



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	Net Service Expenditure	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	Total Borough Expenditure	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	Precept Requirement	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	Precept Income	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	2020/21 Working Balance 1st April	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	Balance at 31 March	4,804	5,816	1,820	3,996
809	Reinvestment Reserve 1st April	366	883	883	0
74	Transfers From/(to) General Fund	(36)	(292)	(195)	(97)
0	Committed Reinvestment Reserve	170	0	(270)	270
883	Balance at 31 March	500	591	418	173
2,193	Capital Plan Reserve 1st April	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	Balance at 31 March	1,288	2,433	1,850	583
101	Growth Support Fund 1st April	5	101	101	0
0	Transfer to General Fund	0	(101)	(101)	0
101	Balance at 31 March	5	0	0	0
0	NDR Deficit Covid Reserve 2021/22 One Off	0	7,346	0	7,346
763	Other Revenue Reserves 1st April	700	1,158	1,158	0
395	Transferred from General Fund	(45)	857	(45)	902
1,158	Balance at 31 March	655	2,015	1,113	902
8,620	TOTAL BALANCES	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 31st 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 31st March 2021 was £2,327m compared to 31st 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 31st March 2021 was £2.337m compared to 31st 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 £1,704m gain 2019/20, being £5,077m higher, this relates to a desktop revaluation of assets held by the Council at 31st 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	%
Capital Expenditure	33,932	100
Financed by:-		
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
	33,932	100

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 31st March 2021 is £987k, (as at 31st March 2020 £331k), an increase of £656k using the same basis of 2019/20. Council Tax Provision for bad debt 31st March 2021 is £1,281k (£1,336k 31st 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 31st 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

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 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: 31st January 2022

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.

Certified by Chair of Audit Committee

JANE NELLIST
Chair of Audit Committee
Date: 31st January 2022

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 £'000	2019/20 £'000	2019/20 £'000		2020/21 £'000	2020/21 £'000	2020/21 £'000
115	0	115	Strategic Director; Community, Planning & Housing	119	0	119
1,479	(656)	823	Head of Strategic & Private Sector Housing	1,520	(1,058)	462
0	(225)	(225)	Head of Landlord Services	0	(218)	(218)
1,880	(346)	1,534	Head of Neighbourhood Services	1,726	(331)	1,395
2,957	(1,504)	1,453	Head of Planning & Regeneration	3,011	(1,780)	1,231
2,257	(1,478)	779	Head of Regulatory Services	2,232	(801)	1,431
8,688	(4,209)	4,479	Community, Housing, Planning Directorate	8,608	(4,188)	4,420
9	0	9	Neighbourhoods & Community Wellbeing Director	0	0	0
1,822	(1,260)	562	Strategic Director, Commercial Development, Assets & Leisure	1,995	(1,827)	168
2,820	(2,042)	778	Head of Leisure Services	2,389	(415)	1,974
4,642	(3,302)	1,340	Commercial Development Assets & Leisure Directorate	4,384	(2,242)	2,142
8,135	(2,244)	5,891	Head of Waste, Engineering & Open Spaces	8,108	(2,425)	5,683
115	0	115	Strategic Director; Environmental & Corporate Services	119	0	119
354	0	354	Chief Executive's Team	256	0	256
1,108	(7)	1,101	Head of Financial Services	1,055	(18)	1,037
1,279	(5)	1,274	Organisational Development	1,392	(4)	1,388
30,665	(25,996)	4,669	Head of Customer Experience	29,980	(24,706)	5,274
2,318	(580)	1,738	Head of Strategic Support	2,323	(263)	2,060
43,974	(28,832)	15,142	Environmental & Corporate Services Directorate	43,233	(27,416)	15,817
57,313	(36,343)	20,970	Total General Fund	56,225	(33,846)	22,379
10,957	(21,831)	(10,874)	Housing Revenue Account	10,694	(21,817)	(11,123)
68,270	(58,174)	10,096	Net Cost of Service	66,919	(55,663)	11,256
		(13,342)	Net Recharges, REFCUS, Capital, Revaluations			(8,646)
		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
		4,696	Other Operating Expenditure			5,092
		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
		4,052	Financing and Investment Income and Expenditure			4,729
		(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)
		(23,505)	Taxation & Non-Specific Grant Income			(25,536)
		(18,003)	(Surplus)/Deficit on provision of services			(13,105)
		(1,704)	(Gains)/Losses on revaluation of Fixed Assets			(6,781)
		(17,297)	Actuarial (Gains)/Losses on pension assets/liabilities (Note 33)			19,330
		(19,001)	Other Comprehensive Income & Expenditure			12,549
		(37,004)	Total Comprehensive Income & Expenditure			(556)

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	Property, Plant and Equipment Total			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	Non Current Assets (Sub-total)			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	Current Assets (Sub-Total)			39,642
(34)	Bank Overdraft	16		(678)
(22,376)	Short-Term Creditors	18		(28,520)
(1,354)	Provisions	19		(1,359)
(23,764)	Current Liabilities (Sub-Total)			(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)	Long term Liabilities Total			(169,776)
249,463	Net Assets Total			250,019

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)
(33,054)	Usable Reserves Total			(43,733)
(2,092)	Collection Fund Adjustment Account	21		6,816
(248,168)	Capital Adjustment Account	21		(262,130)
27	Financial Instruments Revaluation Reserve	21		134
63,706	Pension Reserve (Surplus)/Deficit	21		84,704
(30,140)	Revaluation Reserve	21		(36,511)
258	Accumulated Absences Account	21		701
(216,409)	Unusable Reserves Total			(206,286)
(249,463)	Total Reserves			(250,019)

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.

Movement in Reserves Statement 2020-21	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
Opening Balance at the beginning of the period	(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
Total comprehensive income and expenditure	3,890	0	(16,995)	0	0	0	(13,105)	12,549	(556)
Adjustments Primarily involving the Capital Receipts Reserve:-									
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)
Sub-Total - Adjustments Primarily involving the Capital Receipts Reserve	0	0	0	0	2,144	0	2,144	0	0
Adjustments Primarily involving the Capital grants Unapplied Account:-									
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
Sub-Total - Adjustments Primarily involving the Capital grants Unapplied Account	0	0	0	0	0	0	0	0	0
Adjustments Primarily involving the Major Repairs Reserve:-									
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
Sub-Total - Adjustments Primarily involving the Major Repairs Reserve	0	0	0	154	0	0	154		
Total Adjustments	0	0	0	154	2,144	0	2,297	(2,297)	0
Adjustment between accounting basis and funding basis under regulations:-									
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)		
Sub Total Adjustments between accounting basis and funding basis under regulations	(13,470)	0	13,600	0	0	0	130	(130)	0
Net Increase/(Decrease) before transfers to earmarked reserves	(9,580)	0	(3,395)	154	2,144	0	(10,678)	10,122	(556)
Transfers to/(from) earmarked reserves	8,263	(8,263)	3,396	(3,396)	0	0	0	-	-
Sub Total Increase/(decrease) in the year	(1,317)	(8,263)	1	(3,243)	2,144	0	(10,678)	10,122	(556)
Balance at the end of the period	(5,816)	(12,385)	(610)	(14,840)	(9,863)	(219)	(43,733)	(206,286)	(250,019)

Movement in Reserves Statement 2019-20 Restated	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
Opening Balance at the beginning of the period	(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)
Total comprehensive income and	2,260	0	(20,263)	0	0	0	(18,003)	(19,001)	(37,003)
Adjustments Primarily involving the Capital Receipts Reserve:									
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)
Sub-Total - Adjustments Primarily involving the Capital Receipts Reserve	0	0	0	0	(1,623)	0	(1,623)	0	(1,623)
Adjustments Primarily involving the Capital grants Unapplied Account:									
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
Sub-Total - Adjustments Primarily involving the Capital grants Unapplied	0	0	0	0	0	32	32	0	0
Adjustments Primarily involving the Major Repairs Reserve:									
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
Sub-Total - Adjustments Primarily involving the Major Repairs Reserve	0	0	0	562	0	0	562		
Total Adjustments	0	0	0	562	(1,623)	32	(1,028)	1,028	0
Adjustment between accounting basis and funding basis under regulations									
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)		
Sub Total Adjustments between accounting basis and funding basis under	(143)	0	20,092	0	0	0	19,948	(19,948)	0
Net Increase/(Decrease) before transfers to earmarked reserves	2,117	0	(171)	562	(1,623)	32	917	(37,921)	(37,003)
Transfers to/(from) earmarked reserves	256	(256)	174	(174)	0	0	0	-	-
Sub Total Increase/(decrease) in the year	2,373	(256)	3	389	(1,623)	32	917	(37,921)	(37,003)
Balance at the end of the period	(4,499)	(4,122)	(610)	(11,598)	(12,007)	(219)	(33,055)	(216,408)	(249,463)

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.

Restated 2019/20 £'000		2020/21 £'000
(18,003)	Net (Surplus)/Deficit on the provision of services	(13,105)
	Adjustments for non-cash movements	
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)
(4,118)	Adjustments to net Surplus/Deficit for non-cash movements	(10,906)
	Adjustments for items that are Investing or Financing Activities	
5,210	Other Capital Receipts and (Gains)/Loss on Sale non-current Assets	3,491
(16,911)	Net Cash outflows/(inflows) from Operating Activities	(20,520)
5,134	Net Capital Activities	31,973
(1,673)	Net Change in Investments	(2,371)
3,461	Net Cash outflows/(inflows) from Investing Activities (Note 23)	29,602
(5,358)	Net Cash outflows/(inflows) from Financing Activities (Note 24)	5,892
(18,808)	Net (Increase)/Decrease in Cash and Cash Equivalents	14,974
15,314	Cash and Cash Equivalents at the beginning of the period	34,122
34,122	Cash and Cash Equivalents at the end of the period (Note 16)	19,148
(18,808)	(Increase)/Decrease in Cash and Cash Equivalents	14,974

Accounting Policies

1. General Principles

This Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at 31st 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)	7 - 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.

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.

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 31st March 2020).

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 1st 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
	Expenditure	
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
82,670	Total Expenditure	87,065
	Income	
(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)
(100,673)	Total Income	(100,170)
(18,003)	(Surplus) or Deficit on the Provision of Services	(13,105)

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)
Total General Fund	(4,122)	393	(8,656)	(12,385)
HRA Financing Fund	(8,234)	0	(3,396)	(11,630)
HRA Major Repairs Reserve	(3,364)	154	0	(3,210)

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
1,213	1,223	10	Amended Total Levy	1,271	1,269	2

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
	Chargeable Work	
294	Expenditure	313
(198)	Income	(263)
96	(Surplus)/Deficit	50
	Non-Chargeable Work	
200	Expenditure	231
(43)	Income	(72)
157	(Surplus)/Deficit	159

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	Community, Planning & Housing Directorate	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	Community, Assets & Leisure Directorate	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	Environmental & Corporate Services Directorate	11,793	720	12,513
19,588	916	20,504	Total General Fund	19,784	2,746	22,530
(2,195)	(21,556)	(23,751)	Housing Revenue Account	(9,515)	(10,406)	(19,921)
17,393	(20,640)	(3,247)	Cost of Service	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)	(Surplus)/Deficit on provision of services	(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)	Other comprehensive Income and Expenditure			12,549
		(37,004)	Total comprehensive Income & Expenditure			(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
146	326	158	630	Community, Planning & Housing Directorate	485	70	224	779
(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
(738)	91	45	(602)	Community, Assets & Leisure Directorate	1,157	35	658	1,850
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
574	526	(212)	888	Environmental & Corporate Services Directorate	656	1	62	720
(18)	943	(9)	916	General Fund Total	2,298	106	944	3,349
(17,892)	556	(4,220)	(21,556)	Housing Revenue Account	(10,614)	96	112	(10,406)
(17,910)	1,499	(4,229)	(20,640)	Net Cost of Service	(8,316)	202	1,056	(7,057)
				Other Income and Expenditure from Funding Analysis				
		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
				Collection Fund				
(17,910)	1,499	(4,099)	(20,510)	Adjustments between Funding & Accounting Basis General Fund/HRA Surplus and Comprehensive Income & Expenditure	(8,316)	202	4,560	(3,553)
			2,507	Net Expenditure Chargeable to General Fund & HRA Balances				(9,552)
			(18,003)	(Surplus)/Deficit on Comprehensive Income & Expenditure Statement				(13,105)

Note 10 Property, Plant and Equipment

Movements in 2020/21	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Plant, Property and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
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	(1,116)	0	0	0	(372)	0	5,883
Revaluation increases/(decreases) recognised in the Provision of Services CAA	10,686	(525)	0	0	0	351	0	10,512
Derecognition – disposals	(2,107)	0	(106)	0	0	0	0	(2,213)
Asset Reclassification	0	16	0	0	0	(66)	50	0
At 31st March 2021	311,284	57,219	10,036	166	4,044	758	135	383,642
Accumulated Depreciation and impairment								
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
At 31st March 2021	(10)	(55)	(4,248)	(140)	(34)	(1)	0	(4,488)
Net Book Value at 31st March 2021	311,274	57,164	5,788	26	4,010	757	135	379,154
Net Book Value at 31st March 2020	291,298	58,426	1,421	29	3,916	837	59	355,986

Movements in 2019/20	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Plant, Property and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
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)
At 31st March 2020	291,305	58,488	5,165	166	3,937	845	59	359,965
Accumulated Depreciation and impairment								
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
At 31st March 2020	(7)	(62)	(3,744)	(137)	(21)	(8)	0	(3,979)
Net Book Value at 31st March 2020	291,298	58,426	1,421	29	3,916	837	59	355,986
Net Book Value at 31st March 2019	271,931	56,662	1,495	32	3,905	812	1	334,838

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:

	31st March 2021 £'000
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
	49,251

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
(56)	Total	(56)

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
3,483	Balance at 1st April	3,685
0	Acquisitions	23,205
0	Disposals	(30)
202	Change in Fair Values	(603)
3,685	Balance at 31st March	26,257

Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31st March 2021 are as follows:

	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Fair value as at 31 March 2021 £'000
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
Total	1,260	25,346	408	27,014

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
	Balance at 1st April:	
3,086	Gross carrying amounts	2,985
(2,894)	Accumulated Amortisation	(2,807)
192	Net carrying amount at 1st April	178
55	Additions: Purchases	39
(69)	Amortisation for the period	(61)
(156)	Derecognition – disposals	(149)
156	Derecognition – depreciation written out	149
178	Net carrying amount at 31st March	156
2,985	Gross carrying amounts	2,875
(2,807)	Accumulated Amortisation	(2,719)
178		156

Note 13 Heritage Assets

2019/20 £'000		2020/21 £'000
279	Balance at 1st April	279
0	Revaluations	0
279	Balance at 31st March	279

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
Total Financial Assets	4,770	4,664	-	-	51,122	30,148	2,024	2,855	57,916	37,667
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)
Total Financial Liabilities	(81,190)	(81,190)	-	-	-	-	(10,435)	(9,064)	(91,625)	(90,254)

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 31st 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
Total Expense in Surplus or Deficit on the Provision of Services	0	2,937	2,937	0	2,941	2,941
Interest Income	(687)	0	(687)	(342)	0	(342)
Total Income in Surplus or Deficit on the Provision of Services	(687)	0	(687)	(342)	0	(342)
Gain on Revaluation	0	0	0	0	0	0
Surplus/deficit arising on revaluation of Financial Assets in Other Comprehensive Income and Expenditure	0	0	0	0	0	0
Net (Gain)/Loss for the Year	(687)	2,937	2,250	(342)	2,941	2,599

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
9,039		12,553

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)
(3,717)		(3,836)

Note 16 Cash and Cash Equivalents

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

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

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		31st March 2021
£'000		£'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
22,376		28,520

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

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 31st 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)	Balance at 1st April	(12,007)
(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
(12,007)	Balance at 31st March	(9,863)

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)	Balance at 1st April	(219)
40	Amounts applied to finance new capital investments	0
(7)	Amounts transferred to/(from) revenue	0
(219)	Balance at 31st March	(219)

Note 21 **Unusable Reserves**

Restated 31st March 2020 £'000		31st March 2021 £'000
(2,092)	Collection Fund Adjustment Account	6,816
(248,168)	Capital Adjustment Account	(262,130)
27	Financial Instrument Revaluation Reserve	134
63,706	Pension Reserve Deficit	84,704
(30,140)	Revaluation Reserve	(36,511)
258	Accumulated Absences Account	701
(216,409)		(206,286)

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
(28,825)	Balance at 1st April		(30,140)
(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	
(1,747)	Surplus or Deficit on Revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(6,801)
42	Adjusting amounts written to the Capital Adjustment Account	20	
390	Difference between Fair Value Depreciation and Historical Cost Depreciation	410	
432	Amount written off to the Capital Adjustment Account		430
(30,140)	Balance at 31st March		(36,511)

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)	Balance at 1st April		(248,168)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(15,920)	Charges for Depreciation and Impairment on Non-current Assets	(9,506)	
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	(5,609)
(8,985)			
(390)	Adjusting amounts written out of the Revaluation Reserve		(410)
(237,522)	Net written out amount of the cost of Non-current Assets consumed in the year		(254,187)
	Capital financing applied in the year:		
(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
(248,168)	Balance at 31st March		(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	Balance at 1st April	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)
63,706	Balance at 31st March	84,704

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	Balance at 1st April	(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
(2,092)	Balance at 31st March	6,816

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

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

Note 23 Cash Flow Statement – Investing Activities

2019/20 £'000		2020/21 £'000
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)
3,461	Cash (Inflow)/Outflow	29,602

Note 24 Cash Flow Statement – Financing Activities

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

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.

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

Note 26 Members Allowances

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

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

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.

Total Number of Employees 2019/20	Remuneration Band	Total Number of Employees 2020/21
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
426,156		356,024	0	356,024	110,607	466,631

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)
(3,835)	Total Credited to Taxation and Non-Specific Grant Income	(8,668)
	Benefit Grants Credited to Services	
(15,243)	Rent Allowance Subsidy	(15,103)
(9,043)	Rent Rebate Subsidy	(8,172)
(388)	Housing Benefit Administration Subsidy	(401)
	Other Grants Credited to Services	
(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)
(27,460)	Total Grants credited to Services	(26,717)

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:

31st March 2020	Capital Grants and Contributions - Receipts in Advance	31st March 2021
£'000		£'000
(2,690)	S106 Developers' Contributions	(2,508)
(692)	Other Capital Grants and Contributions	(1,374)
(3,382)		(3,882)

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:

31st March 2020	Revenue Grants and Contributions - Receipts in Advance	31st March 2021
£'000		£'000
(228)	S106 Developers' Contributions	(218)
(567)	Other Revenue Grants and Contributions	(436)
(795)		(654)

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.

Restated 2019/20		2020/21
£'000		£'000
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
67		80

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 31st 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
81,820	Opening Capital Financing Requirement	81,820
	Capital Investment	
8,677	Property, Plant and Equipment	32,700
55	Intangible Assets	39
1,712	Revenue Expenditure Funded from Capital under Statute	1,193
	Sources of Finance	
(1,120)	Capital Receipts	(2,989)
(3,811)	Major Repairs Reserve	(3,617)
(1,641)	Government Grants and other Contributions	(1,759)
	Sums set aside from revenue:	
(3,872)	Direct Revenue Contributions	(182)
81,820	Closing Capital Financing Requirement	107,205
	Explanation of movements in year	
0	Increase in underlying need to borrowing (unsupported by government financial assistance)	25,385
0	Increase/(Decrease) in Capital Financing Requirement	25,385

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.

Comprehensive Income and Expenditure Statement	Restated Local Government Pension Scheme 2019/20 £'000	Local Government Pension Scheme 2020/21 £'000
Current Service cost	5,321	4,208
Financing and Investment Income and Expenditure		
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
Movement in Reserve Statement		
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)
Actual amount charged against the General fund balance for pension in the year	3,823	4,007
Actuarial Gains and (Losses) in the year	17,297	(19,325)

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:

	Restated 2019/20 £'000	2020/21 £'000
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)
Net Asset/(Liability) in Balance Sheet	(63,706)	(84,704)

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.

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

Mortality Assumptions:	Males	Females
<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)
118,315	(195,934)	(77,619)	Opening Position as at 31st March	109,203	(172,909)	(63,706)
	(5,321)	(5,321)	Current Service Cost		(4,208)	(4,208)
	0	0	Past Service Cost (including Curtailments)		0	0
0	(5,321)	(5,321)	Total Service Cost	0	(4,208)	(4,208)
2,834		2,834	Interest Income on plan assets	2,502		2,502
	(4,719)	(4,719)	Interest Cost on defined benefit obligation		(3,969)	(3,969)
2,834	(4,719)	(1,885)	Total Net Interest	2,502	(3,969)	(1,467)
2,834	(10,040)	(7,206)	Total Defined Benefit Cost Recognised in Profit or (Loss)	2,502	(8,177)	(5,675)
			<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
(970)	4,792	3,822	Total Cashflows	(680)	4,682	4,002
120,179	(201,182)	(81,003)	Expected Closing Position	111,025	(176,404)	(65,379)
			<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
(10,976)	28,273	17,297	Total Measurements recognised in Other Comprehensive Income	24,681	(44,006)	(19,325)
109,203	(172,909)	(63,706)	Total Expected Closing Position	135,706	(220,410)	(84,704)
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)
109,203	(172,909)	(63,706)	Closing Position	135,706	(220,410)	(84,704)

Value of Employers Assets	31st March 2020 £'000	% of Total Assets	31st March 2021 £'000	% of Total Assets
Equity Securities:				
Total Equity Securities	1,902	2%	2,363	1%
Debt Securities:				
UK Government	9,247	9%	11,490	8%
Other	1,414	1%	1,758	1%
Private Equity	5,036	5%	6,258	5%
Real Estate – UK Property	8,163	7%	10,143	7%
Investment Funds and Unit Trusts:				
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%
Derivatives – Foreign Exchange	(139)	0%	(173)	0%
Cash and Cash Equivalents	3,272	3%	4,066	3%
Closing Balance at 31st March	109,215	100%	135,706	100%

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 contractual dispute is in its early legal stages and therefore no decision has been made. 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:

31st March 2020		31st March 2021
£'000		£'000
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
1,085		1,319

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 1st 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
	Expenditure		
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
	Income		
(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)	Net Cost for HRA Services		(19,921)
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
(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
(20,263)	Net Cost/(Income) of HRA Services		(16,995)

Movement on the HRA Statement

2019/20 £'000		2020/21 £'000
(613)	Balance on the HRA at the end of the previous year	(610)
(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
385	Net increase before transfers to or from reserves	(3,300)
(382)	Transfers to reserves	(3,300)
3	Decrease in year on the HRA	0
(610)	Balance on the HRA at the end of the current year	(610)

Reconciling Items for the Statement of Movement on the HRA Balance

2019/20 £'000		Note	2020/21 £'000
	Adjustments between accounting basis and funding basis under statute		
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
20,648			13,695
	Transfers (to) or from reserves		
(556)	HRA share of contributions to/(from) the Pension Reserve	7	(96)
174	Transfer to/(from) the Housing Financing Fund	8	3,396
(382)			(3,300)

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
1,079		1,094
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
1,344		1,357

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
3,249		3,464
(17,892)	Net Revaluation increase of non-current assets	(14,077)
(14,643)		(10,613)

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
5,548		5,545

The change in stock can be summarised as follows:-

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

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
296,676	Net carrying amount at 31st March	316,728

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 st April	36
0	Additions: Purchases	0
(8)	Depreciation	(8)
36	Net carrying amount at 31st March	28

Intangibles

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

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
8,208	Capital Expenditure	4,026
	Financed By:	
3,811	Major Repairs Reserve	3,617
47	Other Capital Contributions	204
3,659	Revenue Contributions	0
691	HRA Capital Receipts	205
8,208		4,026

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
2,987		1,645

Note 6

Major Repairs Reserve

2019/20 £'000		2020/21 £'000
(3,926)	Balance at 1st April	(3,364)
(3,249)	Transfer to Major Repairs Reserve	(3,463)
3,811	Capital Expenditure funded from Major Repairs Reserve	3,617
(3,364)	Balance at 31st March	(3,210)

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

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

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
			Income				
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)
			Expenditure				
			Apportionment of Previous Year				
			Surplus/(Deficit)				
(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
			Precept, Demands and Shares				
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
			Charges to the Collection Fund				
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
(6,400)	(109)	(6,509)	(Surplus)/Deficit arising during the year		21,034	701	21,735
2,199	(1,268)	931	(Surplus)/Deficit brought forward 1st April		(4,201)	(1,377)	(5,578)
(4,201)	(1,377)	(5,578)	(Surplus)/Deficit carried forward 31st March	8/9/ 11	16,833	(676)	16,157

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
	Total (Tax Base)			62,865.1

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:

2019/20 £'000		2020/21 £'000
116,912	Gross Council Tax due	121,824
(14,369)	Relief, Exemptions and Transitional Relief Granted	(14,835)
102,543	Council Tax	106,989

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.

2019/20 £'000		2020/21 £'000
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
48,531	Net Business Rates Receivable	28,407

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

2019/20 £'000		2020/21 £'000
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)
11,784		12,380

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
(216)		602

Note 7 Write-off of Bad Debts

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

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:

	Amounts accounted for in 2021/22 £'000	Amounts to account for in 2022/23 £'000	Total £'000
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)
Total Net Surplus	250	(926)	(676)

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.

2019/20 £'000		2020/21 £'000
(160)	Charnwood Borough Council	(77)
(994)	Leicestershire County Council	(489)
(172)	Leicestershire Police and Crime Commissioner	(86)
(51)	Leicestershire Combined Fire Authority	(24)
(1,377)	Deficit/(Surplus) – Balance as at 31st March	(676)

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.

2019/20 £'000		2020/21 £'000
(1,561)	Charnwood Borough Council	6,798
(1,687)	Leicestershire County Council	803
(42)	Leicestershire Combined Fire Authority	168
(911)	Central Government	9,064
(4,201)	Deficit/(Surplus) - Balance as at 31st March	16,833

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

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.

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. 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.

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
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