



**AUDIT COMMITTEE**

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To: Councillors Boldrin, S. Bradshaw, Hadji-Nikolaou, Parsons (Vice-Chair), Snartt and Ms Nellist (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 the Preston Room, Woodgate Chambers, Woodgate, Loughborough on Tuesday, 7th December 2021 at 6.00 pm for the following business.

Chief Executive

Southfields  
Loughborough

29th November 2021

**AGENDA**

1. APOLOGIES
2. DISCLOSURES OF PECUNIARY AND PERSONAL INTEREST
3. QUESTIONS UNDER OTHER COMMITTEE PROCEDURES 12.8

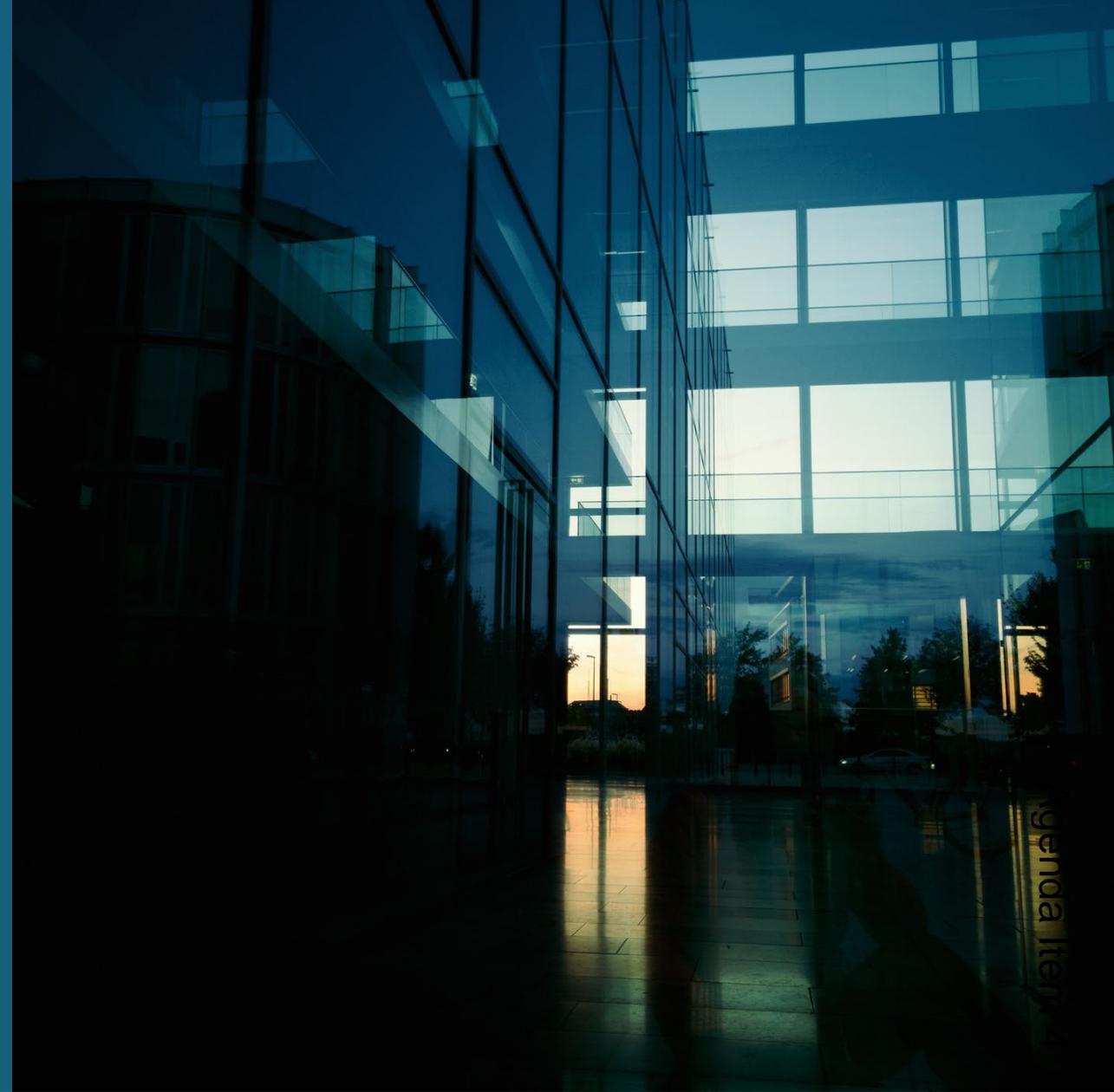
No questions were submitted.

- |    |  |           |
|----|--|-----------|
| 4. | <u>EXTERNAL AUDIT - AUDIT COMPLETION REPORT -<br/>CHARNWOOD BOROUGH COUNCIL - YEAR ENDED 31 MARCH<br/>2021</u> | 3 - 39    |
|    | A report of the External Auditors.   |           |
| 5. | <u>STATEMENT OF ACCOUNTS 2020/21</u>   | 40 - 120  |
|    | A report of the Head of Finance.   |           |
| 6. | <u>ANNUAL GOVERNANCE STATEMENT 2020/21 AND REVIEW OF<br/>THE CODE OF CORPORATE GOVERNANCE</u>                  | 121 - 138 |
|    | A report of the Head of Strategic Support.   |           |

# Audit Completion Report

Charnwood Borough Council - Year  
ended 31 March 2021

November 2021  
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Appendix A: Draft management representation letter

Appendix B: Draft audit report

Appendix C: Independence

Appendix D: Other communications

Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.



**Audit and Standards Committee**

Charnwood Borough Council  
The Symington Building  
Southfield Road  
Loughborough  
LE11 2TX

22 November 2021

Dear Committee Members

**Audit Completion Report – Year ended 31 March 2021**

We are pleased to present our Audit Completion Report for the year ended 31 March 2021. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum. We have reviewed our Audit Strategy Memorandum and our audit approach concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail, then please do not hesitate to contact me at [mark.surridge@mazars.co.uk](mailto:mark.surridge@mazars.co.uk).

Yours faithfully

Mark Surridge

Mazars LLP

Mazars LLP  
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Two Chamberlain Square,  
Birmingham,  
B3 3AX

# 01

Section 01:

**Executive summary**

# 1. Executive summary

## Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2020/21 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report, we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls;
- Net defined benefit liability valuation;
- Valuation of property, plant and equipment; and
- COVID-19 grants recognition.

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements.

Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

## Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2021.

At the time of preparing this report, significant matters remaining outstanding as outlined in section 2. We will provide an update to you in relation to the significant matters outstanding through issuance of a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



### Audit opinion

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.



### Value for Money

We anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 7 of this report.



### Whole of Government Accounts (WGA)

We have not yet received group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to commence our work in this area until such instructions have been received, which is due in December 2021



### Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts.

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# 02

## Section 02: **Status of the audit**

# 2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
Grant income		The Audit Team experience a delay in commencing the work on grants income. We are currently working through the information provided by the client and do not expect a significant number of follow up queries to be required.
Debtors and Creditors		We are working through a residual sample of debtors and creditors.
Cash, Loans and Borrowings		We are awaiting a external confirmation letter from HSBC.
Property, Plant & Equipment (land & buildings) and investment properties		A number of queries remain outstanding that are being processed by the audit team and discussed with Management where further evidence is required.
Whole of government accounts		We are awaiting further guidance from central government in relation to the 2020/21 process, therefore, this work is yet to start.
Completion and quality control procedures		Our work is subject to further quality control review procedures by the Engagement Lead and Audit Manager. In addition, some procedures, such as the review for post balance sheet events, the annual governance statement, going concern and management representations are ongoing, and will remain as such, through to the date of issuing the auditor's report.

 Likely to result in material adjustment or significant change to disclosures within the financial statements.

 Potential to result in material adjustment or significant change to disclosures within the financial statements.

 Not considered likely to result in material adjustment or change to disclosures within the financial statements.



# 03

## Section 03: **Audit approach**

# 3. Audit approach

## Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum June 2021. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

## Materiality

Our provisional materiality at the planning stage of the audit was set at £1,552k using a benchmark of 2% of gross operating expenditure.

Our final assessment of materiality, based on the final financial statements and qualitative factors is £1,520k using the same benchmark.

Specific materiality thresholds also used are:

Threshold	£'000s
Officer remuneration	5*
Members allowances	56

\*Bandings within the note are £5k, so therefore a one band move is considered material

## Reliance on internal audit

No reliance has been placed on internal audit for the 2020/21 financial audit. Enquiries have been undertaken to help aid the overarching control environment at the Council.

## Use of experts

Information below was disclosed within our Audit Strategy Memorandum. No changes to our audit approach have been identified.

Item of account	Management's expert	Our expert
Property Plant and Equipment	External valuer, <b>Wilks, Head and Eve</b>	None. Third party evidence provided via the NAO to support our challenge of valuation assumptions.
Pensions	<b>Hymans Robertson LLP</b> Actuary for Nottinghamshire Pension Fund	PWC (Consulting actuary appointed by the NAO)
Financial Instrument disclosures	<b>Link Asset Services</b> Treasury management advisors	None.

## Service organisations

In our Audit Strategy Memorandum, we reported that Leicestershire Pension Fund was a service organisation for the purposes of our audit approach. International Auditing Standards (UK) (ISAs) define service organisations as third-party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services

We have re-evaluated our assessment and concluded that Leicestershire Pension Fund does not meet the definition of a service organisation. This does not have a significant impact on our audit approach.



# 04

## Section 04: **Significant findings**

# 4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum and Progress Report;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 15 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

## Significant risks

<b>Management override of controls</b>	<p><b>Description of the risk</b></p> <p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>
	<p><b>How we addressed this risk</b></p> <p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> <li>• Accounting estimates impacting amounts included in the financial statements;</li> <li>• Consideration of identified significant transactions outside the normal course of business; and</li> <li>• Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.</li> </ul>
	<p><b>Audit observations</b></p> <p>Our considerations of estimates is set out on page 18. We did not identify any significant transactions outside the normal course of business. We applied a combination of audit judgement and computer aided audit tools to analyse and perform tests over journal entries.</p>
	<p><b>Audit conclusion</b></p> <p>No issues have been identified that need to be brought to the attention of Members.</p>

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# 4. Significant findings

## Defined benefit liability valuation

### Description of the risk

The defined benefit liability relating to the Local Government pension scheme represents a significant balance on the Council's balance sheet. The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.

Relevant Account Balances (taken from the 2020/21 draft financial statements provided for audit):

- Note 38 – Net Pension liability - £87,534k

### How we addressed this risk

We addressed this risk by:

- critically assessing the competency, objectivity and independence of the Leicestershire Pension Fund Actuary;
- liaising with the auditors of the Leicestershire Pension Fund to understand the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate.
- reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the actuaries, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information by our consulting actuary; and
- agreeing the data in the IAS 19 valuation report provided by the actuaries for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.

### Audit conclusion

We received the assurance letter from the auditor of Leicestershire Pension Fund on 30 September 2021, which notified us of a material misclassification error in the pension fund and a movement in the underlying value of assets. Having performed additional enquiries and tests, we gained the assurance we required and no issues were noted from our testing that need to be brought to the attention of Members.

# 4. Significant findings

**Valuation of land & buildings**

**Description of the risk**

Property related assets are a significant balance on the council's balance sheet. The valuation of these properties is complex and is subject to a number of management assumptions and judgements. Due to the high degree of estimation uncertainty associated with such valuations, we have determined there is a significant risk in this area. This risk covers (figures have been taken from the draft 2020/21 financial statements):

- Council Dwellings (£311m - Note 10)
- Other Land & Buildings (£57m - Note 10)

**How we addressed this risk**

We addressed this risk by:

- critically assessing the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations;
- considering whether the overall revaluation methodologies used by the Council's valuers are in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies;
- testing a sample of valuations;
- assessing whether valuation movements are in line with market expectations by using third party information to provide information on regional valuation trends; and
- assessing the approach that the Council adopts to ensure that assets are not subject to revaluation in 2020/21 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuers.

**Audit conclusion**

Whilst there are no significant issues arising from the work performed to date, in line with section 2 of this report, a number queries are outstanding and we are yet to finalise and confirm our findings.



# 4. Significant findings

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## COVID-19 grants recognition

### Description of the risk

Throughout 2020/21, the Government has provided substantial sums of financial support to local authorities. Management have had to exercise a level of judgement in relation to these specific COVID-19 grants, covering the following:

- the extent to which the Council is acting as an agent or principal; and
- whether conditions associated with the grants have been met at the reporting date.

This creates a financial reporting risk as to whether income is appropriately recognised in the financial statements.

### How we addressed this risk

We addressed this risk by:

- reviewed the Council’s approach to determine whether grants are or are not ringfenced for specified areas of expenditure; and
- tested a sample of grant income recorded in the ledger to grant allocations/ notifications; and
- challenged the Council’s judgements as to whether it is acting as agent or principal in respect of the administration of individual grant funding streams, and the accounting treatment associated with these judgements; and
- reviewed a sample of grants to ensure conditions to recognise the income in 2020/21 have been met or not.

### Audit conclusion

Whilst there are no significant issues arising from the work performed to date, in line with section 2 of this report, a number queries are outstanding and we are yet to finalise and confirm our findings.



# 4. Significant findings

## Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council and were of a good quality and were supported by working papers of a good standard.

## Significant matters discussed with management

Significant matters discussed with management during the year include the on-going impact of COVID-19 on the Council's business, including any potential impact on risks of material misstatement.

This included the disclosures required regarding the key sources of estimation uncertainty that management has made in preparing the Statement of Accounts.

## Significant difficulties during the audit

Throughout the audit, we have had the full co-operation of management.

The audit was again carried out remotely, but there were no significant difficulties in carrying out our normal audit procedures and obtaining the audit evidence required to complete the audit.

We continue to work with management to complete any remaining audit work and resolve audit queries and are grateful for the co-operation and support provided.

## Audit fees

As set out in our Audit Strategy Memorandum, we identified the need for a variation to the published scale fee to take account of several matters. Our current estimate is set out below:

- Additional testing as a result of changes arising from increased audit quality expectations involving the work on the valuation of land and buildings and on the local government pension scheme - **£7,067**. This is consistent with the prior year.
- Additional testing as a result of the implementation of new auditing standards: ISA 220 (Revised): Quality control of an audit of financial statements; ISA 540 (Revised): Auditing accounting estimates and related disclosures; and ISA570 (Revised) Going Concern; – **£2,800**
- Additional testing as a result of new significant audit risk relating to COVID-19 grants - **£1,200**
- Additional work as a result of the new Code of Audit Practice and VFM reporting – ongoing with our estimate being **£8,000-£10,000**.

We will agree the final fee, and any further variations, with management prior to reporting to Committee.

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# 4. Significant findings

## Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2020/21 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the Auditor and the right to make an objection to an item of account. No such objections have been raised

## Possible delay in the audit certificate

The issue of the Audit Certificate confirms that we have discharged all of our audit responsibilities and that the audit is formally 'closed'. The Audit Certificate would normally be published in our Auditor's Report on the Statement of Accounts. We expect to issue the audit report but delay the issue of the Audit Certificate until the following procedures are complete:

- Value for Money - We are yet to complete our work in respect of the Council's arrangements for the year ended 31 March 2021 and expect to report our findings in the 2020/21 Annual Auditors Report within 3 months of giving our audit opinion. At the time of preparing this report, we have not identified any significant weaknesses in the Council's arrangements that require us to make a recommendation.
- Whole of Government Accounts - The NAO has not yet issued its Group Instructions for local authority

audits.

We will update Audit and Standards Committee when more information is known but at this stage the draft Auditor's Report at Appendix B assumes that we are not able to issue the Audit Certificate at this stage.



# 05

## Section 05: **Internal control recommendations**

# 5. Internal control recommendations

The purpose of our audit was to express an opinion on the financial statements. As part of our audit, we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control, we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	1
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	2

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# 5. Internal control recommendations

## Other deficiencies in internal control – Level 2

### Description of deficiency

The Council maintains property records that are provided to the valuer to calculate the value of assets, for example floor plans. Our testing identified that whilst information is maintained in, it is not regularly reviewed or subject to reconciliation and testing.

### Potential effects

Increased risk of incorrect valuation of assets in the financial statements and in accurate data.

### Recommendation

The Council should perform a regular reconciliation between the underlying data per the asset management system and records of asset data, such as floor space and land areas, to the information used as the basis of valuation by the valuer.

### Management response

Management to respond

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# 5. Internal control recommendations

## Other deficiencies in internal control – Level 3

### Description of deficiency

As part of our testing of income cut off, we identified that the Council were not fully compliant with *IFRS 15 Revenue from Contracts with Customers*. The Council recognises rental and lease income once received rather than when performance obligations (i.e. The rent period) fall due. For example, if rent is paid annually on the 15<sup>th</sup> March 2021 the Council would recognise the income in the 2020/21 year rather than splitting that income across the 2020/21 and 2021/22 year. Due to the leases running for several years this will mean that the Council typically includes 12 months of rental income in each financial year, but it is not in strict compliance with IFRS15 and this approach can give rise to timing differences.

### Potential effects

Timing differences may lead to a significant variance in income at year end.

### Recommendation

The Council should recognise income in line with IFRS 15 or ensure it can quantify the impact to confirm the departure from IFRS 15 is immaterial.

### Management response

Management to respond

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# 5. Internal control recommendations

## Other deficiencies in internal control – Level 3

### Description of deficiency

During our testing of the Council's cash and bank reconciliation we noted an unpresented cheques balance of £256k, when further queried with the client it was noted that these items were not actually unpresented cheques. We have been advised that this is a long-standing issue dating back to May 2019 where a problem was highlighted with the cashbook interface on Unit4. The Council raised a service ticket with the IT Support function to clear down the cash book and the Council believed the problem was resolved, but has reappeared for the year-end.

### Potential effects

The cash figure within the statement of accounts does not accurately reflect the Council's year end cash position.

### Recommendation

The Council should ensure a resolution is reached with Unit4 to prevent this being a recurring issue.

### Management response

The Council has the notes from the previous post holder and will be engaging with a Unit4 consultant to resolve the problem.



# 06

Section 06:

## Summary of misstatements

# 6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £55k.

## Unadjusted misstatements

For the unadjusted item below, we have not calculated the equivalent value for 2019/20, which may off-set the figure for the current year.

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Income	271			
	Cr: Debtors				271
<p>As part of our testing of income cut off, we identified that the Council were not fully compliant with <i>IFRS 15 Revenue from Contracts with Customers</i>. The Council recognises rental and lease income once received rather than when performance obligations (i.e. The rent period) fall due. For example, if rent is paid annual on the 15<sup>th</sup> March 2021 the Council would recognise the income in the 2020/21 year rather than splitting that income across the 2020/21 and 2021/22 year. Due to the leases running for several years this will mean that the Council typically includes 12 months of rental income in each financial year, but it is not in strict compliance with IFRS15 and this approach can give rise to timing differences.</p> <p>We identified that the error occurred on both pre and post cut off and hence the issue was offset. Our calculated difference is that, in the current year, this would give risk to an overstatement of income of £271k.</p>					
<b>Total Impact</b>		<b>271</b>			<b>271</b>

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# 6. Summary of misstatements

## Adjusted misstatements

No adjusted material misstatements have been identified for 2020/21

## Disclosure amendments

A few disclosure amendments have been made in 2020/21 financial statements these are:

- The Revaluation Reserve note (in unusable reserves note 21) has been amended following audit inquiry that the original note did not agree to the Comprehensive Income & Expenditure Statement;
- Contingent liability note 34 – is being updated to give an indication of why the Council is not disclosing the amounts involved.
- Note 29 External Audit Fee has been updated to reflect the fees presented in our Audit Strategy Memorandum.

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# 07

## Section 07: **Value for Money**

# 7. Value for Money

## Approach to Value for Money

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

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

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

Our assessment of what constitutes a significant weakness is a matter of professional judgement, based on our evaluation of the subject matter in question, including adequacy of the Trust's responses. The National Audit Office's guidance states that a weakness may though be said to be significant if it:

- Exposes (or could reasonably be expected to expose) the body to significant financial loss or risk;
- Leads to (or could reasonably be expected to lead to) significant impact on the quality or effectiveness of service or on the body's reputation;
- Leads to (or could reasonably be expected to lead to) unlawful actions; or
- Involves a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

Our work includes performing a detailed risk assessment, drawing from a variety of sources, including, but not limited to:

- Meeting with management;
- Considering the work of the Audit and Standards Committee;
- Reviewing supporting guidance from the National Audit Office, including indicators of significant weaknesses;
- Considering our understanding of sector developments and any local issues;
- Reading and reviewing Committee reports;
- Reviewing the Annual Governance Statement;
- Considering the outcomes from the work of internal audit;
- Reading risk registers and risk management reporting; and
- Considering the work of regulators and inspectorates.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report.

## Status of our work

We are yet to complete our work in respect of the Council's arrangements for the year ended 31 March 2021. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however we continue to undertake work on the Council's arrangements.

Our draft audit report at Appendix B outlines that we have not yet completed our work in relation to the Council's arrangements. As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report.

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# Appendices

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# Appendix A: Draft management representation letter

Mazars LLP  
First floor,  
Two Chamberlain Square,  
Birmingham,  
B3 3AX

Dear Sirs

## Charnwood Borough Council - audit for year ended 31 March 2021

This representation letter is provided in connection with your audit of the financial statements of Charnwood Borough Council (the Council) for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

### My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

### My responsibility to provide and disclose relevant information

I have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;

- Additional information that you have requested from us for the purpose of the audit; and

Unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Chief Financial Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

### Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

### Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

### Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at current or fair value, are reasonable.

I confirm that I am satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with my knowledge. I confirm that all settlements and curtailments have been identified and properly accounted for. I confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).

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# Appendix A: Draft management representation letter

## Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

## Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

## Fraud and error

I acknowledge my responsibility as Chief Financial Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- All the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- All knowledge of fraud or suspected fraud affecting the Council involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and

others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

## Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed to you in accordance with the requirements of the Code and applicable law.

I have disclosed the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

## Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. I have considered the impact of Covid-19 on the Council's Investment Properties. An impairment review is therefore not considered necessary.

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# Appendix A: Draft management representation letter

### Charges on assets

All the Council's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

### Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

### Subsequent events

I confirm all events subsequent to the date of the financial statements, and for which the Code and applicable law require adjustment or disclosure, have been adjusted or disclosed.

I should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

### Covid-19

We confirm that we have carried out an assessment of the on-going impact of the Covid-19 Virus pandemic on the Council, including the impact of mitigation measures and uncertainties, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

### Brexit

We confirm that we have carried out an assessment of the potential impact of the United Kingdom leaving the European Union, including the potential outcomes at the end of the Implementation Period, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

### Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the

going concern basis is not less than twelve months from the date of approval of the accounts.

I have updated our going concern assessment in light of the on-going Covid-19 pandemic. I continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

### Annual Governance Statement

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the AGS.

### Narrative report

The disclosures within the Narrative Report fairly reflect my understanding of the Council's financial and operating performance over the period covered by the financial statements.

### Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements set out at Appendix A are immaterial, both individually and in aggregate, to the financial statements as a whole.

Yours faithfully

Chief Financial Officer

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# Appendix A: Draft management representation letter

Appendix A

Page 33

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Income	271			
	Cr: Debtors				271
<p>As part of our testing of income cut off, we identified that the Council were not fully compliant with <i>IFRS 15 Revenue from Contracts with Customers</i>. The Council recognises rental and lease income once received rather than when performance obligations (i.e. The rent period) fall due. For example, if rent is paid annual on the 15<sup>th</sup> March 2021 the Council would recognise the income in the 2020/21 year rather than splitting that income across the 2020/21 and 2021/22 year. Due to the leases running for several years this will mean that the Council typically includes 12 months of rental income in each financial year, but it is not in strict compliance with IFRS15 and this approach can give rise to timing differences.</p> <p>We identified that the error occurred on both pre and post cut off and hence the issue was offset. Our calculated difference is that, in the current year, this would give risk to an overstatement of income of £271k.</p>					
<b>Total Impact</b>		<b>271</b>			<b>271</b>



# Appendix B: Draft audit report

## Independent auditor's report to the members of Charnwood Borough Council

### Report on the audit of the financial statements

#### Opinion on the financial statements

We have audited the financial statements of Charnwood Borough Council ('the Council') for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2021 and of the Council's expenditure and income for the year then ended; and

have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

#### Basis for opinion

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

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report.

#### Other information

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

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

We have nothing to report in this regard.

#### Responsibilities of the Chief Financial Officer for the financial statements

As explained more fully in the Statement of Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view. The Chief Financial Officer is also responsible for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and prepare the financial statements on a going concern basis, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Chief Financial Officer is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

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# Appendix B: Draft audit report

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Chief Financial Officer's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Audit and Standards Committee the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit and Standards Committee on whether they had knowledge of any actual, suspected or alleged fraud;

- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit and Standards Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in April 2021.

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

## Report on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources

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

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have not completed our work on the Council's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2021.

We will report the outcome of our work on the Council's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

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# Appendix B: Draft audit report

## Responsibilities of the Council

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

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

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

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021.

## Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

## Use of the audit report

This report is made solely to the members of Charnwood Borough Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for

the opinions we have formed.

## Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed:

- the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack; and
- the work necessary to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Mark Surridge, Key Audit Partner

For and on behalf of Mazars LLP

First floor,

Two Chamberlain Square,

Birmingham,

B3 3AX

# Appendix C: Independence

As part of our ongoing risk assessment, we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

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# Appendix D: Other communications

Other communication	Response
Compliance with Laws and Regulations	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
External confirmations	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
Related parties	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ol style="list-style-type: none"> <li>a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and</li> <li>b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.</li> </ol>
Going Concern	<p>We have not identified any evidence to cause us to disagree with the Chief Financial Officer that Charnwood Borough Council will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p>
Subsequent events	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
Matters related to fraud	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and Audit and Standards Committee, confirming that</p> <ol style="list-style-type: none"> <li>a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud;</li> <li>b. they have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud;</li> <li>c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving:             <ol style="list-style-type: none"> <li>i. Management;</li> <li>ii. Employees who have significant roles in internal control; or</li> <li>iii. Others where the fraud could have a material effect on the financial statements; and</li> </ol> </li> <li>d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.</li> </ol>

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# Mark Surridge

## Mazars

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services\*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

\*where permitted under applicable country laws.

## AUDIT COMMITTEE – 7<sup>th</sup> December 2021

### Report of the Head of Finance

#### ITEM 5            STATEMENT OF ACCOUNTS 2020/21

##### Purpose of Report

To consider the Council's Statement of Accounts for 2020/21 and approve them for publication.

##### Recommendations

1. That the Statement of Accounts for the year ended 31st March 2021 (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 per Appendix B, be approved for signature by the Chief Financial Officer.

##### Reasons

1 and 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 2020/21 (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 2020/21

Major differences between the 2019/20 figures and those for 2020/21 are shown in Note 5 on pages 6 and 7 of the accounts as part of the narrative statement

## Statement of Responsibilities for the Statement of Accounts, Corporate Governance and the External Audit Report (page 10)

The Statement of Responsibilities on page 10 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 (page 11)

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 £13.1m (£18m 2019/20). Any revaluation gains and losses on Asset and the Pension Fund are then adjusted underneath this to give a Total (surplus)/deficit Comprehensive Income & Expenditure figure of £556k surplus (£37m surplus 2019/20). How this amount affects the Council's reserves is then explained in the Movement in Reserves Statement on page 14. There is increase to the General Fund Balance of £1.3m (£2.3m decrease 2019/20) and HRA no movement in 2020/21 (£3k decrease 2019/20).

## Balance Sheet (pages 12 & 13, and corresponding notes on pages 24 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 (PPE Balance Sheet page 12)

Property, Plant and Equipment (Note 10 page 30) – The major movement in the Fixed Assets between the two years was an increase £23.1m being: Council Dwellings £20m; relates to a revaluation increase of Council Dwellings, the purchase of 23 new properties and the disposal of 26 properties, (21 new properties and disposals of 44 in 2019/20), purchase of Fleet, Plant, Furniture & Equipment additions net £4m, and the balance being smaller changes to the Councils Assets.

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 £84.7m (£63.7m 2019/20) 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 contributed £3,396k during 2020/21 to the HRA Financing Fund in the year leaving a balance on the HRA revenue Account £610k 31<sup>st</sup> March 2021.

The HRA Financing Fund has an earmarked reserve fund for future HRA Business Plan needs; the balance at 31<sup>st</sup> March 2021 is £11,630k. The HRA also has a Major Repair Reserve of £3,210k. Total overall HRA Reserves at 31<sup>st</sup> March 2021 £15,450k.

### 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 31<sup>st</sup> March 2021 is £676k (£1,377k 2019/20) to be re-allocated in future years. Charnwood Borough Councils share of the surplus is £77K. (surplus £160k 2019/20)

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 deficit as at 31<sup>st</sup> March 2021 is £16,833k (surplus £4,201k 2019/20) and will be re-allocated in future years. Charnwood Borough Councils Share of the deficit is £6,798k funded from a new NDR Covid earmarked reserve set up in 2020/21 to cover this.

### Mazars Independent Audit Report

This report will be explained by the external auditors.

### Annual Governance Statement 2020/21

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.

Officer to Contact:           Head of Finance  
  Lesley Tansey (01509) 634828  
  Lesley.Tansey@charnwood.gov.uk



**STATEMENT OF ACCOUNTS**

**2020/21**

# Statement of Accounts 2020/21

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## **Narrative Statement**

### Context

The twelve months representing the financial year 2020/21 were completely dominated by the COVID-19 outbreak which has had a major global impact on health, wellbeing and economic prosperity since the virus was originally identified in China in the latter months of 2019. Within the United Kingdom, significant restrictions were placed on day to day life in March 2020 which resulted in a major contraction in economic activity alongside the increasing health and social care impacts of the virus. At the time of drafting this note (summer 2021), social restrictions in the UK are being relaxed on the back of the successful development and roll-out of COVID vaccines, but the emergence of more infectious COVID strains and the recognition that much of the world still remains unprotected by vaccines suggest that many months of uncertainty lie ahead.

From a Council perspective, COVID-19 created new cost pressures in areas such as community support, increasing demand for homelessness services and distribution of business grants, coupled with significant losses across virtually all of the Council's principal income streams. At this point in time the full impact of COVID-19 - globally, within the extent of any further 'waves' of the pandemic, the potential emergence of new and more virulent COVID variants and the effectiveness and availability of vaccines to counter these. In practice therefore, the full extent of the COVID-19 impact is unlikely to be fully knowable for several months.

In the autumn of 2020 it was apparent that previously budgeted patterns of income and expenditure were significantly disrupted and it was therefore considered appropriate to revise the General Fund Budget for 2020/21 and update the Medium Term Financial Strategy 2020 – 2023 to ensure Council were aware of the disruption to budgeted income and expenditure amounts, and the increased risks and financial challenges that are likely to flow from this.

The Original budget for 2020/21 assumed a £1m use of reserves. However, given the uncertainty and volatile position of income and expenditure patterns apparent at that time a Revised budget was set projecting a use of reserves of £1.8m.

At a net expenditure level (broadly, the day to day running costs of the Council) the final outturn position, assisted by one-off government COVID funding, was favourable by some £2.2m versus the Revised budget, but some £1.4m adverse when compared to the Original budget. This suggests that the underlying structural financial challenges facing the Council remain. Notwithstanding day to day pressures on income and expenditure the Council did however manage to add some £1.3m to its general fund balance in the year. This can be attributed to previously prudent positions being taken around uncertain business rate retention unwinding in the year (as, for example, the Council's share of the Leicestershire business rate retention pilot and Enterprise Zone retention were clarified). The gains related to business rate retentions can be viewed as one-off but provide a welcome additional financial cushion for future financial shocks, and greater ability to invest in the transformational changes required for the Council to become financially sustainable.

The financial standing of the Council continues to be robust, with reserves held at a sufficient level to meet foreseeable future challenges and reductions in Government funding for local authorities in the medium term. There are good financial management and governance processes and procedures in place which are reviewed regularly by management and the internal audit team. Resources are allocated as part of the annual budget setting process, which considers service pressures and savings on a detailed basis.

### Economic Environment

The wider economic environment is generally important to the social fabric of Charnwood – for jobs and prosperity – and for the Council in terms of income streams and demand on services. Very specifically, prevailing interest rates impact the returns generated on cash balances held by the Council (some of which are held on account for others, such as Leicestershire County Council in respect of council tax collections).

The financial year of 2020/21 was dominated by the coronavirus pandemic and the damage that it did to world economies through lockdowns. This led central banks around the world to take emergency action in March 2020 to support economies by reducing central rates to near zero or further into negative territory, and to embark on quantitative easing (QE) monthly purchases of government and corporate debt in order to lower borrowing rates. Governments also took major fiscal action to stimulate their economies and to protect jobs from being lost. In the UK, the Bank of England cut Bank Rate from 0.75% first to 0.25 and then to 0.10% in March 2020. It definitively ruled out using a negative Bank Rate at its February 2021 meeting, at least during the current downturn.

The Fed in the US also cut the Fed rate to near zero while the ECB called a halt at -0.50%. The net result was that gilt yields fell to historically low levels; indeed, as late as 31st December 2021, all gilt yields from 1 to 8 years were negative. The US and UK have followed similar paths during this year and have both made rapid progress during the spring of 2021 with rolling out vaccines and getting a high take up so that around half of all adults had received one jab by the end of March. This will enable a rapid easing of restrictions on the economy and personal life. In addition, fiscal action by both governments has poured support into the economy. In the US, a \$900bn fiscal support package in December was followed by a \$1.9trn (8.8% of GDP) stimulus package in March. In the UK, the March Budget provided yet another round of economic support. In addition, there has been a significant shift in the policy for implementing central banks mandates on inflation and full employment in 2020-21.

The Fed agreed at its September 2020 meeting to target average inflation of 2%, meaning that it would tolerate inflation rising above 2% for periods in order to offset periods when it was running below 2%. The Bank of England adopted a similar policy at its 5th November meeting. Gilt yields first started a sharp rise in the UK after the 5th February Monetary Policy Meeting (MPC) which ruled out using a negative Bank Rate. However, the rapidly improving economic outlook during the final two months of 2020-21 stoked concerns in financial markets in the UK and the US that both central banks would have to raise central rates quicker than previously expected and also led to bond yields rising to allow for higher expected rates of inflation. Neither central bank made any comments that they would take action to suppress the sharp rise in bond yields, especially in medium and long term yields.

The story has been very different in the EU; both the roll out and take up of vaccines has been disappointingly slow at a time during March when many countries were experiencing a sharp rise in cases which is threatening to overwhelm hospitals in some major countries: this has led to renewed severe restrictions or lockdowns during March. This will inevitably put back economic recovery and a return to pre-pandemic levels is not expected now until the second half of 2022. Bond yields in the EU have therefore not risen as sharply as in the US and the UK.

Investment rates, short term rates plunged after Bank Rate was cut to 0.10% in March 2020, while 6 months to one-year rates progressively declined during the year until nearly all rates were around, or marginally below zero by 31st December. Since then they have risen marginally.

#### Significant items within the Financial Statements

Factors that impacted key income and expenditure lines (and hence working balance reserves) include unbudgeted Commercial Income of £408k, (due to purchasing four Commercial Rental Properties) this has been used to set up a Commercialisation Reserve. Costs of supported living due to irrecoverable housing benefit claims of £987k, and shortfalls in income, due to Covid 19 across all Services.

Further details of such items are included in Section 5, Major Items included in the accounts 2021/22.

#### 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 2020/21.
- How services were paid for.
- The Council's assets and liabilities at the year-end and
- The financial performance of the Council.

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 2021 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').

## **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 2021 and this amounted to a £84.7m deficit. This is an increase of £21m on the position at 31st March 2020. 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 and 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, with relatively low rates. There is one old outstanding General Fund loan of £2m which due for repayment in 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 2020/21**

GENERAL FUND OUTTURN 2020/21					
Actual 2019/20 £000		Original Budget £000	Actual £000	Revised Budget £000	Variance £000
19,176	<b>Net Service Expenditure</b>	19,038	20,386	22,643	2,257
213	Revenue Contribution to Capital	0	182	0	(182)
0	NDR LCC Pilot Levy Gain one off	0	(309)	0	309
0	NDR Enterprise Zone Net LLEP income	0	(652)	0	652
227	Interest Paid	240	240	240	(0)
(562)	Less: Interest on Balances	(500)	(342)	(300)	42
19,054	<b>Total Borough Expenditure</b>	18,778	19,506	22,583	3,077
74	Contribution to (from) Reinvestment Reserve	(36)	(292)	(195)	97
(2,200)	Contribution to/(from) Working Balance	(1,069)	1,175	(1,822)	(2,997)
(173)	Contribution to/(from) Working Balance (Collection Fund)	143	143	143	0
0	Contribution to/(from) Growth Fund	0	(101)	0	101
395	Contribution to/(from) Other Revenue Reserves	(45)	857	(63)	(920)
(213)	Contribution to/(from) Capital Plan Reserve	0	453	500	47
16,937	<b>Precept Requirement</b>	17,771	21,741	21,146	(595)
5,290	NNDR	4,947	4,947	4,947	0
6,893	Council Tax Receipts	7,288	7,288	7,288	0
1,213	Loughborough Special Levy	1,271	1,271	1,271	0
(173)	Collection Fund Surplus/(Deficit)	143	143	143	0
3,731	New Homes Bonus	4,122	4,122	4,122	0
0	DCLG Covid Income Loss Claim	0	1,778	1,191	587
0	DCLG Covid Emergency Grant	0	2,184	2,184	0
(17)	Government Grants	0	8	0	8
16,937	<b>Precept Income</b>	17,771	21,741	21,146	595
Actual 2019/20 £000	Revenue Reserves	Original Budget £'000	Actual £'000	Revised Budget £'000	Variance £'000
6,871	<b>2020/21 Working Balance 1st April</b>	5,900	4,498	4,498	0
(2,373)	Transfer from General Fund	(926)	1,318	(1,679)	2,997
0	Transfers From/(to) Reinvestment Reserve	(170)	0	0	0
0	Transfer From Growth Support Fund	0	0	101	(101)
0	Transfer from General Fund to EZ LLEP Creditor Account	0	1,224	0	1,224
0	Contribution/Payment to the LLEP Fund	0	(1,224)	(1,100)	(124)
4,498	<b>Balance at 31 March</b>	4,804	5,816	1,820	3,996
809	<b>Reinvestment Reserve 1st April</b>	366	883	883	0
74	Transfers From/(to) General Fund	(36)	(292)	(195)	(97)
0	Committed Reinvestment Reserve	170	0	(270)	270
883	<b>Balance at 31 March</b>	500	591	418	173
2,193	<b>Capital Plan Reserve 1st April</b>	1,288	1,980	1,980	0
0	Transfers From General Fund	0	500	500	0
(213)	Funding of Capital Expenditure	0	(47)	(630)	583
1,980	<b>Balance at 31 March</b>	1,288	2,433	1,850	583
101	<b>Growth Support Fund 1st April</b>	5	101	101	0
0	Transfer to General Fund	0	(101)	(101)	0
101	<b>Balance at 31 March</b>	5	0	0	0
0	<b>NDR Deficit Covid Reserve 2021/22 One Off</b>	0	7,346	0	7,346
763	<b>Other Revenue Reserves 1st April</b>	700	1,158	1,158	0
395	Transferred from General Fund	(45)	857	(45)	902
1,158	<b>Balance at 31 March</b>	655	2,015	1,113	902
8,620	<b>TOTAL BALANCES</b>	7,252	18,201	5,201	13,000

The main purpose of the General Fund Revenue Outturn Summary is to compare the General Fund actual figures to the Original Budget and the Revised Budget set for 2020/21. 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, Net Service Expenditure which relates to all its activities except Housing Revenue Account, was £2,257k lower (9.97%) than the Revised Budget of £22,643k, although the Original Budget set would have produced an adverse variance of £1,348k. The major variances in Service Expenditure between 2019/20 and 2020/21 are itemised below in paragraph 5, in addition other major variances were:-

- Revenue Contribution to Capital costs of £182k are higher than Budget, these costs relate to ICT capital costs approved by Cabinet for due to Covid19, and the need to work from home, this was funded from the Covid Emergency Grant, therefore no revenue impact to revenue reserves.
- Additional Business rates income £309k arising from the Council's participation in a 75% business rate retention pilot scheme in 2019/20 which relates to the final settlement.
- A net Enterprise Zone Income £652k received to cover business rate payments due to the Leicester and Leicestershire Economic Partnership (LLEP) of £1.2m; this has been enabled by the finalisation of the agreement covering the allocation of business rates arising from the Enterprise Zone between the Council, Leicestershire County Council, the Combined Fire Authority and the LLEP.
- Interest received on balances is £342k, £42k higher than the revised Budget of £300k, however this has been reduced down from £500k due to the very low interest rates over the last year. Property Funds have provided better returns on investments than internally managed fund and money market funds and contributes half of the interest received.
- The Total revenue reserves balances at 31<sup>st</sup> March 2021 are £18,201k, of which £7,346k relates to a one off NDR S31 Reserve set up to cover the estimated NDR Covid Deficit in 2021/22. In addition, £857k are new revenue reserves earmarked in the year, £403k has been used to set up a Commercialisation Reserve as a provision for any void periods in rental income.

## **5. Major Items in the 2020/21 Accounts**

There are no major changes to the way the accounts have been compiled in 2020/21 other than a Senior Management Restructure. The Comprehensive Income & Expenditure Statement has been restated to reflect this change. The General Fund Net controllable service expenditure of £20.9m in 2019/20 compared to £22.3m in 2020/21, an increase of 6.69%.

Major differences in the Comprehensive Income and Expenditure Statement between 2019/20 and 2020/21 being:

- Head of Strategic and Private Sector Housing, net costs were lower by £361k due to higher grant income in both Homelessness Prevention, Lightbulb Grants Service and a new grant for Next Steps Accommodation £329K, and reduction in staffing costs in Housing Standards.
- Head of Strategic Support, increased costs of £323k primarily due to Emergency Planning Coronavirus expenditure variance £638k, these costs were covered by the DCLG Emergency Covid Grant. The Elections budgets were restructured and are now shown as a Balance Sheet debtor for Parliamentary, County Council Elections a reduction of £206k, and the balance of £109k being reductions in expenditure across this service area due to Covid19.
- Head of Customer Experience net costs have increased by £605k, this relates to the Housing Rent Allowance subsidy for supported living costs £987k for 2020/21 which were partly budgeted for, (£568k 2019/20 costs), also an income loss relating to Council Tax Court Costs collected shortfall of £192k.
- Head of Leisure & Culture net cost has increased by £1,195k, being the closure of Town Hall, Museum, Leisure Centres, Fair, Town Events, Public Toilets and reduced Markets. Loss of income £2,650k due to Covid19 offset by reduction in expenditure related costs £1,455k.
- Head of Regulatory, £652k increase in costs due to Covid19, Tier 4 and full lockdown restrictions, £654k less car park income, with a reduction of some associated expenditure £29k. Reduced licensing applications £52k less income and Pest Control Senior Management review reduction of 0.8fte in 2020/21.

- Head of Planning & Regeneration net costs were lower by £223k, due to additional income of £144k for providing new shared Building Control Service with North West Leicester District Council, a Planning LLEP Grant received of £190k for various projects Bedford Square, New Generator which is part of Town Centre Master Plan and Shephshed Hut, with the balance being a lower grant received from DCLG for Town Deal of £92k.
- Strategic Director; Commercial Development, Assets and Leisure, this is a new Directorate created in 2020/21 and has generated £408k additional income and £82K related to the Vaccination Centre above the revised budget target. This was offset by loss of income in the Industrial Units £44k, and essential building repair works £89k, balance of £11k other small overspends. Capital investment of £25m of four Commercial Properties has created a new income stream for the Council. The £408k additional Commercialisation Income has been transferred to an earmarked reserve to off set any future losses that may arise.
- The HRA net cost of service is £248k lower in 2020/21 than 2019/20, mainly due to a reduction of £304k in staffing costs, offset by £17k Legal costs and a £71k increase in Council Tax payments on void properties. Rents were increased by 2.7% although the additional income is offset by a higher rate of void properties and 2020/21 was a 53 week rent year.
- The Council holds two Property Funds being:-  
Hermes Property Trust purchased with an initial value of £2.382m in July 2018, after an entry fee of £119k. The market value at 31<sup>st</sup> March 2021 was £2,327m compared to 31<sup>st</sup> March 2020 at £2,392k a valuation loss of £65k in the year.

Lothbury Property Funds with an initial value of £2,417m in July 2017, after an entry fee of £84k. The market Value of these funds as at 31<sup>st</sup> March 2021 was £2.337m compared to 31<sup>st</sup> March 2020 at £2,377k a valuation loss of £40k in the year. These have been accounted for as a Long Term Investment on the Balance Sheet as Unusable Financial Instrument Reserves. The £105k losses have been charged to Financing and Investments section within the Comprehensive Income & Expenditure Account.

- Net gains on Revaluation of Fixed Assets were £6,781m in 2020/21 compared to a £1.740m gain 2019/20, being £5,076m higher, this relates to a desktop revaluation of assets held by the Council at 31<sup>st</sup> March 2021. The increase is primarily due to the increase in valuation of HRA Housing Stock.
- The Pension Liabilities on the Balance Sheet has increased from £63.7m to £84.7m, this is due to an actuarial loss in the pension fund of £21m, further details are included in Note 33 below.

## 6. Capital Expenditure

For the financial year 2020/21, the Council's capital spending on an accruals basis, totalled £33,932k compared with a final Capital Plan budget of £66,928k the net underspend of £32,996k, represents a £5,321k underspend 7.9% of the programme, however part of the underspend are committed scheme of £27,675k and these will be carried forward to 2021/22.

	2020/21 £'000	%
<b>Capital Expenditure</b>	<b>33,932</b>	<b>100</b>
<b>Financed by:-</b>		
Major Repairs Reserve	3,617	10
Internal Borrowing	25,385	75
Revenue Contributions - General Fund	182	1
Capital Receipts – General Fund	2,785	8
Capital Receipts – HRA	205	1
Capital Grants and Contributions – HRA	204	1
Capital Grants and Contributions – General Fund	1,554	4
	<b>33,932</b>	<b>100</b>

## **7. Provisions**

The provision for backdated appeals regarding NDR has decreased by £3.1m in 2019/20 from an 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 preceptor's accounts. This amount has been credited to the accounts in 2020/21. The NDR Provision for bad debt as at 31<sup>st</sup> March 2021 is £987k, (as at 31<sup>st</sup> March 2020 £331k), an increase of £656k using the same basis of 2019/20. Council Tax Provision for bad debt 31<sup>st</sup> March 2021 is £1,281k (£1,336k 31<sup>st</sup> March 2020), a decrease of £55k.

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

The Council's budget for 2021/22 was approved with planned use of working balance reserves of £847k, whilst the Medium Term Financial Strategy (MTFS) to the end of March 2022 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 the fairer funding review of local authority are not clear, with significant items such as the NDR retention of business rates still under consideration, and the New Homes Bonus Scheme, these will be taken into account, if known, when the next MTFS to 31<sup>st</sup> March 2024 is prepared in late 2021.

## **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 and Scrutiny Committees as well as 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.

[https://www.charnwood.gov.uk/files/documents/annual\\_report\\_2020\\_21/Annual%20Report%202020-21.pdf](https://www.charnwood.gov.uk/files/documents/annual_report_2020_21/Annual%20Report%202020-21.pdf)

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 21st July 2021 by Simon Jackson, Strategic Director of Environmental and Corporate Services and S.151 Officer. All financial events up to and including 21st July 2021, 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 Financial 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 Environmental and 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 2021.

**Certified by the S151 Officer:**



SIMON JACKSON  
**Strategic Director of Environmental and Corporate Services**

**Date:** 16 AUGUST 2021

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.

## 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.

Restated Gross Expenditure	Restated Gross Income	Restated Net Costs		Gross Expenditure	Gross Income	Net Costs
2019/20	2019/20	2019/20		2020/21	2020/21	2020/21
£'000	£'000	£'000		£'000	£'000	£'000
115	0	115	<b>Strategic Director; Community, Planning &amp; Housing</b>	119	0	119
1,479	(656)	823	<b>Head of Strategic &amp; Private Sector Housing</b>	1,520	(1,058)	462
0	(225)	(225)	<b>Head of Landlord Services</b>	0	(218)	(218)
1,880	(346)	1,534	<b>Head of Neighbourhood Services</b>	1,726	(331)	1,395
2,957	(1,504)	1,453	<b>Head of Planning &amp; Regeneration</b>	3,011	(1,780)	1,231
2,257	(1,478)	779	<b>Head of Regulatory Services</b>	2,232	(801)	1,431
8,688	(4,209)	4,479	<b>Community, Housing, Planning Directorate</b>	8,608	(4,188)	4,420
9	0	9	<b>Neighbourhoods &amp; Community Wellbeing Director</b>	0	0	0
1,822	(1,260)	562	<b>Strategic Director, Commercial Development, Assets &amp; Leisure</b>	1,995	(1,827)	168
2,820	(2,042)	778	<b>Head of Leisure Services</b>	2,389	(415)	1,974
4,642	(3,302)	1,340	<b>Commercial Development Assets &amp; Leisure Directorate</b>	4,384	(2,242)	2,142
8,135	(2,244)	5,891	<b>Head of Waste, Engineering &amp; Open Spaces</b>	8,108	(2,425)	5,683
115	0	115	<b>Strategic Director; Environmental &amp; Corporate Services</b>	119	0	119
354	0	354	<b>Chief Executive's Team</b>	256	0	256
1,108	(7)	1,101	<b>Head of Financial Services</b>	1,055	(18)	1,037
1,279	(5)	1,274	<b>Organisational Development</b>	1,392	(4)	1,388
30,665	(25,996)	4,669	<b>Head of Customer Experience</b>	29,980	(24,706)	5,274
2,318	(580)	1,738	<b>Head of Strategic Support</b>	2,323	(263)	2,060
43,974	(28,832)	15,142	<b>Environmental &amp; Corporate Services Directorate</b>	43,233	(27,416)	15,817
<b>57,313</b>	<b>(36,343)</b>	<b>20,970</b>	<b>Total General Fund</b>	<b>56,225</b>	<b>(33,846)</b>	<b>22,379</b>
<b>10,957</b>	<b>(21,831)</b>	<b>(10,874)</b>	<b>Housing Revenue Account</b>	<b>10,694</b>	<b>(21,817)</b>	<b>(11,123)</b>
<b>68,270</b>	<b>(58,174)</b>	<b>10,096</b>	<b>Net Cost of Service</b>	<b>66,919</b>	<b>(55,663)</b>	<b>11,256</b>
		<b>(13,342)</b>	<b>Net Recharges, REFCUS, Capital, Revaluations</b>			<b>(8,646)</b>
		3,678	Parish Precepts			3,821
		818	Contribution to Housing Pooled Capital Receipts			886
		254	(Gains)/Loss on Disposal Fixed Assets			385
		(54)	Capital Receipt not related to Asset Disposal			0
		<b>4,696</b>	<b>Other Operating Expenditure</b>			<b>5,092</b>
		2,938	Interest Payable and similar charges (Note 22)			2,941
		1,885	Pensions Interest Costs and Returns on Assets (Note 33)			1,467
		(687)	Interest and Investment Income (Note 22)			(388)
		118	(Gains)/Losses Financial Instruments Revaluation of Property Funds (Notes 6/9/14)			106
		(202)	Investment Properties Change in Fair Value (Note 11)			603
		<b>4,052</b>	<b>Financing and Investment Income and Expenditure</b>			<b>4,729</b>
		(3,739)	General Government Grant (Note 28)			(8,091)
		(96)	Capital Grants & Contributions (Note 28)			(577)
		(8,049)	Non-Domestic Rates Distribution (Note 6)			(4,427)
		(11,785)	Council Tax Income (Note 6)			(12,381)
		164	Collection Fund (Note 6)			(60)
		<b>(23,505)</b>	<b>Taxation &amp; Non-Specific Grant Income</b>			<b>(25,536)</b>
		<b>(18,003)</b>	<b>(Surplus)/Deficit on provision of services</b>			<b>(13,105)</b>
		(1,704)	(Gains)/Losses on revaluation of Fixed Assets			(6,781)
		(17,297)	Actuarial (Gains)/Losses on pension assets/liabilities (Note 33)			19,330
		<b>(19,001)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>			<b>12,549</b>
		<b>(37,004)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>			<b>(556)</b>

## Balance Sheet as at 31st March 2021

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'.

Restated 31st March 2020 £'000		Note	31st March 2021 £'000	31st March 2021 £'000
291,298	Council Dwellings	10	311,274	
58,426	Other Land & Buildings	10	57,164	
1,421	Vehicles, Plant & Equipment	10	5,788	
29	Infrastructure Assets	10	26	
3,916	Community Assets	10	4,010	
59	Assets Under Construction	10	135	
837	Surplus Assets Not Held for Sale	10/11	757	
355,986	<b>Property, Plant and Equipment Total</b>			379,154
279	Heritage Assets	13		279
3,685	Investment Property	11		26,257
4,770	Long Term Investments	14		4,664
178	Intangible Assets	12		156
0	Long Term Debtors	15		200
364,898	<b>Non Current Assets (Sub-total)</b>			410,710
17,000	Short -Term Investments	14		11,000
129	Inventories			99
9,039	Short -Term Debtors	15		12,553
(3,717)	Bad Debt Impairments	15		(3,836)
34,156	Cash and Cash Equivalents	16		19,826
56,607	<b>Current Assets (Sub-Total)</b>			39,642
(34)	Bank Overdraft	16		(678)
(22,376)	Short-Term Creditors	18		(28,520)
(1,354)	Provisions	19		(1,359)
(23,764)	<b>Current Liabilities (Sub-Total)</b>			(30,557)
(81,190)	Long-Term Borrowing, over 12 Months	14		(81,190)
(63,706)	Defined Benefit Pension Scheme Asset/(Liability)	33		(84,704)
(3,382)	Capital Grants Receipts in Advance	28		(3,882)
(148,278)	<b>Long term Liabilities Total</b>			(169,776)
<b>249,463</b>	<b>Net Assets Total</b>			<b>250,019</b>

## Balance Sheet as at 31st March 2021

Restated 31st March 2020 £'000		Note	31st March 2021 £'000	31st March 2021 £'000
(12,007)	Capital Receipts Reserve	20		(9,863)
(3,364)	HRA Major Repairs Reserve	7		(3,210)
(3,239)	Revenue Reserves	7		(11,794)
(883)	Reinvestment Reserve	7		(591)
(219)	Capital Grants Unapplied	20		(219)
(4,498)	General Fund Balance			(5,816)
(610)	HRA Fund Balance			(610)
(8,234)	HRA Financing Fund	8		(11,630)
<b>(33,054)</b>	<b>Usable Reserves Total</b>			<b>(43,733)</b>
(2,092)	Collection Fund Adjustment Account	21		6,816
(246,826)	Capital Adjustment Account	21		(262,130)
27	Financial Instruments Revaluation Reserve	21		134
63,706	Pension Reserve (Surplus)/Deficit	21		84,704
(31,482)	Revaluation Reserve	21		(36,511)
258	Accumulated Absences Account	21		701
<b>(216,409)</b>	<b>Unusable Reserves Total</b>			<b>(206,286)</b>
<b>(249,463)</b>	<b>Total Reserves</b>			<b>(250,019)</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 2020-21</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>	(4,499)	(4,122)	(610)	(11,598)	(12,007)	(219)	(33,055)	(216,408)	(249,463)
(Surplus)/Deficit on provision of Services (accounting basis)	3,890	0	(16,995)	0	0	0	(13,105)	0	(13,105)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	12,549	12,549
<b>Total comprehensive income and expenditure</b>	<b>3,890</b>	<b>0</b>	<b>(16,995)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(13,105)</b>	<b>12,549</b>	<b>(556)</b>
<b>Adjustments Primarily involving the Capital Receipts Reserve:-</b>									
Use of Capital Receipts Reserve to finance new Capital Expenditure	0	0	0	0	2,989	0	2,989	0	2,989
Cash Proceeds	0	0	0	0	(846)	0	(846)	0	(846)
<b>Sub-Total - Adjustments Primarily involving the Capital Receipts Reserve</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,144</b>	<b>0</b>	<b>2,144</b>	<b>0</b>	<b>0</b>
<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	0	0	0	0
Application of Grants to Capital financing transferred to the Capital Grants and Contributions Applied	0	0	0	0	0	0	0	0	0
Transfer to General Fund	0	0	0	0	0	0	0	0	0
<b>Sub-Total - Adjustments Primarily involving the Capital grants Unapplied Account</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Adjustments Primarily involving the Major Repairs Reserve:-</b>									
Reversal of Major Repairs allowance credited to the HRA	0	0	0	0	0	0	0	0	0
Depreciation	0	0	0	(3,464)	0	0	(3,464)	0	(3,464)
Use of the Major Repair Reserve to finance new capital Expenditure	0	0	0	3,617	0	0	3,617	0	3,617
<b>Sub-Total - Adjustments Primarily involving the Major Repairs Reserve</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>154</b>	<b>0</b>	<b>0</b>	<b>154</b>		
<b>Total Adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>154</b>	<b>2,144</b>	<b>0</b>	<b>2,297</b>	<b>(2,297)</b>	<b>0</b>
<b>Adjustment between accounting basis and funding basis under regulations:-</b>									
Pension Fund Reserve	(1,573)	0	(96)	0	0	0	(1,668)		
Financial Instrument Reserve	(106)						(106)		
General Fund and HRA	0	0	0	0	0	0	0		
Collection Fund Account	(83)	0	0	0	0	0	(83)		
NNDR Account new & final renewable energy disregard	(8,825)	0	0	0	0	0	(8,825)		
Accumulated Absences Account	(331)	0	(112)	0	0	0	(442)		
Capital Adjustment Account							0		
Upward revaluation	8,668	0	14,077	0	0	0	22,745		
Downward Revaluation	(9,477)	0	0	0	0	0	(9,477)		
GAIN on disposal of fixed assets	89	0	(474)	0	0	0	(385)		
REFCUS	(1,193)	0	0	0	0	0	(1,193)		
Depreciation	(1,490)	0	0	0	0	0	(1,490)		
Capital Expenditure charged against general fund and HRA balances	182	0	0	0	0	0	182		
Capital grants and contributions unapplied credits to the I&E	0	0	0	0	0	0	0		
Application of Grants to Capital Adjustment Account	1,554	0	204	0	0	0	1,759		
Capital Receipts Reserve	(886)	0	0	0	0	0	(886)		
<b>Sub Total Adjustments between accounting basis and funding basis under regulations</b>	<b>(13,470)</b>	<b>0</b>	<b>13,600</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>130</b>	<b>(130)</b>	<b>0</b>
<b>Net Increase/(Decrease) before transfers to earmarked reserves</b>	<b>(9,580)</b>	<b>0</b>	<b>(3,395)</b>	<b>154</b>	<b>2,144</b>	<b>0</b>	<b>(10,678)</b>	<b>10,122</b>	<b>(556)</b>
Transfers to/(from) earmarked reserves	8,263	(8,263)	3,396	(3,396)	0	0	0	-	-
<b>Sub Total Increase/(decrease) in the year</b>	<b>(1,317)</b>	<b>(8,263)</b>	<b>1</b>	<b>(3,243)</b>	<b>2,144</b>	<b>0</b>	<b>(10,678)</b>	<b>10,122</b>	<b>(556)</b>
<b>Balance at the end of the period</b>	<b>(5,816)</b>	<b>(12,385)</b>	<b>(610)</b>	<b>(14,840)</b>	<b>(9,863)</b>	<b>(219)</b>	<b>(43,733)</b>	<b>(206,286)</b>	<b>(250,019)</b>

<b>Movement in Reserves Statement 2019-20</b> <b>Restated</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>	(6,871)	(3,866)	(613)	(11,987)	(10,384)	(252)	(33,972)	(178,487)	(212,459)
(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	0.00	(19,001)	(19,001)
<b>Total comprehensive income and</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>(19,001)</b>	<b>(37,003)</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	0	1,120
Cash Proceeds	0	0	0	0	(2,744)	0	(2,744)	0	(2,744)
<b>Sub-Total - Adjustments Primarily involving the Capital Receipts Reserve</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,623)</b>	<b>0</b>	<b>(1,623)</b>	<b>0</b>	<b>(1,623)</b>
<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	(8)	(8)	0	(8)
Application of Grants to Capital financing transferred to the Capital Grants and	0	0	0	0	0	0	0	0	0
Transfer to General Fund	0	0	0	0	0	40	40	0	40
<b>Sub-Total - Adjustments Primarily involving the Capital grants Unapplied</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>32</b>	<b>32</b>	<b>0</b>	<b>0</b>
<b>Adjustments Primarily involving the Major Repairs Reserve:</b>									
Reversal of Major Repairs allowance credited to the HRA	0	0	0	0	0	0	0	0	0
Depreciation	0	0	0	(3,249)	0	0	(3,249)	0	(3,249)
Use of the Major Repair Reserve to finance new capital Expenditure	0	0	0	3,811	0	0	3,811	0	3,811
<b>Sub-Total - Adjustments Primarily involving the Major Repairs Reserve</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>562</b>	<b>0</b>	<b>0</b>	<b>562</b>		
<b>Total Adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>562</b>	<b>(1,623)</b>	<b>32</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 Instrument Reserve	(118)						(118)		
General Fund and HRA	0	0	0	0	0	0	0		
Collection Fund Account	10	0	0	0	0	0	10		
NNDR Account new & final renewable energy disregard	2,785	0	0	0	0	0	2,785		
Accumulated Absences Account	(3)	0	(1)	0	0	0	(4)		
Capital Adjustment Account							0		
Upward revaluation	1,884	0	18,921	0	0	0	20,805		
Downward Revaluation	(674)	0	(1,029)	0	0	0	(1,703)		
GAIN on disposal of fixed assets	695	0	(950)	0	0	0	(254)		
REFCUS	(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 credits to the I&E	0	0	0	0	0	0	0		
Application of Grants to Capital Adjustment	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</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>32</b>	<b>917</b>	<b>(37,921)</b>	<b>(37,003)</b>
Transfers to/(from) earmarked reserves	256	(256)	174	(174)	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>917</b>	<b>(37,921)</b>	<b>(37,003)</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>(216,408)</b>	<b>(249,463)</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.

<b>Restated 2019/20 £'000</b>		<b>2020/21 £'000</b>
<b>(18,003)</b>	<b>Net (Surplus)/Deficit on the provision of services</b>	<b>(13,105)</b>
	<b>Adjustments for non-cash movements</b>	
14,458	Depreciation, Impairment, Amortisation of Non-current Assets	8,918
(3,383)	Net Charges made for Retirement Benefit	(1,668)
10	Increase/(Decrease) in Inventories	(31)
547	Increase/(Decrease) in Debtors	2,212
(1,286)	(Increase)/Decrease in Creditors	(11,387)
(3,761)	Carrying Amount of non-current Assets and non-current Assets held for sale	(2,116)
(10,703)	Other non-cash items charged to the net Surplus or Deficit on Provision of Services	(6,834)
<b>(4,118)</b>	Adjustments to net Surplus/Deficit for non-cash movements	<b>(10,906)</b>
	<b>Adjustments for items that are Investing or Financing Activities</b>	
5,210	Other Capital Receipts and (Gains)/Loss on Sale non-current Assets	3,491
<b>(16,911)</b>	<b>Net Cash outflows/(inflows) from Operating Activities</b>	<b>(20,520)</b>
5,134	Net Capital Activities	31,973
(1,673)	Net Change in Investments	(2,371)
<b>3,461</b>	<b>Net Cash outflows/(inflows) from Investing Activities (Note 23)</b>	<b>29,602</b>
<b>(5,358)</b>	<b>Net Cash outflows/(inflows) from Financing Activities (Note 24)</b>	<b>5,892</b>
<b>(18,808)</b>	<b>Net (Increase)/Decrease in Cash and Cash Equivalents</b>	<b>14,974</b>
15,314	Cash and Cash Equivalents at the beginning of the period	34,122
34,122	<b>Cash and Cash Equivalents at the end of the period (Note 16)</b>	19,148
<b>(18,808)</b>	<b>(Increase)/Decrease in Cash and Cash Equivalents</b>	<b>14,974</b>

## Accounting Policies

### 1. General Principles

This Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at 31<sup>st</sup> March 2021 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 2020/21 (the Code) 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 this relates to 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 2.0% (2.30% 2019/20) 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 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 2020/21. 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 Covid19 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. Annual desktop valuations are carried out with any changes to valuations of plus or minus £10k, 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)	8	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 2020/21 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. IFRS 16 Leases Accounting Standard has been delayed and therefore not adopted.

### 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, 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.

The Council's net pension liability included in our balance sheet and disclosed at note 33 includes an estimate of the total value of the Council's share of the Leicestershire Pension Fund investment assets. The valuation of the Fund's property investment assets has been impacted by Covid-19 and reported on the basis of material valuation uncertainty per the requirements of VPGA10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the Council's share of the Pension Fund assets. The Council's actuary has estimated that the value of the Council's share of the Pension Fund Property investment assets at 31 March 2021 was £9.9m (£8.1m as at 31<sup>st</sup> March 2020).

Asset valuations for the council's property portfolio are based on market prices and are reviewed annually to ensure that the Council does not materially misstate its non-current assets. The Council's external valuers provided valuations as at 31 March 2021.

In respect of Retail and specific trading related assets/sectors such as Car Parks, as at the valuation date the external valuers continued to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant/sufficient market evidence on which to base judgements. The valuation of these assets are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, in respect of these valuations less certainty – and a higher degree of caution – should be attached to the valuations than would normally be the case.

The carrying value of Property, Plant and Equipment at 31 March 2021 is £379m.

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 effect 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 2020/21.

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

The Statement of Accounts was authorised for presentation by the S151 Officer on 21th July 2021. 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 2021, 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:

2019/20 £'000		2020/21 £'000
	<b>Expenditure</b>	
19,844	Employee Benefits Expenses	19,556
50,016	Other Services Expenses	48,557
17,751	Support Service Recharges	17,766
(14,459)	Depreciation, Amortisation, Impairments	(8,314)
2,937	Interest Payments	2,941
1,885	Net Pension Interest	1,467
3,678	Parish Precepts	3,821
818	Payment to Housing Capital Receipts Pool	886
(54)	Capital Receipts Not Related to Asset Disposal	0
254	Loss on the Disposal of Assets	385
<b>82,670</b>	<b>Total Expenditure</b>	<b>87,065</b>
	<b>Income</b>	
(59,685)	Fees, Charges and Other Income	(56,845)
(16,914)	Recharge Income	(17,507)
(687)	Interest and Investment Income	(388)
118	(Gains)/Losses on Revaluation of Property Funds	106
(19,670)	Income from Council Tax and Non Domestic Rates	(16,868)
(3,739)	Government Grants and Contributions	(8,091)
(96)	Capital Grants	(577)
<b>(100,673)</b>	<b>Total Income</b>	<b>(100,170)</b>
<b>(18,003)</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(13,105)</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 2020/21.

Revenue Reserves	Balance at 31st March 2020 £'000	Transfers Out £'000	Transfers in £'000	Balance at 31st March 2021 £'000
Reinvestment Reserve	(883)	292	0	(591)
Growth Support Fund	(101)	101	0	0
Capital Plan Reserve	(1,980)	0	(453)	(2,433)
NDR S31 Covid Reserve	0	0	(7,346)	(7,346)
Other Reserves	(1,158)		(857)	(2,015)
<b>Total General Fund</b>	<b>(4,122)</b>	<b>393</b>	<b>(8,656)</b>	<b>(12,385)</b>
<b>HRA Financing Fund</b>	<b>(8,234)</b>	<b>0</b>	<b>(3,396)</b>	<b>(11,630)</b>
<b>HRA Major Repairs Reserve</b>	<b>(3,364)</b>	<b>154</b>	<b>0</b>	<b>(3,210)</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 debit balance of £10k in 2019/20. However, a credit of £24k was adjusted in the setting of the special expenses levy for 2021/22, leaving a debit balance of £34k to be adjusted for in future years. The 2020/21 credit balance of £2k will be adjusted in the setting of the special expenses levy for 2022/23.

Budget 2019/20 £'000	Actuals 2019/20 £'000	Debit Balance 2019/20 £'000		Budget 2020/21 £'000	Actuals 2020/21 £'000	Credit Balance 2020/21 £'000
1,368	1,378	10	Total Levy	1,291	1,289	2
0	0	0	Adjustments from Year 2018/19	(20)	(20)	0
(149)	(149)	0	Adjustments from Year 2017/18	0	0	0
(6)	(6)	0	Council Tax Support Grant	0	0	0
<b>1,213</b>	<b>1,223</b>	<b>10</b>	<b>Amended Total Levy</b>	<b>1,271</b>	<b>1,269</b>	<b>2</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. The Building Control service have entered into a shared service with North West Leicester District Council from January 2021.

2019/20 £'000		2020/21 £'000
	<b>Chargeable Work</b>	
294	Expenditure	313
(198)	Income	(263)
<b>96</b>	<b>(Surplus)/Deficit</b>	<b>50</b>
	<b>Non-Chargeable Work</b>	
200	Expenditure	231
(43)	Income	(72)
<b>157</b>	<b>(Surplus)/Deficit</b>	<b>159</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.

Restated Net Expenditure Chargeable to Services	Restated Adjustments between Funding and Accounting Basis	Restated Net Expenditure in the CIES		Net Expenditure Chargeable to Services	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
2019/20 £'000	2019/20 £'000	2019/20 £'000		2020/21 £'000	2020/21 £'000	2020/21 £'000
0	0	0	Strategic Director, Community, Planning & Housing	(4)	4	(0)
1,308	70	1,378	Head of Strategic & Private Sector Housing	1,076	37	1,113
75	4	79	Head of Landlord Services	92	(2)	90
2,116	222	2,338	Head of Planning & Regeneration	1,951	125	2,076
1,233	172	1,405	Head of Regulatory Services	1,977	511	2,488
1,820	162	1,982	Head of Neighbourhood Services	1,740	104	1,844
6,552	630	7,182	<b>Community, Planning &amp; Housing Directorate</b>	6,832	779	7,611
(18)	18	0	Strategic Director, Commercial Development, Assets & Leisure	(1,292)	(795)	(2,087)
1,138	(620)	518	Head of Leisure Services	2,451	2,042	4,493
1,120	(602)	518	<b>Community, Assets &amp; Leisure Directorate</b>	1,159	1,247	2,406
0	0	0	Strategic Director, Environmental & Corporate Services	(6)	6	0
0	0	0	Chief Executive's Team	(11)	11	0
0	0	0	Organisational Development	(11)	11	0
102	(16)	86	Head of Financial Services	98	(70)	28
2,286	273	2,559	Head of Customer Experience	2,797	245	3,042
2,854	132	2,986	Head of Strategic Support	2,609	38	2,647
6,674	499	7,173	Head of Waste, Engineering & Open Spaces	6,317	479	6,796
11,916	888	12,804	<b>Environmental &amp; Corporate Services Directorate</b>	11,793	720	12,513
19,588	916	20,504	<b>Total General Fund</b>	19,784	2,746	22,530
(2,195)	(21,556)	(23,751)	<b>Housing Revenue Account</b>	(9,515)	(10,406)	(19,921)
17,393	(20,640)	(3,247)	<b>Cost of Service</b>	10,269	(7,660)	2,609
3,678	1,018	4,696	Other Operating Expenditure	3,821	1,271	5,092
2,049	2,003	4,052	Financing & Investment Income & Expenditure	2,554	2,176	4,730
(20,614)	(2,891)	(23,505)	Taxation and non-specific Grant Income	(26,196)	660	(25,536)
2,507	(20,510)	(18,003)	<b>(Surplus)/Deficit on provision of services</b>	(9,552)	(3,553)	(13,105)
		(1,705)	(Gains)/Losses on revaluation of Fixed Assets			(6,781)
		(17,297)	Actuarial (Gains)/Losses on pension assets/liabilities			19,330
		(19,001)	<b>Other comprehensive Income and Expenditure</b>			12,549
		(37,004)	<b>Total comprehensive Income &amp; Expenditure</b>			(556)

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.

Restated Adjustments for Capital Purpose	Restated Net Change for Pension Adjustments	Restated Other Differences	Restated 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
2019/20	2019/20	2019/20	2019/20		2020/21	2020/21	2020/21	2020/21
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
0	0	0	0	Strategic Director, Community, Planning & Housing	0	0	4	4
4	56	10	70	Head of Strategic & Private Sector Housing	6	16	15	37
0	4	0	4	Head of Landlord Services	0	(2)	0	(2)
16	113	93	222	Head of Planning & Regeneration	11	22	92	125
115	57	0	172	Head of Regulatory Services	459	19	33	511
11	96	55	162	Head of Neighbourhood Services	9	15	80	104
<b>146</b>	<b>326</b>	<b>158</b>	<b>630</b>	<b>Community, Planning &amp; Housing Directorate</b>	<b>485</b>	<b>70</b>	<b>224</b>	<b>779</b>
(48)	22	44	18	Strategic Director, Commercial Development, Assets & Leisure	(822)	0	630	(192)
(690)	69	1	(620)	Head of Leisure Services	1,979	35	28	2,042
<b>(738)</b>	<b>91</b>	<b>45</b>	<b>(602)</b>	<b>Community, Assets &amp; Leisure Directorate</b>	<b>1,157</b>	<b>35</b>	<b>658</b>	<b>1,850</b>
0	0	0	0	Strategic Director, Environmental & Corporate Services	0	0	6	6
0	0	0	0	Chief Executive's Team	0	0	11	11
0	0	0	0	Organisational Development	0	0	11	11
12	(28)	0	(16)	Head of Financial Services	5	(94)	19	(70)
173	100	0	273	Head of Customer Experience	170	25	50	245
6	126	0	132	Head of Strategic Support	6	17	15	38
383	328	(212)	499	Head of Waste, Engineering & Open Spaces	476	53	(50)	479
<b>574</b>	<b>526</b>	<b>(212)</b>	<b>888</b>	<b>Environmental &amp; Corporate Services Directorate</b>	<b>656</b>	<b>1</b>	<b>62</b>	<b>720</b>
<b>(18)</b>	<b>943</b>	<b>(9)</b>	<b>916</b>	<b>General Fund Total</b>	<b>2,298</b>	<b>106</b>	<b>944</b>	<b>3,349</b>
<b>(17,892)</b>	<b>556</b>	<b>(4,220)</b>	<b>(21,556)</b>	<b>Housing Revenue Account</b>	<b>(10,614)</b>	<b>96</b>	<b>112</b>	<b>(10,406)</b>
<b>(17,910)</b>	<b>1,499</b>	<b>(4,229)</b>	<b>(20,640)</b>	<b>Net Cost of Service</b>	<b>(8,316)</b>	<b>202</b>	<b>1,056</b>	<b>(7,057)</b>
				<b>Other Income and Expenditure from Funding Analysis</b>				
		764	764	Contribution to Housing Pooled Capital Receipts			886	886
		254	254	(Gains)/Loss on Disposal Fixed Assets			385	385
		1,885	1,885	Net Pensions Interest and Costs			1,467	1,467
		118	118	(Gains)/Losses Financial Instruments			106	106
		(96)	(96)	Revaluation Property Funds			577	577
		(2,785)	(2,785)	Capital Grants and Contributions			0	0
		(10)	(10)	Non Domestic Rates Distribution			83	83
<b>(17,910)</b>	<b>1,499</b>	<b>(4,099)</b>	<b>(20,510)</b>	<b>Adjustments between Funding &amp; Accounting Basis General Fund/HRA Surplus and Comprehensive Income &amp; Expenditure</b>	<b>(8,316)</b>	<b>202</b>	<b>4,560</b>	<b>(3,553)</b>
			<b>2,507</b>	<b>Net Expenditure Chargeable to General Fund &amp; HRA Balances</b>				<b>(9,552)</b>
			<b>(18,003)</b>	<b>(Surplus)/Deficit on Comprehensive Income &amp; Expenditure Statement</b>				<b>(13,105)</b>

Note 10 Property, Plant and Equipment

<b>Movements in 2020/21</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 2020	291,305	58,488	5,165	166	3,937	845	59	359,965
Additions	4,029	356	4,977	0	107	0	26	9,495
Revaluation increases/(decreases) recognised in the Revaluation Reserve	7,371	(2,458)	0	0	0	(372)	0	4,541
Revaluation increases/(decreases) recognised in the Provision of Services	10,686	817	0	0	0	351	0	11,854
Derecognition – disposals	(2,107)	0	(106)	0	0	0	0	(2,213)
Asset Reclassification	0	16	0	0	0	(66)	50	0
<b>At 31st March 2021</b>	<b>311,284</b>	<b>57,219</b>	<b>10,036</b>	<b>166</b>	<b>4,044</b>	<b>758</b>	<b>135</b>	<b>383,642</b>
<b>Accumulated Depreciation and impairment</b>								
At 1st April 2020	(7)	(62)	(3,744)	(137)	(21)	(8)	0	(3,979)
Depreciation charge	(3,415)	(844)	(610)	(3)	(13)	(7)	0	(4,892)
Depreciation written out to the Revaluation Reserve	143	761	0	0	0	14	0	918
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,269	90	0	0	0	0	0	3,359
Derecognition – disposals	0	0	106	0	0	0	0	106
<b>At 31st March 2021</b>	<b>(10)</b>	<b>(55)</b>	<b>(4,248)</b>	<b>(140)</b>	<b>(34)</b>	<b>(1)</b>	<b>0</b>	<b>(4,488)</b>
<b>Net Book Value at 31st March 2021</b>	<b>311,274</b>	<b>57,164</b>	<b>5,788</b>	<b>26</b>	<b>4,010</b>	<b>757</b>	<b>135</b>	<b>379,154</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>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>

## 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 2021, 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 2021/22. Similar commitments at 31st March 2020 were £32,380k with future year's budgets being £49,251k. The current major commitments are:

	<b>31st March 2021 £'000</b>
Shepshed Bull Ring	504
Bedford Square Gateway	2,025
Enterprise Zone	15,000
Town Deal and Regeneration	14,795
Loughborough Cemetery - New Burial Provision	889
Loughborough University Science and Enterprise Park	350
Rothley Centre Upgrade	368
Carbon Neutral Action Fund	599
Private Sector Housing and Disabled Facilities Grants	2,242
HRA Decent Homes and Neighbourhoods	9,620
Other Commitments	2,859
	<b>49,251</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 2021 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.

2019/20 £'000		2020/21 £'000
(56)	Rental Income from Investment Property	(59)
0	Direct Operating expenses arising from investment property	3
<b>(56)</b>	<b>Total</b>	<b>(56)</b>

The following table summarises the movement in the fair value of investment properties. The major movement on acquisitions relates to the purchase of 5 Commercial Investment Properties.

2019/20 £'000		2020/21 £'000
<b>3,483</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>3,685</b>
0	Acquisitions	23,205
0	Disposals	(30)
202	Change in Fair Values	(603)
<b>3,685</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>26,257</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 2021 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 2021  £'000</b>
Investment Land	1,260	15,196	228	16,684
Investment Properties	0	9,393	180	9,573
Surplus Assets Not Held for Sale	0	757	0	757
<b>Total</b>	<b>1,260</b>	<b>25,346</b>	<b>408</b>	<b>27,014</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

	As at 31st March 2021  £'000	Valuation technique used to measure fair value	Unobservable inputs	Range	Sensitivity
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.

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

2019/20 £'000		2020/21 £'000
	<b>Balance at 1<sup>st</sup> April:</b>	
3,086	Gross carrying amounts	2,985
(2,894)	Accumulated Amortisation	(2,807)
192	<b>Net carrying amount at 1<sup>st</sup> April</b>	178
55	Additions: Purchases	39
(69)	Amortisation for the period	(61)
(156)	Derecognition – disposals	(149)
156	Derecognition – depreciation written out	149
<b>178</b>	<b>Net carrying amount at 31<sup>st</sup> March</b>	<b>156</b>
2,985	Gross carrying amounts	2,875
(2,807)	Accumulated Amortisation	(2,719)
<b>178</b>		<b>156</b>

**Note 13 Heritage Assets**

2019/20 £'000		2020/21 £'000
279	<b>Balance at 1<sup>st</sup> April</b>	279
0	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 instruments are carried in the Balance Sheet:

Financial Assets	Long-Term	Long-Term	Term	Long-Term	Short-Term	Short-Term	Short-Term	Short-Term	Total	Total
	Investment	Investments	Debtors	Debtors	Investment	Investments	Debtors	Debtors		
	March 2020	March 2021	March 2020	March 2021	March 2020	March 2021	March 2020	March 2021	March 2020	March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Long Term Investments	4,770	4,664							4,770	4,664
Amortised Cost										
Short Term Investments	0				17,000	11,000			17,000	11,000
Cash and Cash Equivalents					34,122	19,148			34,122	19,148
Trade Debtors							2,024	2,855	2,024	2,855
<b>Total Financial Assets</b>	<b>4,770</b>	<b>4,664</b>	<b>-</b>	<b>-</b>	<b>51,122</b>	<b>30,148</b>	<b>2,024</b>	<b>2,855</b>	<b>57,916</b>	<b>37,667</b>
Financial Liabilities	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		
	March 2020	March 2021	March 2020	March 2021	March 2020	March 2021	March 2020	March 2021	March 2020	March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised Cost										
External Borrowings	(81,190)	(81,190)							(81,190)	(81,190)
Trade Creditors							(10,435)	(9,064)	(10,435)	(9,064)
<b>Total Financial Liabilities</b>	<b>(81,190)</b>	<b>(81,190)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,435)</b>	<b>(9,064)</b>	<b>(91,625)</b>	<b>(90,254)</b>

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

Investment held on behalf of Newtown Linford Parish Council	Cost Price £	Nominal Value £
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 £2m at the date of the Balance Sheet (£2.875m in 2019/20) 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 £97.557m (£91.932m in 2019/20) 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 2021 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.

### **Long-Term Investments**

The Council holds at 31<sup>st</sup> March 2021, £3.337m (£2.377m in 2019/20) in the Lothbury Property Trust and £2.327m (£2.392m in 2019/20) 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 loss £106k (£118k in 2019/20) 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

	2019/20			2020/21		
	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	2,937	2,937	0	2,941	2,941
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>2,937</b>	<b>2,937</b>	<b>0</b>	<b>2,941</b>	<b>2,941</b>
Interest Income	(687)	0	(687)	(342)	0	(342)
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>(687)</b>	<b>0</b>	<b>(687)</b>	<b>(342)</b>	<b>0</b>	<b>(342)</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>(687)</b>	<b>2,937</b>	<b>2,250</b>	<b>(342)</b>	<b>2,941</b>	<b>2,599</b>

## Note 15 Short-Term Debtors

31st March 2020 £'000		31st March 2021 £'000
	<u>Amounts falling due in one year:</u>	
537	HM Revenue and Customs	668
1,197	Housing Rents	1,202
697	Reserved Debtors	1,360
3,847	Sundry Debtors	4,129
556	CBC Net Share of Council Tax Debtors	671
1,537	Council Tax Preceptors Cash Paid in Advance	2,838
270	Government Departments	200
300	CBC Share of NNDR Arrears	767
0	Leicestershire County Council	575
0	Combined Fire Authority	143
98	Other	0
<b>9,039</b>		<b>12,553</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 the 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 using the IFRS9 credit model loss and appropriate provision is made which is charged to the Comprehensive Income and Expenditure Statement. There is a general provision for doubtful debts of £3,836k (2019/20 £3,717k).

In addition, a new long-term debtor has been created £200k in 2020/21, this relates to a bond payment for Bedford Square Gateway Deed S278 Agreement.

### Bad Debts Impairments

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

2019/20 £'000		2020/21 £'000
(75)	Bed and Breakfast	(129)
(1,893)	Housing Benefits	(1,794)
(269)	General Fund Other	(150)
(1,344)	Housing Rents	(1,357)
(124)	CBC Share of NNDR Bad/Doubtful Debt	(396)
(12)	General Fund Rent	(10)
<b>(3,717)</b>		<b>(3,836)</b>

## Note 16 Cash and Cash Equivalents

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

<b>31st March 2020</b>		<b>31st March 2021</b>
<b>£'000</b>		<b>£'000</b>
126	Cash held by the Council	121
34,030	Short-term deposits with approved institutions	19,705
<b>34,156</b>		<b>19,826</b>
(34)	Bank Overdraft	(678)
<b>(34)</b>		<b>(678)</b>
<b>34,122</b>	<b>Total Cash and Cash Equivalents</b>	<b>19,148</b>

## Note 17 Surplus Assets Held for Sale

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

## Note 18 Short-Term Creditors

31st March 2020 £'000		31st March 2021 £'000
594	HM Revenue and Customs	596
137	Government Departments	10,360
277	Leicestershire County Council	316
401	Housing Rents	635
2,971	Other Sundry Creditors	2,395
7,063	Reserved Creditors	6,348
1,363	Section 106 Developers' Contributions	1,451
0	Enterprize Zone	598
196	CBC Share of Overpaid Council Tax	227
258	Accumulated Absences Account	701
3,201	NNDR - Leicestershire County Council	0
4,660	NNDR - Central Government	3,146
1,172	NNDR - Leicestershire Pool	1,747
83	NNDR - Combined Fire Authority	0
<b>22,376</b>		<b>28,520</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 2021.

## Note 19 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.

2019/20 £'000		2020/21 £'000
(2,687)	<b>NNDR Provision for Appeals Brought Forward 1<sup>st</sup> April</b>	(1,354)
1,333	<b>Changes to NNDR Provision:</b> Decrease/(Increase) in Provision NNDR Appeals	(5)
<b>(1,354)</b>	<b>Balance at 31st March</b>	<b>(1,359)</b>

## Note 20 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 2021 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.

2019/20 £'000		2020/21 £'000
(10,384)	<b>Balance at 1st April</b>	<b>(12,007)</b>
(1,921)	General Fund amounts receivable	(845)
(822)	HRA amounts receivable – 1-4-1 receipts	0
1,120	Amounts applied to finance new capital investments	2,989
<b>(12,007)</b>	<b>Balance at 31st March</b>	<b>(9,863)</b>

### Usable Capital Grants and Contributions Reserve

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

2019/20 £'000		2020/21 £'000
(252)	<b>Balance at 1st April</b>	<b>(219)</b>
40	Amounts applied to finance new capital investments	0
(7)	Amounts transferred to/(from) revenue	0
<b>(219)</b>	<b>Balance at 31st March</b>	<b>(219)</b>

## Note 21 Unusable Reserves

Restated 31st March 2020 £'000		31st March 2021 £'000
(2,092)	Collection Fund Adjustment Account	6,816
(246,826)	Capital Adjustment Account	(262,130)
27	Financial Instrument Revaluation Reserve	134
63,706	Pension Reserve Deficit	84,704
(31,482)	Revaluation Reserve	(36,511)
258	Accumulated Absences Account	701
<b>(216,409)</b>		<b>(206,286)</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.

Restated 2019/20 £'000		2020/21 £'000	2020/21 £'000
<b>(28,825)</b>	<b>Balance at 1st April</b>		<b>(30,140)</b>
(6,108)	Upward Revaluation of Assets	(10,140)	
3,784	Downward Revaluation of Assets and Impairment	3,339	
577	Accumulated gains on assets sold or scrapped	0	
<b>(1,747)</b>	<b>Surplus or Deficit on Revaluation of non- current assets not posted to the Surplus or Deficit on the Provision of Services</b>		<b>(6,801)</b>
42	Adjusting amounts written to the Capital Adjustment Account	20	
390	Difference between Fair Value Depreciation and Historical Cost Depreciation	410	
<b>432</b>	<b>Amount written off to the Capital Adjustment Account</b>		<b>430</b>
<b>(30,140)</b>	<b>Balance at 31st March</b>		<b>(36,511)</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.

Restated 31st March 2020 £'000		31st March 2021	
		£'000	£'000
(228,147)	<b>Balance at 1st April</b>		(246,826)
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
(14,578)	Charges for Depreciation and Impairment on Non-current Assets	(10,848)	
1,392	Revaluation losses on Property, Plant and Equipment	527	
69	Amortisation of Intangible assets	61	
1,712	Revenue Expenditure Funded from Capital under Statute	1,193	
3,762	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	2,116	(6,951)
(7,643)			
(390)	Adjusting amounts written out of the Revaluation Reserve		(410)
(236,180)	Net written out amount of the cost of Non-current Assets consumed in the year		(254,187)
	<b>Capital financing applied in the year:</b>		
(1,120)	Use of Capital Receipts to finance new capital expenditure	(2,989)	
(3,811)	Use of Major Repairs Reserve to finance new capital expenditure	(3,617)	
(1,648)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,758)	
7	Application of grants to capital financing from the Capital Grants Unapplied Account	0	
(3,872)	Capital expenditure charged against the General Fund and HRA balances	(182)	
(10,444)			(8,546)
(202)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		603
(246,826)	<b>Balance at 31st March</b>		(262,130)

## 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.

Restated 2019/20 £'000		2020/21 £'000
77,619	<b>Balance at 1st April</b>	63,706
(17,297)	Actuarial (gains) or losses on pension assets and liabilities	19,330
7,207	Reversal of items relating to retirement benefits to the Comprehensive Income and Expenditure Statement	5,675
(3,823)	Employers Pension Contributions in the year	(4,007)
<b>63,706</b>	<b>Balance at 31st March</b>	<b>84,704</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 2020 £'000		31st March 2021 £'000
703	<b>Balance at 1st April</b>	(2,092)
	Amounts credited to the Comprehensive Income and Expenditure Statement are different from council tax income calculated for the year in accordance with statutory requirements:	
(10)	Council Tax	83
(2,785)	NDR Business Rates	8,825
<b>(2,092)</b>	<b>Balance at 31st March</b>	<b>6,816</b>

**Note 22 Cash Flow Statement – Operating Activities** include the following within the Comprehensive Income and Expenditure Statement:-

<b>2019/20 £'000</b>		<b>2020/21 £'000</b>
(687)	Interest Received	(388)
2,938	Interest Paid	2,941
<b>2,251</b>	<b>Cash (Inflow)/Outflow</b>	<b>2,553</b>

**Note 23 Cash Flow Statement – Investing Activities**

<b>2019/20 £'000</b>		<b>2020/21 £'000</b>
8,733	Purchase of Property, Plant, Equipment, Investment Property and Intangible Assets	33,704
0	Other payments for investing activities	221
(3,599)	Proceeds from the Sale of Property, Plant, Equipment, Investment Property and Intangible Assets	(1,731)
(1,673)	Other Receipts for Investing Activities	(2,592)
<b>3,461</b>	<b>Cash (Inflow)/Outflow</b>	<b>29,602</b>

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

<b>2019/20 £'000</b>		<b>2020/21 £'000</b>
5,358	Net Council Tax/NNDR Debtor and Creditors	5,892
<b>5,358</b>	<b>Cash (Inflow)/Outflow</b>	<b>5,892</b>

**Note 25 Trading Operations**

The Council's trading operations include Loughborough Market, Shepshed Market, Woodgate Chambers and Museum Cafe. Loss of income in 2020/21 is due to Covid-19 lockdown restrictions.

<b>2019/20 £'000</b>		<b>2020/21 £'000</b>
(421)	Income	(194)
432	Expenditure	424
<b>11</b>	<b>(Surplus)/Deficit</b>	<b>230</b>

## Note 26 Members Allowances

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

<b>2019/20 £'000</b>		<b>2020/21 £'000</b>
362	Salaries/Allowances	374
7	Expenses	1
<b>369</b>		<b>375</b>

## Note 27 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 2019/20</b>	<b>Remuneration Band</b>	<b>Total Number of Employees 2020/21</b>
8	£55,000 - £59,999	9
3	£60,000 - £64,999	2
1	£65,000 - £69,999	1
2	£80,000 - £84,999	2
1	£95,000 - £99,999	0
0	£130,000 - £134,999	1

## 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 2020/21. A new Strategic Director of Commercial Development, Assets and Leisure joined the authority on 29/06/20.

Total Remuneration including Pension Contribution 2019/20 £	Post Holder Information (Post Title)	Salary, Fees and Allowances £	Expense Allowances £	Total Remuneration excluding Pension Contribution 2020/21 £	Employers Pension Contribution £	Total Remuneration including Pension Contribution 2020/21 £
128,992	Chief Executive (left 30/11/19)	0	0	0	0	0
87,531	Chief Executive	134,814	0	134,814	42,165	176,979
0	Strategic Director of Commercial Development, Assets and Leisure (wef 29/06/20)	56,042	0	56,042	17,123	73,165
104,797	Strategic Director of Community, Planning and Housing	82,584	0	82,584	25,659	108,243
104,836	Strategic Director of Environmental and Corporate Services	82,584	0	82,584	25,660	108,244
<b>426,156</b>		<b>356,024</b>	<b>0</b>	<b>356,024</b>	<b>110,607</b>	<b>466,631</b>

## Note 28 Grant Income

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

2019/20 £'000	Credited to Taxation and Non-Specific Grant Income	2020/21 £'000
(96)	Capital Grants and Contributions	(577)
(3,731)	New Homes Bonus	(4,122)
(8)	Other Government Grants/(Covid)	(3,969)
<b>(3,835)</b>	<b>Total Credited to Taxation and Non-Specific Grant Income</b>	<b>(8,668)</b>
	<b>Benefit Grants Credited to Services</b>	
(15,243)	Rent Allowance Subsidy	(15,103)
(9,043)	Rent Rebate Subsidy	(8,172)
(388)	Housing Benefit Administration Subsidy	(401)
	<b>Other Grants Credited to Services</b>	
(44)	Crime and Disorder Reduction	(88)
(198)	Localisation of Council Tax	(146)
(111)	Leicestershire County Council Sports and Active Grant	(109)
(80)	Armed Forces Covenant Grant	(38)
(1,512)	Capital Grants and Contributions	(1,181)
(24)	Local Plans	(20)
(117)	Syrian Vulnerable Person Resettlement Scheme	(102)
(68)	Rough Sleepers Grant	(101)
(228)	Homelessness Prevention Fund	(221)
(162)	Town Fund Deal	(70)
0	Next Steps Accommodation – Move On	(330)
0	Sports Council Grant	(265)
0	LLEP – Economic Regeneration	(190)
0	DCLG Compliance & Enforcement and Re- open High Streets Safely – Covid19	(121)
(242)	Other Government Grants	(59)
<b>(27,460)</b>	<b>Total Grants credited to Services</b>	<b>(26,717)</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 2020</b>	<b>Capital Grants and Contributions - Receipts in Advance</b>	<b>31st March 2021</b>
<b>£'000</b>		<b>£'000</b>
(2,690)	S106 Developers' Contributions	(2,508)
(692)	Other Capital Grants and Contributions	(1,374)
<b>(3,382)</b>		<b>(3,882)</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 2020</b>	<b>Revenue Grants and Contributions - Receipts in Advance</b>	<b>31st March 2021</b>
<b>£'000</b>		<b>£'000</b>
(228)	S106 Developers' Contributions	(218)
(567)	Other Revenue Grants and Contributions	(436)
<b>(795)</b>		<b>(654)</b>

#### **Note 29 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>Restated 2019/20</b>		<b>2020/21</b>
<b>£'000</b>		<b>£'000</b>
54	Fees payable with regard to external audit services carried out by the appointed auditor	67
13	Fees payable for the certification of grant claims and returns for the year	13
<b>67</b>		<b>80</b>

### **Note 30 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 28.

#### **Members**

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2020/21 is shown in Note 26. No members of the Council or senior officers undertook any material related party transactions requiring disclosure during 2020/21.

#### **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 2021.

The Council participated in a 75% Business Rate Retention pilot in 2019/20 and in this financial year the pilot rules applied, with locally agreed arrangements between participants. In 2020/21 (on the cessation of the pilot) national rule were re-applicable, although, as previously described, the benefit of participation in the 2019/20 pilot did not flow through until 2020/21 financial accounts.

#### **Other Public Bodies**

Local Government Pension Scheme is set out in Note 33.

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

### Note 31 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.

2019/20 £'000		2020/21 £'000
<b>81,820</b>	<b>Opening Capital Financing Requirement</b>	<b>81,820</b>
	<b>Capital Investment</b>	
8,677	Property, Plant and Equipment	32,700
55	Intangible Assets	39
1,712	Revenue Expenditure Funded from Capital under Statute	1,193
	<b>Sources of Finance</b>	
(1,120)	Capital Receipts	(2,989)
(3,811)	Major Repairs Reserve	(3,617)
(1,641)	Government Grants and other Contributions	(1,759)
	<b>Sums set aside from revenue:</b>	
(3,872)	Direct Revenue Contributions	(182)
<b>81,820</b>	Closing Capital Financing Requirement	<b>107,205</b>
	<b>Explanation of movements in year</b>	
0	Increase in underlying need to borrowing (unsupported by government financial assistance)	25,385
<b>0</b>	<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>25,385</b>

### Note 32 Termination Benefits

The Council had 3 redundancies and 1 settlement agreement in 2020/21 incurring liabilities totalling £79.7k (there were no settlement agreements or redundancies in 2019/20). Two of the redundancies were in Customer Services and one in Development Control and the settlement agreement was in Electoral Services. None of these employees were Directors.

## Note 33 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. The 2019/20 account has been restated due to a prior year pension valuation adjustment of £278k.

<b>Comprehensive Income and Expenditure Statement</b>	<b>Restated Local Government Pension Scheme 2019/20 £'000</b>	<b>Local Government Pension Scheme 2020/21 £'000</b>
Current Service cost	5,321	4,208
<b>Financing and Investment Income and Expenditure</b>		
Net Pensions Interest costs and Expected return on scheme assets	1,885	1,467
Total Post Employment Benefit charge to the (Surplus)/ Deficit on the Provision of Services	7,206	5,675
<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	(3,383)	(1,668)
<b>Actual amount charged against the General fund balance for pension in the year</b>	<b>3,823</b>	<b>4,007</b>
<b>Actuarial Gains and (Losses) in the year</b>	<b>17,297</b>	<b>(19,325)</b>

There is a £5k Actuarial Loss reconciling item in 2020/21; this is due to Charnwood Borough Council's higher 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:

	<b>Restated 2019/20 £'000</b>	<b>2020/21 £'000</b>
Fair Value of Employer Assets	109,203	135,706
Present Value of Funded Liabilities	(171,705)	(219,213)
Net (Under)/Over funding in Funded Plans	(62,502)	(83,507)
Present Value of Unfunded Liabilities	(1,204)	(1,197)
<b>Net Asset/(Liability) in Balance Sheet</b>	<b>(63,706)</b>	<b>(84,704)</b>

## 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 2021 and this amounted to £84,704k. This is an increase of £20,998k on the restated position at 31st March 2020. 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.

<b>31st March 2020</b>		<b>31st March 2021</b>
<b>% Per Annum</b>	<b>Financial Assumptions:</b>	<b>% Per Annum</b>
1.9%	Rate of Inflation/Pension Increase Rate	2.85%
2.4%	Salary Increase Rate	3.35%
2.3%	Discount Rate	2.0%

<b>Mortality Assumptions:</b>	<b>Males</b>	<b>Females</b>
<u>Longevity at 65 for pensioners</u>		
Current Pensioners	21.7 years	24.2 years
Future Pensioners	22.6 years	25.9 years

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

Restated Assets 2019/20 £'000	Restated Obligations 2019/20 £'000	Restated Net(Liability) /Asset 2019/20 £'000		Assets 2020/21 £'000	Obligations 2020/21 £'000	Net(Liability) /Asset 2020/21 £'000
118,315		118,315	Fair Value of employer assets	109,203		109,203
	(195,934)	(195,934)	Present value of funded liabilities		(171,705)	(171,705)
			Present value of unfunded liabilities		(1,204)	(1,204)
<b>118,315</b>	<b>(195,934)</b>	<b>(77,619)</b>	<b>Opening Position as at 31st March</b>	<b>109,203</b>	<b>(172,909)</b>	<b>(63,706)</b>
	(5,321)	(5,321)	Current Service Cost		(4,208)	(4,208)
	0	0	Past Service Cost (including Curtailments)		0	0
<b>0</b>	<b>(5,321)</b>	<b>(5,321)</b>	<b>Total Service Cost</b>	<b>0</b>	<b>(4,208)</b>	<b>(4,208)</b>
2,834		2,834	<b>Interest Income on plan assets</b>	2,502		2,502
	(4,719)	(4,719)	Interest Cost on defined benefit obligation		(3,969)	(3,969)
<b>2,834</b>	<b>(4,719)</b>	<b>(1,885)</b>	<b>Total Net Interest</b>	<b>2,502</b>	<b>(3,969)</b>	<b>(1,467)</b>
<b>2,834</b>	<b>(10,040)</b>	<b>(7,206)</b>	<b>Total Defined Benefit Cost Recognised in Profit or (Loss)</b>	<b>2,502</b>	<b>(8,177)</b>	<b>(5,675)</b>
			<u>Cashflows</u>			
788	(788)	0	Plan Participants Contributions	816	(816)	0
3,721		3,721	Employers Contributions	3,912		3,912
101		101	Contributions in respect of unfunded benefits	90		90
(5,479)	5,479	0	Benefits paid	(5,408)	5,408	0
(101)	101	0	Unfunded Benefits Paid	(90)	90	0
<b>(970)</b>	<b>4,792</b>	<b>3,822</b>	<b>Total Cashflows</b>	<b>(680)</b>	<b>4,682</b>	<b>4,002</b>
<b>120,179</b>	<b>(201,182)</b>	<b>(81,003)</b>	<b>Expected Closing Position</b>	<b>111,025</b>	<b>(176,404)</b>	<b>(65,379)</b>
			<u>Remeasurements</u>			
	17,387	17,387	Changes in financial assumptions		(43,419)	(43,419)
	6,136	6,136	Changes in demographic assumptions		(2,530)	(2,530)
	4,750	4,750	Other experience		1,943	1,943
(10,976)		(10,976)	Return on assets excluding amounts included in net interest	24,681		24,681
<b>(10,976)</b>	<b>28,273</b>	<b>17,297</b>	<b>Total Measurements recognised in Other Comprehensive Income</b>	<b>24,681</b>	<b>(44,006)</b>	<b>(19,325)</b>
<b>109,203</b>	<b>(172,909)</b>	<b>(63,706)</b>	<b>Total Expected Closing Position</b>	<b>135,706</b>	<b>(220,410)</b>	<b>(84,704)</b>
109,203		109,203	Fair Value of employer assets	135,706		135,706
	(171,705)	(171,705)	Present value of funded liabilities		(219,213)	(219,213)
	(1,204)	(1,204)	Present value of unfunded liabilities		(1,197)	(1,197)
<b>109,203</b>	<b>(172,909)</b>	<b>(63,706)</b>	<b>Closing Position</b>	<b>135,706</b>	<b>(220,410)</b>	<b>(84,704)</b>

Value of Employers Assets	31st March 2020 £'000	% of Total Assets	31st March 2021 £'000	% of Total Assets
<b>Equity Securities:</b>				
Total Equity Securities	1,902	2%	2,363	1%
<b>Debt Securities:</b>				
UK Government	9,247	9%	11,490	8%
Other	1,414	1%	1,758	1%
<b>Private Equity</b>	5,036	5%	6,258	5%
<b>Real Estate – UK Property</b>	8,163	7%	10,143	7%
<b>Investment Funds and Unit Trusts:</b>				
Equities	43,865	40%	54,504	42%
Bonds	4,615	4%	5,734	4%
Hedge Funds	9	0%	11	0%
Commodities	3,863	4%	4,800	4%
Infrastructure	5,744	5%	7,137	5%
Other	22,224	20%	27,615	20%
<b>Derivatives – Foreign Exchange</b>	(139)	0%	(173)	0%
<b>Cash and Cash Equivalents</b>	3,272	3%	4,066	3%
<b>Closing Balance at 31st March</b>	<b>109,215</b>	<b>100%</b>	<b>135,706</b>	<b>100%</b>

Sensitivity Analysis	Approximate % Increase to Employer Liability	Approximate Monetary Amount £'000
0.1% Decrease in Real Discount Rate	2%	4,061
0.1% Increase in the Salary Increase Rate	0%	420
0.1% Increase in the Pension Increase Rate	2%	3,595

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.

Scheme History	2020/21	Restated 2019/20	2018/17	2017/18	2016/17
	£'000	£'000	£'000	£'000	£'000
Fair Value of Employer Assets	135,706	109,203	118,315	112,658	108,695
Present Value of Defined Benefit Obligation	(220,410)	(172,909)	(195,934)	(175,400)	(173,509)
Surplus/(Deficit)	(84,704)	(63,706)	(77,619)	(62,742)	(64,814)

The liabilities show the underlying commitments that the Council has, in the long run, to pay retirement benefits. The total liability of £84,704k 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 2022 will be approximately £4,069k.

### Note 34 Contingent Liabilities and Contingent Assets

The Council is in a contractual dispute with a supplier. The Council does not consider it has any material liability in this matter and has not therefore included any accrual or provision within the financial statements.

### Note 35 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 £45m 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 2021 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 2020</b>		<b>31st March 2021</b>
<b>£'000</b>		<b>£'000</b>
962	Less than three months	1,056
87	Three to six months	122
12	Six months to one year	51
24	More than one year	90
<b>1,085</b>		<b>1,319</b>

### **Liquidity Risk**

The Council needs to manage cash flow to have sufficient funds to pay debts when due. This is done 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 £2.337m (£3.377m in 2019/20) and Hermes £2.327m (£2.392m in 2019/20). Whilst this is intended to be a longer-term investment redemption notices are settled quarterly therefore can be recalled on this basis. IFRS9 fair value of investments, the CIPFA statutory override applies for five years from 1<sup>st</sup> April 2018 and any impact of unrealised fair value movements are disclosed in an unusable financial instruments reserve.

### **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 £11m, a 1% change in interest rate would equate to £110k 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.

2019/20		Note	2020/21
£'000			£'000
	<b>Expenditure</b>		
5,733	Supervision and Management		6,020
6,024	Repairs and Maintenance		5,562
557	Rents, Rates, Taxes and other charges		652
(14,643)	Depreciation/Revaluation increase/Impairment of non-current assets	2	(10,613)
18	Debt management costs		18
270	Movement in the allowance for bad debts (not specified by the Code)		175
(2,041)	Total Expenditure		1,814
	<b>Income</b>		
(20,484)	Dwellings	1	(20,596)
(366)	Non-dwelling rents		(412)
(727)	Charges for Services and Facilities		(649)
(130)	Contributions towards expenditure		(115)
(125)	Other Income		(45)
(21,832)	Total Income		(21,817)
(23,873)	Net cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(20,003)
123	HRA services' share of Corporate and Democratic Core		82
(23,750)	<b>Net Cost for HRA Services</b>		(19,921)
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>		
(47)	Capital grants and contributions receivable		(205)
950	Loss on disposal of HRA non-current assets		474
(125)	Interest and investment income		(45)
2,709	Interest Payable		2,702
<b>(20,263)</b>	<b>Net Cost/(Income) of HRA Services</b>		<b>(16,995)</b>

### Movement on the HRA Statement

2019/20 £'000		2020/21 £'000
(613)	<b>Balance on the HRA at the end of the previous year</b>	<b>(610)</b>
(20,263)	Surplus for the year on the HRA Income and Expenditure Statement	(16,995)
20,648	Adjustments between accounting basis and funding basis under statute	13,695
<b>385</b>	<b>Net increase before transfers to or from reserves</b>	<b>(3,300)</b>
(382)	Transfers to reserves	(3,300)
<b>3</b>	<b>Decrease in year on the HRA</b>	<b>0</b>
<b>(610)</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

2019/20 £'000		Note	2020/21 £'000
	<b>Adjustments between accounting basis and funding basis under statute</b>		
3,659	Capital expenditure funded by the HRA		0
(950)	Loss on sale of HRA non-current assets		(474)
(1)	Accumulated Absences Account		(112)
47	Reversal of Capital Grants and Contributions		204
17,893	Reversal of Gain on Revaluation		14,077
<b>20,648</b>			<b>13,695</b>
	<b>Transfers (to) or from reserves</b>		
(556)	HRA share of contributions to/(from) the Pension Reserve	7	(96)
174	Transfer to/(from) the Housing Financing Fund	8	3,396
<b>(382)</b>			<b>(3,300)</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 £20,596k. The rent loss caused by empty properties was 3.88% for 2020/21 compared with 2.69% in 2019/20. The average rent for 2020/21 on a 52 week basis was £74.73 (£71.73 in 2019/20).

#### Rent Arrears

2019/20 £'000		2020/21 £'000
	Arrears at 31st March:	
622	Current Tenants	677
455	Former Tenants	411
2	Garages and Shops	6
<b>1,079</b>		<b>1,094</b>
5.63%	Arrears & court costs as % of gross debit	5.79%
107	Court Costs	98
132	Rent Write-off/irrecoverable	163
52	Rechargeable Repairs Write-off/irrecoverable	8

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

31st March 2020 £'000		31st March 2021 £'000
1,185	Rent	1,192
66	Overpaid Rent Rebate	68
67	Landlord Services rechargeable repairs	71
26	Leaseholder Charges	26
<b>1,344</b>		<b>1,357</b>

## Note 2 Depreciation Charge and Capital Credit

Total Capital Financing Charges of £18k was debited to the HRA in 2020/21 and 2019/20 in accordance with the Item 8 determinations for the year. Depreciation Charge is analysed below: -

2019/20 £'000		2020/21 £'000
3,196	Depreciation: Dwellings	3,415
36	Garages and Shops	34
8	Plant, Vehicles and Equipment	8
9	Intangibles	7
<b>3,249</b>		<b>3,464</b>
(17,892)	Net Revaluation increase of non-current assets	(14,077)
<b>(14,643)</b>		<b>(10,613)</b>

## Note 3 Housing Stock

The Council was responsible for managing 5,545 HRA dwellings as at 31st March 2021. 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 2020		Number of Dwellings 31st March 2021
2,711	Flats/Maisonettes	2,705
2,837	Houses/Bungalows	2,840
<b>5,548</b>		<b>5,545</b>

The change in stock can be summarised as follows:-

Number of Dwellings 31 March 2020		Number of Dwellings 31 March 2021
5,571	<b>Stock at 1st April</b>	<b>5,548</b>
21	Add: New properties, acquisitions and Appropriations	23
0	Less: Conversions	0
(44)	Property Sales	(26)
<b>5,548</b>	<b>Stock at 31st March</b>	<b>5,545</b>

On 31st March 2021 there were 9 void properties withheld from letting (9 at 31st March 2020) for major refurbishment. Two HRA properties are being used as community centres on a temporary basis. The figure of 5,542 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 2020/21.

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

31st March 2020 £'000		31st March 2021 £'000
291,298	Dwellings	311,274
	Other land and buildings	
3,930	Garages	4,036
1,448	Shops and Store	1,418
<b>296,676</b>	<b>Net carrying amount at 31<sup>st</sup> March</b>	<b>316,728</b>

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

#### Vehicles, Plant and Equipment

31st March 2020 £'000		31st March 2021 £'000
44	Balance at 1 <sup>st</sup> April	36
0	Additions: Purchases	0
(8)	Depreciation	(8)
<b>36</b>	<b>Net carrying amount at 31<sup>st</sup> March</b>	<b>28</b>

#### Intangibles

31st March 2020 £'000		31st March 2021 £'000
35	Balance at 1 <sup>st</sup> April	26
0	Additions: Purchases	0
(9)	Depreciation	(8)
<b>26</b>	<b>Net carrying amount at 31<sup>st</sup> March</b>	<b>18</b>

The Existing Use Value – Social Housing on 1st April 2020 was £291,307k. The vacant possession value of dwellings as at 1st April 2020 was £691,616k. 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 £4,026k.

Capital expenditure is shown as follows:-

2019/20 £'000		2020/21 £'000
<b>8,208</b>	<b>Capital Expenditure</b>	<b>4,026</b>
	Financed By:	
3,811	Major Repairs Reserve	3,617
47	Other Capital Contributions	204
3,659	Revenue Contributions	0
691	HRA Capital Receipts	205
<b>8,208</b>		<b>4,026</b>

Total capital receipts from the sale of HRA assets were £1,645k as follows:-

2019/20 £'000		2020/21 £'000
2,989	Council House Sales	1,679
(57)	Less: Administration costs	(34)
2,932	Net Council House Sales	1,645
55	Reclaimable Discount from Council House Sales	0
<b>2,987</b>		<b>1,645</b>

## Note 6

### Major Repairs Reserve

2019/20 £'000		2020/21 £'000
<b>(3,926)</b>	<b>Balance at 1st April</b>	<b>(3,364)</b>
(3,249)	Transfer to Major Repairs Reserve	(3,463)
3,811	Capital Expenditure funded from Major Repairs Reserve	3,617
<b>(3,364)</b>	<b>Balance at 31st March</b>	<b>(3,210)</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 2020/21, this represented an increase of £96k to net cost of service compared to an increase of £556k in 2019/20.

### Note 8 HRA Financing Fund

<b>2019/20 £'000</b>		<b>2020/21 £000</b>
(8,060)	<b>Balance as at 1<sup>st</sup> April</b>	(8,234)
(174)	Contribution to Financing Fund	(3,396)
<b>(8,234)</b>	<b>Balance as at 31<sup>st</sup> March</b>	<b>(11,630)</b>

## Collection Fund Statement 2020/21

Business Rates	Council Tax	Total		Note	Business Rates	Council Tax	Total
2019/20	2019/20	2019/20			2020/21	2020/21	2020/21
£'000	£'000	£'000			£'000	£'000	£'000
			<b>Income</b>				
0	(102,543)	(102,543)	Council Tax Receivable	2	0	(106,989)	(106,989)
			Covid 19 Discretionary Grant from General Fund			(848)	(848)
(48,531)	0	(48,531)	Business Rates Receivable	3	(28,407)	0	(28,407)
(48,531)	(102,543)	(151,074)			(28,407)	(107,837)	(136,244)
			<b>Expenditure</b>				
			<b>Apportionment of Previous Year Surplus/(Deficit)</b>				
(821)	0	(821)	Central Government		264	0	264
(657)	127	(530)	Charnwood Borough Council		591	143	734
(148)	775	627	Leicestershire County Council		741	884	1,625
0	124	124	Leicestershire Police and Crime Commissioner		0	153	153
(16)	40	24	Combined Fire Authority		16	46	62
(1,642)	1,066	(576)			1,612	1,226	2,838
			<b>Precept, Demands and Shares</b>				
11,339	0	11,339	Central Government		23,143	0	23,143
17,009	11,784	28,793	Charnwood Borough Council	4	18,525	12,380	30,905
16,555	72,960	89,515	Leicestershire County Council		4,167	77,409	81,576
0	12,604	12,604	Leicestershire Police and Crime Commissioner		0	13,436	13,436
454	3,763	4,217	Combined Fire Authority		463	3,915	4,378
45,357	101,111	146,468			46,298	107,140	153,438
			<b>Charges to the Collection Fund</b>				
442	294	736	Less Write Offs of Non-Collectable Amounts	7	59	227	286
(179)	(37)	(216)	Less Increase/(Decrease) In Bad Debt Provision	6	657	(55)	602
(3,109)	0	(3,109)	Less Increase/(Decrease) In Provision For Appeals		(212)	0	(212)
189	0	189	Less Cost of Collection		187	0	187
1,072	0	1,072	Less Disregarded Amounts		840	0	840
(1,585)	257	(1,328)			1,531	172	1,703
<b>(6,400)</b>	<b>(109)</b>	<b>(6,509)</b>	<b>(Surplus)/Deficit arising during the year</b>		<b>21,034</b>	<b>701</b>	<b>21,735</b>
2,199	(1,268)	931	(Surplus)/Deficit brought forward 1st April		(4,201)	(1,377)	(5,578)
<b>(4,201)</b>	<b>(1,377)</b>	<b>(5,578)</b>	<b>(Surplus)/Deficit carried forward 31st March</b>	8/9/ 11	<b>16,833</b>	<b>(676)</b>	<b>16,157</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 2020/21 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 58,485.0. Finally, an estimated collection rate of 98.5% for 2020/21 is then applied to the adjusted Band D figure producing a Council Tax Base of 57,607.2 which equates to £1,859.44 for a Band D property. This provides a total requirement of £107.1m.

The actual position is as follows:

<b>2019/20 £'000</b>		<b>2020/21 £'000</b>
116,912	Gross Council Tax due	121,824
(14,369)	Relief, Exemptions and Transitional Relief Granted	(14,835)
<b>102,543</b>	<b>Council Tax</b>	<b>106,989</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>2019/20 £'000</b>		<b>2020/21 £'000</b>
64,717	Gross Non-Domestic Rates due	62,584
(16,816)	Reliefs and Exemptions	(34,264)
630	Transitional Protection Payment due to/(from) the Council	87
<b>48,531</b>	<b>Net Business Rates Receivable</b>	<b>28,407</b>

The Government specifies an amount (51.2p in 2020/21 and 50.4p in 2019/20) 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 2021 was £130.68m (£133.25m as at 31st March 2020).

### Note 4 Charnwood Borough Council Tax Precept

<b>2019/20 £'000</b>		<b>2020/21 £'000</b>
16,954	Charnwood Precept	17,771
3,678	Parish Precepts	3,821
173	Collection Fund Deficit/(Surplus)	(143)
20,805		21,449
(9,021)	RSG and NNDR Redistributed Pool	(9,069)
<b>11,784</b>		<b>12,380</b>

## Note 5 Provision for Non-Payment

### Council Tax

There is a cumulative provision held as at 31st March 2021 amounting to £1,281k for doubtful debts, including costs. (£1,336k as at 31st March 2020)

### NNDR

There is a cumulative provision held as at 31st March 2021 amounting to £987k for doubtful debts, including costs. (£331k as at 31st March 2020)

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

2019/20 £'000		2020/21 £'000
(37)	Council Tax	(55)
(179)	NNDR	657
<b>(216)</b>		<b>602</b>

## Note 7 Write-off of Bad Debts

2019/20 £'000		2020/21 £'000
294	Council Tax	59
442	NNDR	227
<b>736</b>		<b>286</b>

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

There was a Surplus balance on the Collection Fund at 31st March 2021 of £676k (£1,377k Surplus at 31st March 2020). This will be carried forward to 2021/22 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 £1,266k together with the Surplus brought forward of £1,377k and a decrease in Bad Debt Provision of £55k - increase the in-year surplus of £470k to a surplus of £676k 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 2021/22 £'000</b>	<b>Amounts to account for in 2022/23 £'000</b>	<b>Total £'000</b>
Leicestershire County Council	181	(670)	(489)
Leicestershire Police and Crime Commissioner	31	(117)	(86)
Charnwood Borough Council	29	(106)	(77)
Combined Fire Authority	9	(33)	(24)
<b>Total Net Surplus</b>	<b>250</b>	<b>(926)</b>	<b>(676)</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 2020/21 accounts as follows:

In the Balance Sheet at 31st March 2021, the Council included an overall surplus of £676k (£1,377k surplus at 31st March 2020) of which £599k relates to Preceptors Share of surplus (£1,216k at 31st March 2020 Preceptors share of Surplus) in the proportions shown below and the balance of £77k (£160k at 31st March 2020) related to Charnwood Borough Council's share of the Collection Fund Surplus.

<b>2019/20 £'000</b>		<b>2020/21 £'000</b>
(160)	Charnwood Borough Council	(77)
(994)	Leicestershire County Council	(489)
(172)	Leicestershire Police and Crime Commissioner	(86)
(51)	Leicestershire Combined Fire Authority	(24)
<b>(1,377)</b>	<b>Deficit/(Surplus) – Balance as at 31<sup>st</sup> March</b>	<b>(676)</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>2019/20 £'000</b>		<b>2020/21 £'000</b>
(1,561)	Charnwood Borough Council	6,798
(1,687)	Leicestershire County Council	803
(42)	Leicestershire Combined Fire Authority	168
(911)	Central Government	9,064
<b>(4,201)</b>	<b>Deficit/(Surplus) - Balance as at 31st March</b>	<b>16,833</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)**

## AUDIT COMMITTEE – 7TH DECEMBER 2021

### Report of the Head of Strategic Support

#### Part A

#### ITEM 6 ANNUAL GOVERNANCE STATEMENT 2020/21 AND REVIEW OF THE CODE OF CORPORATE GOVERNANCE

##### Purpose of Report

To present the Annual Governance Statement (AGS) 2020/21 for approval, and to report the results of the annual review of the Council's Code of Corporate Governance.

##### Recommendations

1. To approve the Annual Governance Statement (attached as Appendix B to this report).
2. To approve the updated Code of Corporate Governance (attached as Appendix A to this report).

##### Reasons

1. So that the Annual Governance Statement can be finalised and signed by the Leader of the Council and the Chief Executive in accordance with the required timescales.
2. To ensure that the Code of Corporate Governance is kept up to date and complies with best practice.

##### Policy Justification and Previous Decisions

The production of an AGS is a statutory requirement.

As set out in the Constitution, the Audit Committee has responsibility for considering the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

##### Implementation Timetable Including Future Decisions

If approved by this Committee, the AGS will be signed by the Leader of the Council and the Chief Executive and will form part of the published statement of accounts.

Report Implications

*Financial Implications*

None.

*Risk Management*

There are no risks arising from this report.

Background Papers: Delivering good governance in Local Government Framework 2016 Edition (CIPFA / SOLACE): publicly available

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## Part B

### Background

1. An Annual Governance Statement (AGS) is a requisite part of the published statement of accounts. Although forming part of the statement of accounts, it is good practice to consider the AGS separately to the accounts.
2. The Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) issued joint updated guidance on corporate governance in 2016. The guidance sets out updated requirements for AGS, which includes a requirement that:

*‘The annual governance statement should provide a meaningful but brief communication regarding the review of governance that has taken place, including the role of the governance structures involved (such as the authority, the audit and other committees). It should be high level, strategic, and written in an open and readable style’.*

3. The guidance also sets out six sections which must be included within the statement, which in summary are:
  - An acknowledgement of responsibility for a sound system of governance,
  - Reference to and assessment of the effectiveness of the key elements of the governance framework,
  - An opinion on the level of assurance that the governance arrangements can provide,
  - An action plan to deal with significant governance issues,
  - Reference to the resolution of issues from the previous year,
  - A conclusion and commitment to monitoring implementation.
4. The AGS, which has been prepared in accordance with the revised guidance, is included in the statement of accounts being considered by the committee elsewhere on the agenda for this meeting.
5. The Council's governance framework is summarised in the annex to the AGS, and has been in place throughout 2020/21. This committee plays a key role in overseeing the operation of the framework, including:
  - receiving quarterly update reports on the strategic risk register, and operational risk registers by exception,
  - approving the annual Internal Audit plan,
  - receiving quarterly updates on the work of Internal Audit,
  - receiving the annual Internal Audit report,
  - receiving reports from the external auditors,
  - annually reviewing the Code of Corporate Governance and approving amendments to it.

6. This ongoing work of the committee culminates in the consideration of the Annual Governance Statement.
7. Paragraph 20 of the AGS confirms that no significant issues have been identified during the review.
8. The CIPFA/SOLACE guidance outlines 7 core principles for good governance, with a number of supporting sub- principles. The core principles are:
  - A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.**
  - B. Ensuring openness and comprehensive stakeholder engagement.**
  - C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.**
  - D. Determining the interventions necessary to optimise the achievement of the intended outcomes.**
  - E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.**
  - F. Managing risks and performance through robust internal control and strong public financial management.**
  - G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.**
9. As stated in the AGS, the Code of Corporate Governance has been reviewed against the revised Framework, and the Code is attached as Appendix A to this report for the Committee to consider. The Code has been updated to reflect the new Scrutiny structure and changes in job titles.
10. The Code sets out the Council's commitment to the principles and sub-principles within the new Framework, and also summarises the Council's governance framework arrangements against each of the principles and sub-principles.

#### Appendices

- A: Code of Corporate Governance
- B: Annual Governance Statement

## **CHARNWOOD BOROUGH COUNCIL – CODE OF CORPORATE GOVERNANCE**

Charnwood Borough Council is fully committed to the principles of good governance, as set out in the ‘delivering good governance in Local Government Framework 2016 Edition’ (the Framework) produced by CIPFA and SOLACE.

The Council has adopted the core principles and sub-principles as set out in the Framework and which are set out below, together with a summary of how the Council’s governance framework seeks to support and achieve them.

The Committee is responsible for overseeing the Council’s governance framework and arrangements, including reviewing this Code on an annual basis to ensure it remains relevant, up to date, and in line with best practice.

<b>CORE PRINCIPLES (SHOWN IN BOLD)</b>	<b>SUB-PRINCIPLES (SHOWN IN BOLD), AND HOW CHARNWOOD BOROUGH COUNCIL ACHIEVES THEM WITHIN ITS GOVERNANCE FRAMEWORK</b>
<p><b>A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b></p> <p>Charnwood Borough Council is accountable not only for how much we spend, but also for how we use the resources under our stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes we have achieved. In addition, we have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, we can demonstrate the appropriateness of all our actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.</p>	<p><b>Behaving with integrity</b></p> <ul style="list-style-type: none"> <li>• Codes of Conduct are in place for Members and for Officers</li> <li>• The Member Code of Conduct was approved by full Council, and incorporates the Nolan Principles</li> <li>• There is a Member Conduct Committee which has oversight of the Member Code of Conduct, and which is responsible for ensuring that members behave with integrity</li> <li>• The Member Code of Conduct specifies the requirements for members who have interests in matters under consideration to disclose them and to act appropriately to minimise potential conflicts of interest</li> </ul> <p><b>Demonstrating strong commitment to ethical values</b></p> <ul style="list-style-type: none"> <li>• There is a process in place to deal with complaints that members may have breached the Code of Conduct</li> <li>• There is an agreed and publicised process for people to raise concerns in confidence about ethics and other issues (whistle-blowing policy)</li> </ul> <p><b>Respecting the rule of law</b></p> <ul style="list-style-type: none"> <li>• All recommendations for decisions by members are subject to legal consideration and clearance to ensure that they are lawful and procedurally correct</li> <li>• Suitable statutory officer arrangements are in place (head of paid service, monitoring officer, and s151 officer), together with deputies where required</li> </ul>

	<ul style="list-style-type: none"> <li>• The monitoring officer reports any illegal actions or findings of maladministration to members in accordance with statutory requirements</li> <li>• 'Whistle-blowing' arrangements are in place for anyone who wishes to report concerns about corruption, misuse of power, or other serious concerns</li> </ul>
<p><b>B. Ensuring openness and comprehensive stakeholder engagement</b></p> <p>Local government is run for the public good, and therefore Charnwood Borough Council ensures openness in our activities. Clear, trusted channels of communication and consultation are used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.</p>	<p><b>Openness</b></p> <ul style="list-style-type: none"> <li>• The Council has adopted a Communications Strategy</li> <li>• Reports to members with recommendations for decisions are supported by comprehensive publicly available reports and background papers, unless there is a justifiable reason why any information should be treated as exempt (ie. kept confidential)</li> <li>• Meetings at which members debate and make decisions are open to the public, unless there is a justifiable reason why the information being considered should be treated as exempt (ie. members of the public and press excluded)</li> </ul> <p><b>Engaging comprehensively with institutional stakeholders</b></p> <ul style="list-style-type: none"> <li>• The Council has identified its key partners and has a strategy in place to ensure that we work with them effectively where required to deliver services</li> </ul> <p><b>Engaging comprehensively with individual citizens and service effectively</b></p> <ul style="list-style-type: none"> <li>• The Council's Communications Strategy sets out when and how we will consult with citizens and service users</li> <li>• Consultation methods are targeted at specific groups where required, and are undertaken using a wide range of access channels</li> </ul>
<p><b>C. Defining outcomes in terms of sustainable economic, social and environmental benefits</b></p> <p>The long-term nature and impact of many of Charnwood Borough Council's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the Council's purpose, contribute to intended benefits and outcomes, and remain within the</p>	<p><b>Defining outcomes</b></p> <ul style="list-style-type: none"> <li>• The Council has a four year Corporate Strategy setting out its vision and intended outcomes for the Borough</li> <li>• Each year the Council approved an annual Corporate Delivery Plan setting out in detail how the vision within the Corporate Plan will be delivered, including objectives and relevant performance indicators</li> <li>• Each year the Council updates its medium term financial strategy, which is designed as a financial planning tool to ensure that the outcomes within the Corporate Strategy and Delivery Plan can be delivered within the resources that will be available</li> </ul>

<p>limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.</p>	<ul style="list-style-type: none"> <li>• The Council operates a strategic risk register which identifies the high level strategic risks that could impact on the ability of the Council to deliver its key services and outcomes</li> </ul> <p><b>Sustainable economic, social and environmental benefits</b></p> <ul style="list-style-type: none"> <li>• The Council considers economic, social and environmental impacts when making decisions, including undertaking and publishing equality impact assessments to ensure that fair access to services is achieved</li> </ul>
<p><b>D. Determining the interventions necessary to optimise the achievement of the intended outcomes</b></p> <p>Charnwood Borough Council achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that the Council has to make to ensure intended outcomes are achieved. We have robust decision-making mechanisms to ensure that our defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made are reviewed frequently to ensure that achievement of outcomes is optimised.</p>	<p><b>Determining interventions</b></p> <ul style="list-style-type: none"> <li>• Councillors making decisions receive detailed reports from officers with recommendations which are supported by an objective and rigorous analysis of options, including the financial and resource implications and the associated risks</li> <li>• Where appropriate consultation is undertaken with citizens and stakeholders, and their feedback is taken into account when making decisions</li> </ul> <p><b>Planning interventions</b></p> <ul style="list-style-type: none"> <li>• The Council has a schedule setting out the periods covered by all its key strategies and policies and the dates on which they are due to be reviewed and updated</li> <li>• Where appropriate, during the development and updating of policies and strategies key performance indicators and risks are identified</li> <li>• The medium term financial strategy is reviewed and updated annually to ensure that realistic estimates are available for a sustainable funding strategy</li> </ul> <p><b>Optimising achievement of intended outcomes</b></p> <ul style="list-style-type: none"> <li>• The medium term financial strategy integrates and balances service priorities, affordability and other resource constraints</li> </ul>
<p><b>E. Developing the Council's capacity, including the capability of its leadership and the individuals within it.</b></p> <p>Charnwood Borough Council needs appropriate structures and leadership, as well</p>	<p><b>Developing the Council's capacity</b></p> <ul style="list-style-type: none"> <li>• Heads of Service are responsible for reviewing operations, performance and use of assets within their service areas on an ongoing basis to ensure their continuing effectiveness</li> </ul>

<p>as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve intended outcomes within the specified periods. The Council must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which the Council operates will change over time, there will be a continuous need to develop our capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.</p>	<ul style="list-style-type: none"> <li>• The Council's Scrutiny Committees have responsibility for reviewing the Council's services through tools such as benchmarking in order to ensure that outcomes are being achieved efficiently and effectively</li> <li>• The Council has a People Strategy which is designed to ensure its workforce is developed and maintained to face the current and future needs of the Council</li> </ul> <p><b>Developing the capability of the Council's leadership and other individuals</b></p> <ul style="list-style-type: none"> <li>• The Constitution sets out the decisions that are delegated to officers and those which are reserved for collective decision making by the relevant committee</li> <li>• The Leader and the Chief Executive have a clear and shared understanding of their respective leadership roles and responsibilities</li> <li>• Officers have regular personal reviews which include an assessment of their ongoing training and development needs, and there is also a corporate training programme to ensure that corporate development needs are identified and delivered</li> <li>• There is a Member Development Member Reference Group of Councillors who oversee the member development programme, which provides regular training and development opportunities for all Councillors</li> <li>• The Council has achieved the East Midlands Member Development Charter, demonstrating its commitment to the importance of training and development for its Councillors</li> <li>• Officers have access to a free and confidential counselling service</li> </ul>
<p><b>F. Managing risks and performance through robust internal control and strong public financial management</b></p> <p>Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance</p>	<p><b>Managing risk</b></p> <ul style="list-style-type: none"> <li>• There is a risk assessment framework for all decisions taken by Councillors and by officers under delegated authority, and any risks identified and recorded, assessed and mitigating actions are set out where appropriate</li> <li>• The Council has a two tier risk management system, consisting of a high level strategic risk register which is approved annually by Cabinet and monitored by the Audit Committee, and operational risk registers which are included within service team plans</li> </ul> <p><b>Managing performance</b></p>

management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.

A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability.

It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

- Scrutiny Committees have responsibility for overseeing the Council's performance in delivering its agreed outcomes and targets for key per performance indicators, and for scrutinising policies and strategies as they are developed and before they are subject to decisions to implement them
- The Scrutiny Commission has responsibility for pre-decision scrutiny of Cabinet reports
- Quarterly performance reports monitoring delivery of the annual Business Plan are produced and are considered by the Senior Management Team and by the Finance & Performance Scrutiny Committee

#### **Robust internal control**

- The Audit Committee has responsibility for regularly reviewing and monitoring the Strategic Risk Register, overseeing the work of external and internal audit, and for reviewing the adequacy of the internal control system
- The Audit Committee is independent of Cabinet, and is chaired by an independent person who is not an elected Councillor
- The Council has an internal audit team which is staffed by suitably qualified and experienced officers, and which conducts a regular review of risks and internal controls within an annual audit plan

#### **Managing data**

- The Council has designated the Strategic Director of Environmental & Corporate Services as its Information Security Manager, ensuring that responsibility for the management of data and information security rests at senior management level
- The Council has appointed a Data Protection and Information Security Officer
- Information and data protection security breaches and incidents are monitored on a quarterly basis by the Corporate Management Team

#### **Strong public financial management**

- All decisions taken by Councillors and by officers under delegated powers are subject to financial review and clearance, with the financial implications of the decisions being recorded
- There is a robust system of monitoring and reporting of both revenue and capital budgets and plans, including consideration by the Council's scrutiny function

<p><b>G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability</b></p> <p>Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the Council plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.</p>	<p><b>Implementing good practice in transparency</b></p> <ul style="list-style-type: none"> <li>• Reports are made available to the public and other stakeholders via the Council’s website, unless they are classed as exempt</li> <li>• The Council has a dedicated page on its website where open data and all information required under the local government data transparency code is readily available</li> </ul> <p><b>Implementing good practices in reporting</b></p> <ul style="list-style-type: none"> <li>• The Council publishes an overall Annual Report each year setting out progress against achieving objectives and key performance measures</li> <li>• The Council also produces and makes available a number of other reports on an annual basis, including the statement of accounts and the annual governance statement, and an report on the work and achievements of the scrutiny function</li> </ul> <p><b>Assurance and effective accountability</b></p> <ul style="list-style-type: none"> <li>• The Audit Committee has responsibility for ensuring the any recommendations for corrective action made by external audit are acted on, and also for monitoring the implementation of recommendations made by internal audit</li> <li>• The Council welcomes external challenge and reviews, and has achieved several external accreditations including ‘Customer Service Excellence’ and ‘Investors in People’</li> </ul>
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Version History

Compiled: August 2017

Updated: July 2019 (to reflect changes in the Scrutiny structure and the revised risk management framework)

Updated: November 2021 (to reflect changes in the Scrutiny structure and job titles)

## **ANNUAL GOVERNANCE STATEMENT 2020/21**

### **Introduction**

1. This is Charnwood Borough Council's Annual Governance Statement for 2020/21. 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 2021/22;
  - 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 – Environmental & 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 2020/21 which concluded that based upon the work undertaken by Internal Audit during the year, reasonable 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 one areas of limited assurance during the year, relating to asbestos management within Landlord Services. Management have agreed to implement all of the resulting recommendations, and implementation will be monitored by the Internal Audit team.
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 Strategy 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
  - 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 register is approved annually by Cabinet, and kept under regular review by the Audit Committee and the Corporate Leadership Team
  - The COVID pandemic required the Council to create new systems and processes, particularly around the processing and payment of business grants in short order; this was successfully managed and controlled through a mix of pre and post-payment checks led by the internal audit team and detailed reconciliations of disbursements and receipts
  - 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 2019/20 did not identify any significant internal control issues.

### **Assurance Opinion**

19. The Council considers that overall the governance arrangements in place during 2020/21 provided a significant level of assurance, and continue to be fit for purpose.

### **Action Plan For 2021/22**

20. No actions have been identified.
  - 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 2019/20 Annual Governance Statement:

<b>Identified Action</b>	<b>Summary of Progress</b>
Review and monitor the effectiveness of the new shared internal audit service, particularly in light of the impact of the ongoing coronavirus pandemic.	The internal audit service has remained fully staffed during the year and although some challenges have arisen as a result of the pandemic, the service has adapted well to remote working. Internal audit has been closely involved in the various pandemic related grants schemes that the Council has administered, and has been successful in both preventing and identifying a number of potential grant frauds.

**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 Environmental & 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) 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.

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

Date:

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**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 Strategy 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.
- ◆ During 2020/21 the scrutiny function consisted 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.