/Deficit</b>	<b>11</b>

## Note 27 Members Allowances

The Council paid the following amounts to Members during the year. Members Allowances exclude employer's National Insurance.

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
362	Salaries/Allowances	362
6	Expenses	7
<b>368</b>		<b>369</b>

## Note 28 Officers' Remuneration

Details of the numbers of Council staff, whose remuneration is greater or equal to £50,000 per annum, grouped in rising bands of £5,000. Remuneration for these purposes includes all sums paid to or receivable by an employee, including expenses allowances, loss of office payments, compensation pay and the money value of any other benefits, but excluding employer's normal pension contributions and any special pension contributions payable due to loss of office.

There are no employees within this category who work part time but whose full time annualised salary is £50,000 or above. Only relevant remuneration bands are shown.

<b>Total Number of Employees 2018/19</b>	<b>Remuneration Band</b>	<b>Total Number of Employees 2019/20</b>
1	£50,000 - £54,999	0
7	£55,000 - £59,999	8
2	£60,000 - £64,999	3
0	£65,000 - £69,999	1
3	£75,000 - £79,999	0
0	£80,000 - £84,999	2
0	£95,000 - £99,999	1
1	£120,000 - £124,999	0

## Details of Remuneration

The Chief Executive and the Directors are shown below and their remuneration is also included in the previous table for completeness. There are no exit packages relating to senior officers in 2019/20. The Director of Neighbourhoods and Community Wellbeing left the authority on 28/04/19, total remuneration including pension contribution was £7,907, this does not appear in the incremental table above or this remuneration table as the total was below £50,000. A new Chief Executive joined the authority on 23/09/19.

Total Remuneration including Pension Contribution 2018/19 £	Post Holder Information (Post Title)	Salary, Fees and Allowances £	Expense Allowances £	Total Remuneration excluding Pension Contribution 2019/20 £	Employers Pension Contribution £	Total Remuneration including Pension Contribution 2019/20 £
156,656	Chief Executive (left 30/11/19)	96,652	0	96,652	32,340	128,992
0	Chief Executive (wef 23/09/19)	65,925	0	65,925	21,606	87,531
102,764	Director of Neighbourhoods and Community Wellbeing (left 28/04/19)	0	0	0	0	0
102,109	Director of Housing, Planning and Regeneration and Regulatory Services	80,550	0	80,550	24,247	104,797
101,947	Strategic Director of Corporate Services	80,589	0	80,589	24,247	104,836
<b>463,476</b>		<b>323,716</b>	<b>0</b>	<b>323,716</b>	<b>102,440</b>	<b>426,156</b>

## Note 29 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

2018/19 £'000	Credited to Taxation and Non Specific Grant Income	2019/20 £'000
(745)	Revenue Support Grant	0
(397)	Capital Grants and Contributions	(96)
(3,621)	New Homes Bonus	(3,731)
21	Other Government Grants	(8)
<b>(4,742)</b>	<b>Total Credited to Taxation and Non Specific Grant Income</b>	<b>(3,835)</b>
	<b>Benefit Grants Credited to Services</b>	
(18,296)	Rent Allowance Subsidy	(15,243)
(10,316)	Rent Rebate Subsidy	(9,043)
(343)	Housing Benefit Administration Subsidy	(388)
	<b>Other Grants Credited to Services</b>	
(41)	Crime and Disorder Partnership	(44)
(266)	Localisation of Council Tax	(198)
(108)	Leicestershire County Council Sports and Active Grant	(111)
(80)	Armed Forces Covenant Grant	(80)
(904)	Capital Grants and Contributions	(1,512)
(69)	Local Plans	(24)
(89)	Syrian Vulnerable Person Resettlement Scheme	(117)
(163)	Rough Sleepers Grant	(68)
(186)	Homelessness Prevention Fund	(228)
0	Town Fund Deal	(162)
(195)	Other Government Grants	(242)
<b>(31,056)</b>	<b>Total Grants credited to Services</b>	<b>(27,460)</b>

The Council has received a number of capital grants and contributions that have yet to be recognised as income as they have conditions attached to them that may require the monies to be returned to the giver. The balances at the year-end are as follows:

<b>31st March 2019 £'000</b>	<b>Capital Grants and Contributions - Receipts in Advance</b>	<b>31st March 2020 £'000</b>
(2,790)	S106 Developers' Contributions	(2,690)
(569)	Other Capital Grants and Contributions	(692)
<b>(3,359)</b>		<b>(3,382)</b>

The Council has a number of revenue grants and contributions that have not yet been recognised as they have conditions attached to them that may require the monies to be returned to the giver. The balances at the year-end are as follows:

<b>31st March 2019 £'000</b>	<b>Revenue Grants and Contributions - Receipts in Advance</b>	<b>31st March 2020 £'000</b>
(253)	S106 Developers' Contributions	(228)
(494)	Other Revenue Grants and Contributions	(567)
<b>(747)</b>		<b>(795)</b>

### **Note 30 External Audit Costs**

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections provided by the Council's external auditors.

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
42	Fees payable with regard to external audit services carried out by the appointed auditor	42
10	Fees payable for the certification of grant claims and returns for the year	11
9	Fees payable in respect of other services	4
<b>61</b>		<b>57</b>

### **Note 31 Related Parties**

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 a significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, it provides a significant proportion of its 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, housing benefits). Grants received from government departments and other grants received in advance are set out in Note 29.

#### **Members**

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2019/20 is shown in Note 27. No members of the Council or senior officers undertook any material related party transactions requiring disclosure during 2019/20.

#### **Leicester and Leicestershire Business Rates Pool**

Under the Local Government Finance Act 2012 local authorities are able to retain a proportion of the business rates generated in their area and rather than paying certain amounts to central government, they can create a 'pool' locally.

The Council along with Leicester City Council, Leicestershire County Council, Leicestershire Combined Fire Authority and all other Leicestershire District Councils agreed to operate a pooling agreement for business rates levies and safety net payments for 2013/14, the Leicester and Leicestershire Pool (LLP). The County Council was the lead authority for the LLP. The Pool was based on a "no better, no worse" position, with District Councils paying any levies into the Pool and any safety net payments being made from the Pool.

The LLP partners decided not to continue with the Pool in 2014/15 but it was started again for the 2015/16 financial year and has continued in successive financial years up to 31<sup>st</sup> March 2020.

For 2019/20 the Council participated in a 75% Business Rate Retention pilot; in this financial year the pilot rules will therefore apply with locally agreed arrangements between participants.

#### **Other Public Bodies**

Local Government Pension Scheme is set out in Note 34.

Precepts collected on behalf of other local authorities and bodies are shown in the Collection Fund Statement.

### Note 32 Capital Expenditure and Capital 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. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

2018/19 £'000		2019/20 £'000
<b>81,572</b>	<b>Opening Capital Financing Requirement</b>	<b>81,820</b>
	<b>Capital Investment</b>	
7,989	Property, Plant and Equipment	8,677
55	Intangible Assets	55
1,027	Revenue Expenditure Funded from Capital under Statute	1,712
	<b>Sources of Finance</b>	
(1,359)	Capital Receipts	(1,120)
(1,732)	Major Repairs Reserve	(3,811)
(1,263)	Government Grants and other Contributions	(1,641)
	<b>Sums set aside from revenue:</b>	
(4,469)	Direct Revenue Contributions	(3,872)
<b>81,820</b>	<b>Closing Capital Financing Requirement</b>	<b>81,820</b>
	<b>Explanation of movements in year</b>	
248	Increase in underlying need to borrowing (unsupported by government financial assistance)	0
<b>248</b>	<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>0</b>

### Note 33 Termination Benefits

The Council had no settlement agreements in 2019/20. Three employees were accounted for in 2018/19 £45K, two of these were reserved for pending final agreement in 2019/20. Subsequently, one case was discontinued in September 2019 £26K and the other was settled in July 2019 at a lower amount than was accounted for £8K. None of these employees were Directors.

## Note 34 Defined Benefit Pension Schemes

### Participation in Pension Schemes

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

Charnwood Borough Council participates in a defined benefit scheme administered by Leicestershire County Council in accordance with the Local Government Pension Scheme Regulations 1997, as amended. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

### Transactions Relating to Post-employment Benefits

The cost of retirement benefits is reported in the cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are 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 and HRA 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.

<b>Comprehensive Income and Expenditure Statement</b>	<b>Local Government Pension Scheme</b>	<b>Local Government Pension Scheme</b>
	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
Current Service cost	5,962	5,321
<b>Financing and Investment Income and Expenditure</b>		
Net Pensions Interest costs and Expected return on scheme assets	1,725	1,885
Total Post Employment Benefit charge to the (Surplus)/ Deficit on the Provision of Services	7,687	7,206
<b>Movement in Reserve Statement</b>		
Reversal of net charges made to the (Surplus)/Deficit for the Provision of Services for post-employment benefits in accordance with the code	(4,112)	(3,383)
<b>Actual amount charged against the General fund balance for pension in the year</b>	<b>3,575</b>	<b>3,823</b>
<b>Actuarial Gains and (Losses) in the year</b>	<b>(10,765)</b>	<b>17,019</b>

There is a £1K Actuarial Loss reconciling item in 2019/20; this is due to Charnwood Borough Council's lower pension contributions in year compared to the Leicestershire County Council's Valuation Report.

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

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefits plan is as follows:

	2018/19 £'000	2019/20 £'000
Fair Value of Employer Assets	118,315	109,215
Present Value of Funded Liabilities	(194,504)	(171,995)
Net (Under)/Over funding in Funded Plans	(76,189)	(62,780)
Present Value of Unfunded Liabilities	(1,430)	(1,204)
Net Asset/(Liability) in Balance Sheet	(77,619)	(63,984)

## Basis for Estimating Assets and Liabilities

The basis for estimating assets and 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 about mortality rates, salary levels etc. Leicestershire County Council's Fund Liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries.

Charnwood Borough Council participates in the Local Government Pension Scheme through which pension provision is made for those of its employees who wish to join the scheme. Under the Code, the Council must include its share of the net Pension Fund Liability as at 31st March 2020 and this amounted to £63,984K. This is a decrease of £13,635K on the position at 31st March 2019. Although this liability appears in the Council's Balance Sheet, it is offset by the Pensions Reserve and is not funded from Council Tax or Government Grants. Actual employer's contributions to the pension scheme during the year are paid out of the Council's expenditure as funded by Government Grants and Council Tax.

31st March 2019  % Per Annum	Financial Assumptions:	31st March 2020  % Per Annum
2.5%	Rate of Inflation/Pension Increase Rate	1.9%
3.5%	Salary Increase Rate	2.4%
2.4%	Discount Rate	2.3%

Mortality Assumptions:	Males	Females
<u>Longevity at 65 for pensioners</u>		
Current Pensioners	21.5 years	23.8 years
Future Pensioners	22.2 years	25.2 years

**Reconciliation of the Movements in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability**

<b>Assets 2018/19 £'000</b>	<b>Obligations 2018/19 £'000</b>	<b>Net(Liability) /Asset 2018/19 £'000</b>		<b>Assets 2019/20 £'000</b>	<b>Obligations 2019/20 £'000</b>	<b>Net(Liability) /Asset 2019/20 £'000</b>
112,658		112,658	Fair Value of employer assets	118,315		118,315
	(174,084)	(174,084)	Present value of funded liabilities		(194,504)	(194,504)
	(1,316)	(1,316)	Present value of unfunded liabilities		(1,430)	(1,430)
<b>112,658</b>	<b>(175,400)</b>	<b>(62,742)</b>	<b>Opening Position as at 31st March</b>	<b>118,315</b>	<b>(195,934)</b>	<b>(77,619)</b>
	(4,511)	(4,511)	Current Service Cost		(5,321)	(5,321)
	(1,451)	(1,451)	Past Service Cost (including Curtailments)		0	0
<b>0</b>	<b>(5,962)</b>	<b>(5,962)</b>	<b>Total Service Cost</b>	<b>0</b>	<b>(5,321)</b>	<b>(5,321)</b>
3,031		3,031	<b>Interest Income on plan assets</b>	2,834		2,834
	(4,756)	(4,756)	Interest Cost on defined benefit obligation		(4,719)	(4,719)
<b>3,031</b>	<b>(4,756)</b>	<b>(1,725)</b>	<b>Total Net Interest</b>	<b>2,834</b>	<b>(4,719)</b>	<b>(1,885)</b>
<b>3,031</b>	<b>(10,718)</b>	<b>(7,687)</b>	<b>Total Defined Benefit Cost Recognised in Profit or (Loss)</b>	<b>2,834</b>	<b>(10,040)</b>	<b>(7,206)</b>
			<u>Cashflows</u>			
772	(772)	0	Plan Participants Contributions	788	(788)	0
3,484		3,484	Employers Contributions	3,721		3,721
108		108	Contributions in respect of unfunded benefits	101		101
(4,865)	4,865	0	Benefits paid	(5,479)	5,479	0
(108)	108	0	Unfunded Benefits Paid	(101)	101	0
<b>(609)</b>	<b>4,201</b>	<b>3,592</b>	<b>Total Cashflows</b>	<b>(970)</b>	<b>4,792</b>	<b>3,822</b>
<b>115,080</b>	<b>(181,917)</b>	<b>(66,837)</b>	<b>Expected Closing Position</b>	<b>120,179</b>	<b>(201,182)</b>	<b>(81,003)</b>
			<u>Remeasurements</u>			
	(13,845)	(13,845)	Changes in financial assumptions		17,436	17,436
	0	0	Changes in demographic assumptions		6,148	6,148
	(172)	(172)	Other experience		4,399	4,399
3,235		3,235	Return on assets excluding amounts included in net interest	(10,964)		(10,964)
<b>3,235</b>	<b>(14,017)</b>	<b>(10,782)</b>	<b>Total Measurements recognised in Other Comprehensive Income</b>	<b>(10,964)</b>	<b>27,983</b>	<b>17,019</b>
<b>118,315</b>	<b>(195,934)</b>	<b>(77,619)</b>	<b>Total Expected Closing Position</b>	<b>109,215</b>	<b>(173,199)</b>	<b>(63,984)</b>
118,315		118,315	Fair Value of employer assets	109,215		109,215
	(194,504)	(194,504)	Present value of funded liabilities		(171,995)	(171,995)
	(1,430)	(1,430)	Present value of unfunded liabilities		(1,204)	(1,204)
<b>118,315</b>	<b>(195,934)</b>	<b>(77,619)</b>	<b>Closing Position</b>	<b>109,215</b>	<b>(173,199)</b>	<b>(63,984)</b>

Value of Employers Assets	31st March 2019 £'000	% of Total Assets	31st March 2020 £'000	% of Total Assets
<b>Equity Securities:</b>				
Total Equity Securities	2,060	2%	1,902	2%
<b>Debt Securities:</b>				
UK Government	10,018	8%	9,247	9%
Other	1,532	1%	1,414	1%
<b>Private Equity</b>	5,456	5%	5,036	5%
<b>Real Estate – UK Property</b>	8,843	7%	8,163	7%
<b>Investment Funds and Unit Trusts:</b>				
Equities	47,520	41%	43,865	40%
Bonds	4,999	4%	4,615	4%
Hedge Funds	10	0%	9	0%
Commodities	4,185	4%	3,863	4%
Infrastructure	6,222	5%	5,744	5%
Other	24,076	20%	22,224	20%
<b>Derivatives – Foreign Exchange</b>	(150)	0%	(139)	0%
<b>Cash and Cash Equivalents</b>	3,544	3%	3,272	3%
<b>Closing Balance at 31st March</b>	<b>118,315</b>	<b>100%</b>	<b>109,215</b>	<b>100%</b>

Sensitivity Analysis	Approximate % Increase to Employer Liability	Approximate Monetary Amount £'000
0.5% Decrease in Real Discount Rate	9%	15,588
0.5% Increase in the Salary Increase Rate	1%	1,601
0.5% Increase in the Pension Increase Rate	8%	13,851

The Sensitivity Analysis above has been determined based on reasonable 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 other assumptions remain constant. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method.

The methods and types of assumptions used in preparing the sensitivity analysis did not change from those used in the previous period.

<b>Scheme History</b>	<b>2019/20</b>	<b>2018/19</b>	<b>2017/18</b>	<b>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fair Value of Employer Assets	109,215	118,315	112,658	108,695	91,366
Present Value of Defined Benefit Obligation	(173,199)	(195,934)	(175,400)	(173,509)	(146,740)
Surplus/(Deficit)	(63,984)	(77,619)	(62,742)	(64,814)	(55,374)

The liabilities show the underlying commitments that the Council has, in the long run, to pay retirement benefits. The total liability of £63,984K has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

The deficit of the Local Government Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. The estimated total employers contributions for 2021 will be approximately £3,860K.

### **Note 35 Contingent Liabilities and Contingent Assets**

There are no contingent Liabilities and Contingent Assets items relating to 2019-20 Statement of Accounts. It is not yet possible to know the financial Impact on the Council due to COVID 19, the Government Funding reform and changes to the Business Rates Retention scheme due for 2021/22.

The Council are developing a financial Strategy which aims for a sustainable financial future.

### **Note 36 Nature and Extent of Risks Arising from Financial Instruments**

The Council's activities expose it to a number of risks the main ones being:

- Credit Risk – the possibility that other parties may fail to pay the amounts due
- Liquidity Risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- 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 overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the central Finance team, under policies approved by the Council in the annual Treasury Management Strategy Statement. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as borrowing strategy, investment policy, creditworthiness policy and investment strategy.

#### **Credit Risk**

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet minimum credit criteria. The Council has a contract with Link Asset Services Ltd ('LAS') who advise on investment policy and supply credit ratings for use on the day to day management of investments. These criteria are based on such factors as:

- Credit ratings of counter parties, plus
- Credit watches and credit outlooks from credit rating agencies, plus
- Credit Default Swaps spreads to give early warning of likely changes in credit ratings, and
- Sovereign ratings to select counterparties from only the most creditworthy countries.

These ratings will alter throughout the year and various limits are set on the type of investments which can be made. These are based on Specified and Non-Specified investments for local authorities and further inner limits are set and periodically reviewed as between investments of the same type, such as banks with a similar credit rating. Short term investments are typically rated F1 and amounts with each institution, or group, was limited to a maximum of £12m.

Appropriate checks are made on customers for goods and services based on the size and/or length of contract with them. The Council's maximum exposure in relation to its investments in banks and other financial institutions can rise to over £40m during the year and it cannot be assessed generally as the risk of any institution failing to make interest payments and repay the principal sum will be specific to each individual institution. There is always a potential risk of not recovering investments and this applies to all of the Council's deposits, but there was no evidence at 31st March 2020 that this was likely to crystallise.

The Council does allow credit for some types of service and amounts that are due, but not impaired, included as part of sundry debtors are as follows:

<b>31st March 2019</b>		<b>31st March 2020</b>
<b>£'000</b>		<b>£'000</b>
1,089	Less than three months	962
7	Three to six months	87
21	Six months to one year	12
16	More than one year	24
<b>1,133</b>		<b>1,085</b>

### **Liquidity Risk**

The Council needs to manage cash flow to have sufficient funds to pay debts when due. This it does by investing surplus cash when available and by arranging investments to cover the expected liability dates. The Council works to a balanced budget in accordance with legislation with a reserve of revenue balances to manage the cash flow. This is continually changing during the year as creditors and debtors accounts mature. The Council always has access to borrowing through the Public Works Loan Board. Council borrowing, if required, is secured on the revenues of the Council. The Council, through its counterparty policy, also seeks to ensure that each counter party is of sufficient size to be able to repay the amounts loaned on the due date.

The Council has investments in Lothbury Property Fund with a value of £2.377m and Hermes £2.392m. Whilst this is intended to be a longer term investment redemption notices are settled quarterly therefore can be recalled on this basis. The Council also has 2 loans to other local authorities with a fair value of £4.023m.

### **Market Risk**

The Council is exposed to changes in the interest rate on one of its borrowings. This £2m borrowing is at a high interest rate and it is not anticipated that interest rates will reach this level in the short to medium term, so effectively rendering this rate as fixed. The remainder of the Council's borrowings are at fixed interest rates and do not contain a market risk.

In-house lending is mainly for cash flow purposes and is all for under two years. This lowers risk but prevents the strategic longer term lending which would help to mitigate the variations in interest rates. The interest rates move in cycles and the Council clearly receives lower interest receipts at the bottom of the cycle. This is managed by having a Treasury Strategy in place that forecasts the movements in rates and therefore allows the budget to be informed of the expected interest receipts so that spending plans are not based on unrealistic interest receipt assumptions. Based on the Short Term investments at Balance Sheet date of £13m, a 1% change in interest rate would equate to £130K higher or lower receipt to the Council in revenue.

The Council has no financial assets or liabilities denominated in foreign currencies and thus have no exposure to losses arising from movements in exchange rates.

## Supplementary Statements and Notes

### HRA Income and Expenditure Statement

The Housing Revenue Account reflects a statutory obligation under legislation to account separately for local Council housing provision. The Account is "ring-fenced" and has to be self-financing. The costs of HRA activities, not met by subsidy or other income, are met by the rents payable and deficits on the HRA cannot be made good by the council taxpayer.

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account.

2018/19 £'000		Note	2019/20 £'000
	<b>Expenditure</b>		
5,512	Supervision and Management		5,733
5,595	Repairs and Maintenance		6,024
466	Rents, Rates, Taxes and other charges		557
(10,048)	Depreciation/Revaluation increase/Impairment of non-current assets	2	(14,643)
19	Debt management costs		18
335	Movement in the allowance for bad debts (not specified by the Code)		270
1,879	Total Expenditure		(2,041)
	<b>Income</b>		
(20,698)	Dwellings	1	(20,484)
(364)	Non-dwelling rents		(366)
(750)	Charges for Services and Facilities		(727)
(154)	Contributions towards expenditure		(130)
(157)	Other Income		(125)
(22,123)	Total Income		(21,832)
(20,244)	Net cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(23,873)
114	HRA services' share of Corporate and Democratic Core		123
(20,130)	<b>Net Cost for HRA Services</b>		(23,750)
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>		
(27)	Capital grants and contributions receivable		(47)
718	Loss on disposal of HRA non-current assets		950
(93)	Interest and investment income		(125)
2,743	Interest Payable		2,709
<b>(16,789)</b>	<b>Net Cost/(Income) of HRA Services</b>		<b>(20,263)</b>

### Movement on the HRA Statement

2018/19 £'000		2019/20 £'000
(617)	<b>Balance on the HRA at the end of the previous year</b>	<b>(613)</b>
(16,789)	Surplus for the year on the HRA Income and Expenditure Statement	(20,263)
16,102	Adjustments between accounting basis and funding basis under statute	20,648
<b>(687)</b>	<b>Net increase before transfers to or from reserves</b>	<b>385</b>
691	Transfers to reserves	(382)
<b>4</b>	<b>Decrease in year on the HRA</b>	<b>3</b>
<b>(613)</b>	<b>Balance on the HRA at the end of the current year</b>	<b>(610)</b>

### Reconciling Items for the Statement of Movement on the HRA Balance

2018/19 £'000		Note	2019/20 £'000
	<b>Adjustments between accounting basis and funding basis under statute</b>		
3,716	Capital expenditure funded by the HRA		3,659
(718)	Loss on sale of HRA non-current assets		(950)
5	Accumulated Absences Account		(1)
27	Reversal of Capital Grants and Contributions		47
13,072	Reversal of Gain on Revaluation		17,893
<b>16,102</b>			<b>20,648</b>
	<b>Transfers (to) or from reserves</b>		
(388)	HRA share of contributions to/(from) the Pension Reserve	7	(556)
1,079	Transfer to/(from) the Housing Financing Fund	8	174
<b>691</b>			<b>(382)</b>

## Notes to the Housing Revenue Account

### Note 1 Gross Rents

Gross rent due in the year, after allowance is made for empty properties, was £20,484k. The rent loss caused by empty properties was 2.69% for 2019/20 compared with 2.19% in 2018/19. The average rent for 2019/20 on a 52 week basis was £71.73 (2018/19 £73.11).

#### Rent Arrears

<b>RESTATED 2018/19 £'000</b>		<b>2019/20 £'000</b>
511	Arrears at 31st March: Current Tenants	622
451	Former Tenants	455
3	Garages and Shops	2
<b>965</b>		<b>1,079</b>
5.05%	Arrears & court costs as % of gross debit	5.63%
104	Court Costs	107
148	Rent Write-off/irrecoverable	132
49	Rechargeable Repairs Write-off/irrecoverable	52

A Provision for Bad Debts has been made in the accounts in accordance with the requirements of the CIPFA Code of Practice. The provision includes an element in respect of rent rebate overpayments. Rent rebates were transferred to the General Fund on 1st April 2004. This provision relates to overpayments made prior to that date which were financed by the HRA. Landlord Services rechargeable repairs relates to a provision for bad debts where damage to HRA property has been recharged to its perpetrators.

#### Bad Debt Provision

<b>31st March 2019 £'000</b>		<b>31st March 2020 £'000</b>
1,069	Rent	1,185
66	Overpaid Rent Rebate	66
72	Landlord Services rechargeable repairs	67
50	Leaseholder Charges	26
<b>1,257</b>		<b>1,344</b>

## Note 2 Depreciation Charge and Capital Credit

Total Capital Financing Charges of £19k was debited to the HRA in 2019/20 in accordance with the Item 8 determinations for the year, compared with £16k in 2018/19. The Depreciation Charge is analysed below: -

2018/19 £'000		2019/20 £'000
2,965	Depreciation:	
35	Dwellings	3,196
8	Garages and Shops	36
17	Plant, Vehicles and Equipment	8
	Intangibles	9
<b>3,025</b>		<b>3,249</b>
(13,072)	Net Revaluation increase of non-current assets	(17,892)
<b>(10,047)</b>		<b>(14,643)</b>

## Note 3 Housing Stock

The Council was responsible for managing 5,548 HRA dwellings as at 31st March 2020. This excludes one shared ownership dwelling, which is shared on a 50% equity basis. The stock was made up as follows: -

Number of Dwellings 31st March 2019		Number of Dwellings 31st March 2020
2,707	Flats/Maisonettes	2,711
2,864	Houses/Bungalows	2,837
<b>5,571</b>		<b>5,548</b>

The change in stock can be summarised as follows:-

Number of Dwellings 31 March 2019		Number of Dwellings 31 March 2020
<b>5,608</b>	<b>Stock at 1st April</b>	<b>5,571</b>
11	Add: New properties, acquisitions and Appropriations	21
(1)	Less: Conversions	0
(47)	Property Sales	(44)
<b>5,571</b>	<b>Stock at 31st March</b>	<b>5,548</b>

On 31st March 2020 there were 9 void properties withheld from letting (9 at 31st March 2019) for major refurbishment. Two HRA properties are being used as community centres on a temporary basis. The figure of 5,548 represents the actual HRA dwelling stock the Council owns.

The dwellings are classified as operational assets within the Housing Revenue Account. In addition there was no movement to the number of non-dwelling assets which were 806 garages, 13 shops and 1 store in 2019/20.

**Note 4 Balance Sheet Value of Council's Housing Stock**

<b>31st March 2019 £'000</b>		<b>31st March 2020 £'000</b>
271,931	Dwellings	291,298
	Other land and buildings	
3,914	Garages	3,930
1,426	Shops and Store	1,448
<b>277,271</b>	<b>Net carrying amount at 31<sup>st</sup> March</b>	<b>296,676</b>

Dwellings, Garages, Shops and Stores are all Operational Assets. There are no Non-Operational Assets.

**Vehicles, Plant and Equipment**

<b>31st March 2019 £'000</b>		<b>31st March 2020 £'000</b>
<b>52</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>44</b>
0	Additions: Purchases	0
(8)	Depreciation	(8)
<b>44</b>	<b>Net carrying amount at 31<sup>st</sup> March</b>	<b>36</b>

**Intangibles**

<b>31st March 2019 £'000</b>		<b>31st March 2020 £'000</b>
<b>52</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>35</b>
0	Additions: Purchases	0
(17)	Depreciation	(9)
<b>35</b>	<b>Net carrying amount at 31<sup>st</sup> March</b>	<b>26</b>

The Existing Use Value – Social Housing on at 1st April 2019 was £286,931k. The vacant possession value of dwellings as at 1st April 2019 was £683,210k. The difference between the vacant possession value and Balance Sheet value of dwellings within the Housing Revenue Account shows the economic cost to government of providing council housing at less than open market rents.

**Note 5 Summary Total of Capital Expenditure and Receipts**

Housing capital expenditure during the financial year was £8,208K.

Capital expenditure is shown as follows:-

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
<b>6,086</b>	<b>Capital Expenditure</b>	<b>8,208</b>
	Financed By:	
1,732	Major Repairs Reserve	3,811
54	Other Capital Contributions	47
3,716	Revenue Contributions	3,659
584	HRA Capital Receipts	691
<b>6,086</b>		<b>8,208</b>

Total capital receipts from the sale of HRA assets were £2,987K as follows:-

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
2,661	Council House Sales	2,989
(61)	Less: Administration costs	(57)
2,600	Net Council House Sales	2,932
33	Reclaimable Discount from Council House Sales	55
<b>2,633</b>		<b>2,987</b>

**Note 6 Major Repairs Reserve**

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
<b>(2,633)</b>	<b>Balance at 1st April</b>	<b>(3,926)</b>
(3,025)	Transfer to Major Repairs Reserve	(3,249)
1,732	Capital Expenditure funded from Major Repairs Reserve	3,811
<b>(3,926)</b>	<b>Balance at 31st March</b>	<b>(3,364)</b>

**Note 7 Pension Fund**

In accordance with IAS19, Accounting for Retirement Benefits, accounting adjustments have been made in the Housing Revenue Account to report pension liabilities. In 2019/20 this represented an increase of £556k to net cost of service compared to an increase of £388k in 2018/19.

**Note 8 HRA Financing Fund**

<b>2018/19 £'000</b>		<b>2019/20 £000</b>
(6,982)	<b>Balance as at 1<sup>st</sup> April</b>	(8,060)
(1,078)	Contribution to Financing Fund	(174)
<b>(8,060)</b>	<b>Balance as at 31<sup>st</sup> March</b>	<b>(8,234)</b>

## Collection Fund Statement 2019/20

Business Rates 2018/19 £'000	Council Tax 2018/19 £'000	Total 2018/19 £'000		Note	Business Rates 2019/20 £'000	Council Tax 2019/20 £'000	Total 2019/20 £'000
0	(96,053)	(96,053)	<b>Income</b>				
(48,112)	0	(48,112)	Council Tax Receivable	2	0	(102,543)	(102,543)
(48,112)	(96,053)	(144,165)	Business Rates Receivable	3	(48,531)	0	(48,531)
					(48,531)	(102,543)	(151,074)
			<b>Expenditure</b>				
			<b>Apportionment of Previous Year Surplus/(Deficit)</b>				
(389)	0	(389)	Central Government		(821)	0	(821)
(311)	77	(234)	Charnwood Borough Council		(657)	127	(530)
(70)	474	404	Leicestershire County Council		(148)	775	627
0	76	76	Leicestershire Police and Crime Commissioner		0	124	124
(8)	25	17	Combined Fire Authority		(16)	40	24
(778)	652	(126)			(1,642)	1,066	(576)
			<b>Precept, Demands and Shares</b>				
22,943	0	22,943	Central Government		11,339	0	11,339
18,354	11,243	29,597	Charnwood Borough Council	4	17,009	11,784	28,793
4,130	68,997	73,127	Leicestershire County Council		16,555	72,960	89,515
0	11,062	11,062	Leicestershire Police and Crime Commissioner		0	12,604	12,604
459	3,593	4,052	Combined Fire Authority		454	3,763	4,217
45,886	94,895	140,781			45,357	101,111	146,468
			<b>Charges to the Collection Fund</b>				
220	310	530	Less Write Offs of Non-Collectable Amounts	7	442	294	736
117	(82)	35	Less Increase/(Decrease) In Bad Debt Provision	6	(179)	(37)	(216)
2,627	0	2,627	Less Increase/(Decrease) In Provision For Appeals		(3,109)	0	(3,109)
193	0	193	Less Cost of Collection		189	0	189
410	0	410	Less Disregarded Amounts		1,072	0	1,072
3,567	228	3,795			(1,585)	257	(1,328)
<b>563</b>	<b>(278)</b>	<b>285</b>	<b>(Surplus)/Deficit arising during the year</b>		<b>(6,400)</b>	<b>(109)</b>	<b>(6,509)</b>
1,636	(990)	646	(Surplus)/Deficit brought forward 1st April		2,199	(1,268)	931
<b>2,199</b>	<b>(1,268)</b>	<b>931</b>	<b>(Surplus)/Deficit carried forward 31st March</b>	8/9/11	<b>(4,201)</b>	<b>(1,377)</b>	<b>(5,578)</b>

## Notes to the Collection Fund Statement

### Note 1 General

This account reflects the statutory requirements for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing Council in relation to non-domestic rates and the Council Tax and illustrates the way in which these have been distributed to preceptors and the General Fund. The Collection Fund is consolidated with the other accounts of the billing Council. The transactions are prescribed by legislation and are prepared on an accruals basis.

The major items contained within the Fund are:

- \* Council Tax collected from Borough Residents
- \* Business Rates collected from businesses within the Borough
- \* Transitional Relief granted to Council Taxpayers
- \* Precepts, Demands and Shares on the collection fund paid out to:
  - \* Central Government
  - \* Charnwood Borough Council
  - \* Leicestershire County Council
  - \* Leicestershire Police and Crime Commissioner
  - \* Leicestershire Combined Fire Authority
- \* The cost of collection allowance for Business Rates retained by the Billing Authority
- \* Additional items, such as
  - \* Write offs of non-collectable amounts
  - \* Provision for possible bad and doubtful debts
  - \* Provision for appeals on NNDR bills
  - \* Other disregarded amounts
- \* The deficit or surplus relating to Council Tax. This is then distributed between billing authorities and precepting authorities on the basis of an estimate made on 15th of January in each year.
- \* The deficit or surplus relating to Business rates. This is distributed between billing authorities, precepting authorities and central government on the basis of an estimate made during January in each year.

### Note 2 Council Tax

The basis of Council Tax is a property valuation. Properties are valued at April 1991 prices and included within eight bands. The standard Council Tax is calculated at Band D and all bands are expressed as a Band D equivalent to ascertain a total tax base for the Council. The 2019/20 base is shown below. Note that there is now a reduced 'Band A' for properties in 'A' that are reduced for those with approved Disabled Adaptations.

Valuation Band	Range of Values	Relationship to Band D	Number of Properties	Band D Equivalent
X	Reductions on Band A Up to and including	5/9	22.50	12.5
A	£40,000	6/9	10,327.25	6,884.8
B	£40,001 - £52,000	7/9	18,566.50	14,440.6
C	£52,001 - £68,000	8/9	16,915.50	15,036.0
D	£68,001 - £88,000	1	9,898.25	9,898.3
E	£88,001 - £120,000	11/9	6,685.50	8,171.2
F	£120,001 - £160,000	13/9	3,112.25	4,495.5
G	£160,001 - £320,000	15/9	1,872.00	3,120.0
H	More than £320,000	18/9	171.00	348.0
	Contributions in lieu			24.7
	Estimated growth in Band D equivalents			431.9
	<b>Total (Tax Base)</b>			<b>62,865.1</b>

The gross tax base, 62,865.1 as per the council tax resolution is adjusted for the Band D equivalent of dwellings receiving Council Tax Support to give an adjusted tax base of 57,322.4. Finally an estimated collection rate of 98.5% for 2019/20 is then applied to the adjusted Band D figure producing a Council Tax Base of 56,462.4 which equates to £1,790.77 for a Band D property. This provides a total requirement of £101.2m.

The actual position is as follows:

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
109,112	Gross Council Tax due	116,912
(13,059)	Relief, Exemptions and Transitional Relief Granted	(14,369)
<b>96,053</b>	<b>Council Tax</b>	<b>102,543</b>

### Note 3 National Non-Domestic Rates (NNDR)

NNDR is organised on a local basis. The Council is responsible for collecting rates due from ratepayers within the Borough and the total amounts billed to business ratepayers are included within the Collection Fund, less the various relief and exemptions granted. This amount is paid, during the year, to the other precepting authorities and to central government based on their proportionate shares. The amounts paid over form part of the financing of the billing and precepting authorities General Fund.

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
62,357	Gross Non-Domestic Rates due	64,717
(15,146)	Reliefs and Exemptions	(16,816)
901	Transitional Protection Payment due to/(from) the Council	630
<b>48,112</b>	<b>Net Business Rates Receivable</b>	<b>48,531</b>

The Government specifies an amount (50.4p in 2019/20 and 49.3p in 2018/19) and, subject to the effects of transition arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Rateable Value for the Council's area at 31st March 2020 was £133.25m (31st March 2019 £131.85m)

### Note 4 Charnwood Borough Council Tax Precept

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
16,784	Charnwood Precept	16,954
3,547	Parish Precepts	3,678
234	Collection Fund Deficit/(Surplus)	173
20,565		20,805
(9,322)	RSG and NNDR Redistributed Pool	(9,021)
<b>11,243</b>		<b>11,784</b>

## Note 5 Provision for Non-Payment

### Council Tax

There is a cumulative provision held as at 31st March 2020 amounting to £1,336K for doubtful debts, including costs. (31st March 2019 £1,382K)

### NNDR

There is a cumulative provision held as at 31st March 2020 amounting to £331k for doubtful debts, including costs. (31st March 2019 £510K)

## Note 6 Contributions to Provision for Bad and Doubtful Debts

2018/19 £'000		2019/20 £'000
(82)	Council Tax	(37)
117	NNDR	(179)
<b>35</b>		<b>(216)</b>

## Note 7 Write off of Bad Debts

2018/19 £'000		2019/20 £'000
310	Council Tax	294
220	NNDR	442
<b>530</b>		<b>736</b>

## Note 8 Council Tax (Surplus)/Deficit on the Collection Fund

There was a Surplus balance on the Collection Fund at 31st March 2020 of £1,377K (Surplus 31st March 2019 £1,268K). This will be carried forward to 2020/21 and taken into account in the future calculation of charges to be met by Council Taxpayers. Further analysis is provided in Note 10 below.

The net contributions paid out of £1,066K together with the Surplus brought forward of £1,268K and an decrease in Bad Debt Provision of £37K - increase the in-year surplus of £1,138K to a surplus of £1,377K which is carried forward.

## Note 9 Council Tax Collection Fund Balance

The Collection Fund is a statutory fund in which the Council records transactions for Council Tax. The balance on the fund has to be taken into account by the major precepting authorities in determining their respective requirements to be raised through Council Tax in future financial years. The surplus on the Collection Fund is apportioned as follows:

	<b>Amounts accounted for in 2020/21 £'000</b>	<b>Amounts to account for in 2021/22 £'000</b>	<b>Total £'000</b>
Leicestershire County Council	885	109	994
Leicestershire Police and Crime Commissioner	153	19	172
Charnwood Borough Council	142	18	160
Combined Fire Authority	46	5	51
<b>Total Surplus</b>	<b>1,226</b>	<b>151</b>	<b>1,377</b>

## Note 10 Council Tax Accounting for the Collection Fund Balance

On the basis that surpluses and deficits on the Collection Fund are shared with Leicestershire County Council, Leicestershire Police and Crime Commissioner, Leicestershire Combined Fire Authority and the Borough Council pro-rata to the precepts levied, the Council accounted for the Collection Fund Balance in the 2019/20 accounts as follows:

In the Balance Sheet at 31st March 2020, the Council included an overall Surplus of £1,377K (31st March 2019 Surplus £1,268K) of which £1,217K relates to Preceptors Share of Surplus (31st March 2019 £1,117K – Preceptors share of Surplus) in the proportions shown below and the balance of £160K (31st March 2019 - £150K) related to Charnwood Borough Council's share of the Collection Fund Surplus.

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
(150)	Charnwood Borough Council	(160)
(921)	Leicestershire County Council	(994)
(149)	Leicestershire Police and Crime Commissioner	(172)
(48)	Leicestershire Combined Fire Authority	(51)
<b>(1,268)</b>	<b>Deficit/(Surplus) – Balance as at 31<sup>st</sup> March</b>	<b>(1,377)</b>

**Note 11 Business Rates (Surplus)/Deficit on the Collection Fund**

Shares of non-domestic rating income to major preceptors and billing authorities are paid out of the collection fund and credited to the Comprehensive Income and Expenditure Statements of precepting and billing authorities. However the transactions presented in the collection fund statement are limited to the cash flows permitted by statute for the financial year, whereas each authority will recognise income on a full accruals basis, i.e. sharing out in full the (surplus) or deficit on the Collection Fund at the end of the year, even though it will be distributed to or recovered by the authorities in subsequent financial years.

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
880	Charnwood Borough Council	(1,561)
198	Leicestershire County Council	(1,687)
22	Leicestershire Combined Fire Authority	(42)
1,099	Central Government	(911)
<b>2,199</b>	<b>Deficit/(Surplus) - Balance as at 31st March</b>	<b>(4,201)</b>

## Glossary of Terms

**Accounting Period** - The period of time covered by the accounts is normally 12 months commencing on 1st April for local authorities.

**Accruals** - Sums included in the final accounts to cover income or expenditure attributable to the accounting period but for which payment has not been made/received at the balance sheet date.

**Capital Charges** - Charges made to service revenue accounts based on the value of the assets they use and comprising depreciation.

**Capital Expenditure** - Expenditure on new assets such as land and buildings, or on enhancements to existing assets which significantly prolong their useful life or increase their value.

**Capital Financing Costs** - The annual cost of borrowing (principal repayments and interest charges), leasing charges and other costs of funding capital expenditure.

**Capital Receipt** - Income from the sale of capital assets such as council houses, land or other buildings.

**Creditors** - Amounts owed by the Council at 31st March for goods received or services rendered but not yet paid for.

**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.

**Debtors** - Amounts owed to the Council, which are collectable or outstanding at 31st March.

**Depreciation** - The estimated losses in value of an asset, owing to age, wear and tear, deterioration, or obsolescence.

**Fair Value** - 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

**Finance Lease** – These are lease payments to acquire an asset, these are classified as assets on the Balance Sheet.

**Government Grants** - Payments by central government towards local Council expenditure. They may be specific or general.

**Net Non-Controllable Costs** – are those amounts charged to the CIES as required by Statute, and reversed out as part of the Movement in Reserves Statement so that they are not charged to the taxpayer. These are items such as Depreciation, Revaluation of Fixed Assets, Pension valuation costs, Accumulated absences.

**Non-Current Asset** - Assets which can be expected to be of use or benefit to the Council in providing its services for more than one accounting period.

**Operating Lease** - A lease under which the ownership of the asset remains with the lessor; for practical purposes it is equivalent to contract hiring.

**Precepts** - The amount which local authorities cannot charge a council tax directly to the public (for example a County Council) and requires Charnwood Borough Council to collect on its behalf.

**Reserves** - Amounts set aside in the accounts for the purpose of meeting particular future expenditure. A distinction is drawn between reserves and provisions, which are set up to meet known liabilities.

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

**Revenue Expenditure Funded from Capital Under Statute (REFCUS)** - Expenditure of a capital nature but for which there is no tangible asset, for example renovation grants.

**Revenue Support Grant** - The main grant paid by central government to a local Council towards the costs of its services.

### Abbreviations used in the accounts:

CIPFA - Chartered Institute of Public Finance and Accountancy	EUV-SH – Existing Use Value for Social Housing
FMS – Financial Management system	HRA - Housing Revenue Account
PWLB – Public Works Loan Board	MRA - Major Repairs Allowance
IFRS – International Financial Reporting Standard	NNDR - National Non-domestic Rates
PSM – Price Sensitivity Measurement	CFR – Capital Financing Requirement
DWP – Department of Works and Pensions	BID – Business Improvement District
MRP - Minimum Revenue Provision	VAT – Value Added Tax

**Independent auditor’s report to the members of Charnwood Borough Council**

**(Leave 4 pages)**

## **ANNUAL GOVERNANCE STATEMENT 2019/20**

### **Introduction**

1. This is Charnwood Borough Council's Annual Governance Statement for 2019/20. It provides:
  - An acknowledgement of responsibility for the Council's system of governance;
  - A summary of the assessment of the effectiveness of the Council's governance arrangements;
  - An opinion on the level of assurance that the Council's governance arrangements can provide;
  - An action plan for 2020/21;
  - A summary of progress against actions raised in the previous year's Annual Governance Statement;
  - A statement on conformance with CIPFA's Statement on the Role of the Chief Finance Officer;
  - A conclusion.
2. The Annual Governance Statement will be published on the Council's website as part of the Council's statement of accounts. The Annual Governance Statement is required by Regulation 6(1) (b) of the Accounts and Audit (England) Regulations 2015, and is compliant with the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government 2016 Edition (the Framework).

### **Responsibility For The Governance Framework**

3. Charnwood Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
4. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
5. The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework (2016).

## Review Of The Effectiveness Of The Governance Framework

6. The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Council who have responsibility for the development and maintenance of the governance environment, the annual Internal Audit report, and also by comments made by the external auditors and other review agencies and inspectorates.
7. A summary of the Council's governance framework is set out in the Annex to this statement. The Council considers that its corporate governance arrangements are effective and support the delivery of the principles of good governance.
8. The Council's statutory officers consist of the Head of Paid Service (Chief Executive), the Monitoring Officer (Head of Strategic Support), and the s.151 Officer (Strategic Director – Corporate Services). These officers fulfil the required statutory duties associated with their roles, including ensuring that the Council's activities are in accordance with the law and legislative requirements, and that financial budgets are set appropriately and are monitored regularly.
9. The Council's Internal Audit service operates according to an annual audit programme which is developed using a risk based approach designed to ensure that key financial systems and significant Council services are audited at appropriate frequencies so that sufficient assurance on adequacy of the internal control environment and risk management arrangements can be provided.
10. The Council's chief audit executive has produced an annual report for 2019/20 which concluded that based upon the work undertaken by Internal Audit during the year, moderate assurance can be given that the Council's overall framework of governance, risk management and internal control is adequate and effective.
11. Internal Audit identified no areas of limited assurance during the year.
12. The s151 officer has undertaken a review of the effectiveness of the Council's system of internal control, as required by the Accounts and Audit Regulations 2015. Section 3 of the Regulations state that:

*A relevant authority must ensure that it has a sound system of internal control which—*

*(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;*

*(b) ensures that the financial and operational management of the authority is effective; and*

*(c) includes effective arrangements for the management of risk.*

Section 6 of the Regulations requires that:

*A relevant authority must, each financial year; (a) conduct a review of the effectiveness of the system of internal control required by regulation 3.*

13. In conducting his review the s151 officer observed the following matters:
- The Council has an extant Corporate Plan and Business Plan, together with other supporting strategies and policies that provide direction and guidance to the effective exercise of its functions and fulfilment of its objectives
  - The Council has well established governance arrangements and protocols that ensure that there is adequate oversight over decision making and that decisions are supported by appropriate legal and financial clearances;
  - Controls over decision making are balanced with use of delegations to ensure that decision making is at the right level and not overly centralised, and can be conducted on a timely basis
  - Financial management of the Council is based on the Financial Regulations and Financial Procedure rules that cover procurement and expenditure matters; these rules are reviewed regularly and overseen by an experienced and well qualified team
  - Financial management and control processes are also underpinned by the internal audit function and the role of Members through the Cabinet, Committee and Scrutiny processes
  - Continued issues with staff turnover and recruitment delays persisted well into the 2019 / 20 financial year, and, combined with the impact of the coronavirus outbreak at the year end resulted in the internal audit programme not being completed by the year end. More positively, a shared audit service with North West Leicestershire District Council became operational and with the assistance of external providers it was possible to complete the planned audits of key financial systems other than:
    - ⊖ The Debtors audit spanned the year end and will therefore be issued as a 2020/21 audit
    - The interim audit covering Accountancy and Budgetary Control as could not be meaningfully completed remotely and has therefore been deferred
  - Risk management processes are recorded and managed both at Member level, through the auspices of Cabinet and the Audit Committee, and amongst senior officers through the regular Corporate Management Team risk management workshops
  - A strategic risk is approved annually by Cabinet, and kept under regular review by the Audit Committee and the Corporate Leadership Team
  - Generally, in the opinion of the s151 officer the Council member and officer groups, have sufficient independence, experience, capability, capacity and qualifications to ensure that segregation of duties exist, that decisions are adequately supported and robustly challenged
14. Based on his review, the s151 officer has concluded that overall the Council's system of internal control is effective.
15. Senior managers, and the Audit Committee and Scrutiny Committees are responsible for receiving and considering regular monitoring reports in respect of the risk management framework, the performance management framework, and

the work of Internal Audit. The Audit Committee also receive and consider any reports arising from the work of the external auditors.

16. These arrangements and processes ensure that the Council's corporate governance and internal control arrangements are kept under regular and ongoing review throughout each financial year.
17. Additionally, as part of the process to produce the Annual Governance Statement, a comprehensive review of all sources of evidence, including external review, audit and inspection work undertaken during the year, has been undertaken.
18. The annual audit letter issued by the external auditors (Mazars) for 2018/19 did not identify any significant internal control issues.

### **Assurance Opinion**

19. The Council considers that overall the governance arrangements in place during 2019/20 provided a significant level of assurance, and continue to be fit for purpose.

### **Action Plan For 2020/21**

20. The following action has been identified for 2020/21:
  - Review and monitor the effectiveness of the new shared internal audit service, particularly in light of the impact of the ongoing coronavirus pandemic.

### **Progress Against Actions Raised In The Previous Year's Annual Governance Statement**

21. The table below summarises progress against the actions in the 2018/19 Annual Governance Statement:

<b>Identified Action</b>	<b>Summary of Progress</b>
Improve resilience arrangements for the resourcing of the internal audit function, potentially by entering into a shared service arrangement with other authorities in Leicestershire.	<p>Resourcing problems for the internal audit service continued during much of 2019/20, and although some additional external resources were procured, it was not possible to complete some elements of the annual audit plan.</p> <p>The Council has now entered into a shared internal audit service with North West Leicestershire and Blaby District Councils, and as of April 2020 the service is fully resourced.</p>

## **Conformance With The Governance Requirements Of The CIPFA Statement On The Role Of The Chief Finance Officer**

22. The Chief Financial Officer of the Council is the Strategic Director of Corporate Services. This role is one of four that comprise the Council's senior management team and reports directly to the Chief Executive. These arrangements, both in design and in day to day practice, enable the financial aspects of material business decisions to be given due weight.
23. The Council maintains an effective system of financial control which is clearly set out within the Council's financial regulations and procedure rules. Control and oversight is facilitated by an effective internal audit function and underpinned by a strong culture of careful management of public money demonstrated by all managers. The efficacy of the control environment can be evidenced through the Council's recent history of financial outturns, and the timeliness and quality of its financial statements and other financial returns.
24. The Chief Financial Officer is the Council's Section 151 Officer (from section 151, Local Government Act 1972) and in accordance with the statutory requirements covering this role has an appropriate accountancy qualification, being a member of the Institute of Chartered Accountants in England and Wales. The Deputy Section 151 Officer (who is the Council's Head of Finance and Property) is a member of the Chartered Institute of Public Finance and Accountancy. Both have significant experience in local government. In the view of the Chief Financial Officer, the Council's finance function is considered adequately resourced and contains a mix of staff with appropriate levels of professional qualifications and experience.
25. In the opinion of the Chief Financial Officer the authority's financial management arrangements conform with the requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government*.

### **Conclusion**

26. The Council is committed to the principles of sound and effective governance, and will continue to monitor implementation as part of the next annual review.

.....  
**Rob Mitchell**  
**Chief Executive**

Date:

.....  
**Councillor Jonathan Morgan**  
**Leader of the Council**

Date:

## Summary of Charnwood Borough Council's Governance Framework Arrangements

The key elements of the Council's governance framework are as follows: -

- ◆ The Council's objectives are set out in the Corporate Plan and this is reviewed through Cabinet and wider consultation with local partners and the community. The achievement of the plan is monitored through performance management and review processes carried out by Cabinet, Scrutiny committees and officers.
- ◆ A rigorous and robust annual service delivery and team planning process is in place that includes consultation with service users where appropriate, and which ensures that resources and budgets are aligned to the corporate objectives set out in the Corporate Plan, as well as providing for a controlled and objective means of identifying efficiency savings and opportunities for investment to improve service delivery.
- ◆ Policies determined during the financial year are approved by Council or Cabinet as appropriate following thorough consultation with key stakeholders and the local community where appropriate.
- ◆ A corporate complaints procedure is in operation, and is appropriately publicised via the Council's website and other means. All complaints are investigated and corrective action taken to improve processes and procedures where appropriate. The complaints procedure has been subject a scrutiny review, and recommendations for improvements have been implemented.
- ◆ A sound system of internal controls is in place to ensure value for money is obtained and that funds and resources are used appropriately. This includes detailed Financial Regulations, and supporting Financial Procedures, which are reviewed and updated periodically.
- ◆ The Council's constitution sets out the terms of reference for all member committees, including executive and decision making functions, and the scrutiny function.
- ◆ A member/officer protocol is in place which sets out the expectations and processes that are in place to ensure effective and constructive working relationships.
- ◆ A scheme of delegation has been approved and is regularly updated, which clearly sets out which responsibilities have been delegated to officers, and how these delegations should operate and be recorded.
- ◆ Codes of conduct are in place for members and officers, which clearly specify the required standards of conduct and behaviour, and which require the declaration of any personal interests which may conflict with the interests of the Council.
- ◆ Registers are maintained to record any declarations of interest made by members or officers.

- ◆ A 'whistle-blowing' policy is in place for any members, officers or other parties to report suspicions of fraud or other irregularities, and all such reported instances are investigated thoroughly.
- ◆ A Member Conduct Committee is in place to oversee the process for any allegations relating to the behaviour or conduct of members.
- ◆ A Code of Corporate Governance is in place which sets out the Council's approach towards, and requirements for achieving good corporate governance.
- ◆ All Cabinet reports recommending decisions include details of any relevant financial and legal implications, and contain a risk management section which sets out any identified risks together with their likelihood and impact, and actions planned to manage the risks.
- ◆ A scrutiny function is in place which has the right to call-in any executive decisions for comment and challenge.
- ◆ A risk management framework has been established under which strategic risks which may cause the Council to be unable to operate or provide key services leading to a significant adverse effect on public wellbeing are identified on an annual basis, are approved by Cabinet, and subsequently monitored on a quarterly basis by senior managers and by the Audit Committee. Lower level operational risks are identified by the annual service delivery planning process and are monitored on an ongoing quarterly basis, with any exceptions or significant concerns being escalated to senior managers and to the Audit Committee.
- ◆ A regular personal review is undertaken for all officers, which includes the identification of training and development needs, which are then considered and built into a service level and corporate training programme where appropriate.
- ◆ A Member Development Strategy has been approved and there is an ongoing programme of training courses for councillors. An intensive induction programme is in place for new councillors.
- ◆ Thorough and rigorous recruitment and selection processes for officers are in place, and workforce succession planning is undertaken to ensure capacity and continuity issues are identified and addressed.
- ◆ The scrutiny function consists of a Scrutiny Commission, three directorate based Scrutiny Committees, and a Scrutiny Call-in Committee. Other scrutiny panels are set up to examine issues on a task and finish basis.
- ◆ The Audit Committee has responsibility for overseeing the production of the annual statement of accounts, and for the work of Internal Audit. The committee aims to fulfil the core functions of an audit committee as recommended by the Chartered Institute of Public Finance & Accountancy, and is chaired by an independent person who has appropriate experience and qualifications.

- ◆ The Council has an Internal Audit function which operates in accordance with appropriate requirements and guidance, and which is responsible for providing assurance on the adequacy of internal control and risk management arrangements.
- ◆ The Council has identified all of its significant partnerships, and has undertaken a risk assessment for all of these partnerships, including ensuring appropriate governance arrangements are in place.
- ◆ Appropriate employment policies and procedures are in place to ensure responsibilities to staff are met and that employment legislation is complied with. These include disciplinary and capability policies.
- ◆ Appropriate mechanisms are in place to measure quality of service to users, including use of the 'Govmetric' satisfaction monitoring tool for all major access channels.
- ◆ Compliance with internal policies and procedures is ensured by various means, including management checks and the work of Internal Audit.



Mr Mark Surridge  
Mazars LLP  
45 Church Street  
Birmingham  
B3 2RT

Southfield Road, Loughborough, Leicestershire.  
LE11 2TR

Ask for: Simon Jackson, Strategic Director of  
Corporate Services

Direct Line: 01509 634699

Email: [Simon.Jackson@charnwood.gov.uk](mailto:Simon.Jackson@charnwood.gov.uk)

My ref: SJ/LKT/Letterrep

Fax: 01509 263791

25<sup>th</sup> July 2019

Dear Mr Mark Surridge

This representation letter is provided in connection with your audit of the financial statements of Charnwood Borough Council ("the Authority"), for the year ended 31 March 2019, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2019 and of the Authority's expenditure and income for the year then ended; and
- ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

These financial statements comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

### Financial statements

1. The Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015, for the preparation of financial statements that:
  - i. give a true and fair view of the financial position of the Authority as at 31 March 2019 and of the Authority's expenditure and income for the year then ended; and



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- ii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.

#### **Information provided**

4. The Authority has provided you with:
  - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
  - additional information that you have requested from the Authority for the purpose of the audit; and
  - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
5. All transactions have been recorded in the accounting records and are reflected in the financial statements.
6. The Authority confirms the following:
  - i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

- ii) The Authority has disclosed to you all information in relation to:
  - a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
    - management;
    - employees who have significant roles in internal control; or
    - others where the fraud could have a material effect on the financial statements;and
  - b) allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

7. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
8. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent*

*Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

9. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.
10. The Authority confirms that:
  - a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view.
  - b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority to continue as a going concern.
11. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) *Employee Benefits*.

The Authority further confirms that:

- a) all significant retirement benefits, including any arrangements that are:
  - statutory, contractual or implicit in the employer's actions;
  - arise in the UK and the Republic of Ireland or overseas;
  - funded or unfunded; and
  - approved or unapproved,have been identified and properly accounted for; and
- b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit Committee on 24th July 2019.

Yours faithfully,

Mr Bev Angell  
Chair of the Audit Committee

Simon Jackson  
Director of Corporate Services



## **Appendix to the Authority Representation Letter of Charnwood Borough Council: Definitions**

### **Financial Statements**

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period
- A Balance Sheet as at the end of the period
- A Movement in Reserves Statement for the period
- A Cash Flow Statement for the period
- Notes, comprising a summary of significant accounting policies and other explanatory information.

A housing authority must present:

- a HRA Income and Expenditure Statement; and
- a Movement on the Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'

### **Material Matters**

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

“Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.”

### **Fraud**

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

### **Error**

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

## **Management**

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

## **Related Party and Related Party Transaction**

### **Related party:**

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

- a) A person or a close member of that person's family is related to a reporting entity if that person:
  - i. has control or joint control over the reporting entity;
  - ii. has significant influence over the reporting entity; or
  - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
  - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - iii. Both entities are joint ventures of the same third party.
  - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  - vi. The entity is controlled, or jointly controlled by a person identified in (a).
  - vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Key management personnel in a local authority context are all chief officers (or equivalent), elected members, the chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

### **Related party transaction:**

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.