



TO COUNCILLOR:

N Alam
Miss P V Joshi

J Kaufman
K J Loydall JP (Chair)

D W Loydall
Dr I K Ridley

Dear Sir or Madam

I hereby **SUMMON** you to attend a meeting of the **AUDIT COMMITTEE** to be held **BY REMOTE VIDEO CONFERENCE (SEE INSTRUCTIONS BELOW)** on **THURSDAY, 26 NOVEMBER 2020** at **4.00 PM** for the transaction of the business set out in the Agenda below.

Yours faithfully

Council Offices
Wigston
17 November 2020

Mrs Anne E Court
Chief Executive



SPECIAL NOTE:

This remote meeting is convened and held in accordance with section 78 of the Coronavirus Act 2020 and the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 to which Part 4, Section 1A of the Council's Constitution (Remote Meeting Procedure Rules) will apply. This meeting is open to the press and public to observe by streaming the meeting's live proceedings. Instructions regarding the access arrangements for this meeting are below.

ITEM NO.

AGENDA

PAGE NO'S

Remote Video Conference | Instructions

This meeting will take place as a remote video conference.

Meeting Participants:

Zoom Video Conferencing Webinar

A webinar invitation will be sent by e-mail to all Members, Officers and Auditors for this meeting.

Press & Public Access:

YouTube Live Stream



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Oadby_Wigston

A direct link to the live stream of the meeting's proceedings on the Council's YouTube Channel is below.

<https://youtu.be/CaekVV7MELs>

Remote Meeting Procedure Rules:

A summary of the Remote Meeting Procedures Rule to be adopted for the meeting is attached for reference.

1. Apologies for Absence

To receive apologies for absence from Members to determine the quorum of the meeting in accordance with Rule 7 of Part 4 of the Constitution.

2. Appointment of Substitutes

To appoint substitute Members in accordance with Rule 26 of Part 4 of the Constitution and the Substitution Procedure Rules.

3. Declarations of Interest

Members are reminded that any declaration of interest should be made having regard to the Members' Code of Conduct. In particular, Members must make clear the nature of the interest and whether it is 'pecuniary' or 'non-pecuniary'.

4. Minutes of the Previous Meeting

6 - 7

To read, confirm and sign the minutes of the previous meeting in accordance with Rule 19 of Part 4 of the Constitution.

5. Action List Arising from the Previous Meeting

There was no Action List arising from the previous meeting.

6. Petitions and Deputations

To receive any Petitions and, or, Deputations in accordance with Rule(s) 11 and 12 of Part 4 of the Constitution and the Petitions Procedure Rules respectively.

7. Statement of Accounts and Annual External Audit ISA 260 Governance Report (2019/20)

8 - 128

Report of the Deputy Chief Executive
Report of the Interim Financial Services Manager

For more information, please contact:

Democratic Services

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e: democratic.services@oadby-wigston.gov.uk

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Our audio platform
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smart device with the
'SoundCloud' app

Agenda Annex

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Summary of Remote Meeting Procedure Rules

(Section 1A of Part 4 of the Constitution)

➤ **Disclosable Pecuniary Interests (Rule 7)**

Any Member who declares a disclosable, pecuniary interest in any item of business on the agenda will be required to leave the remote meeting for the duration of the item.

Their departure will be confirmed by Democratic Services, who will then invite the relevant Member to re-join the meeting at the appropriate time.

➤ **Hosting Technology Failure (Rule 8)**

Should the hosting technology fail during the meeting, the Chair will call an adjournment of up to fifteen minutes to determine whether the connection can be re-established.

If the connection cannot be re-established after fifteen minutes, the meeting shall stand adjourned to a later date to be confirmed.

➤ **Connection Failure for Individual Member (Rules 3 and 8)**

In the event of connection failure for an individual Member, the meeting will proceed, providing it remains quorate (i.e. the minimum number of Members remain connected).

Should the meeting no longer be quorate, the meeting shall be adjourned and any remaining items of business will stand deferred to a later date to be confirmed.

➤ **Indicating to Speak (Rule 9)**

Members must indicate their wish to speak by using the 'Raise Hand' function in Zoom.

The Chair and Democratic Services will work together to invite each Member to speak in the order that their hand was raised.

➤ **Voting on Decision-Making Items (Rule 10)**

Before proceeding to the vote on any item of business on the agenda which requires a decision, the Chair will ensure that all Members and Officers have no further comments to make by confirming with Democratic Services that no hands remain raised.

The Chair will clarify what motion and/or amendment is being voted upon before the vote.

Democratic Services will call each Member's name, in alphabetical order by surname, and each Member will indicate whether they are voting 'for', 'against' or 'abstaining' on the item.

Democratic Services will record each response and, once all Members have voted, confirm the outcome of the vote.

➤ **Voting on Housing-Keeping / Information-Only Items (Rule 10)**

In respect of voting on all other housing-keeping or information-only items of business on the agenda, the Chair will ask Members to raise their hand using the function in Zoom.

If all hands are raised, those items will be agreed by general affirmation.

Agenda Item 4

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD BY REMOTE VIDEO CONFERENCE ON WEDNESDAY, 23 SEPTEMBER 2020 COMMENCING AT 4.02 PM

PRESENT (BY REMOTE LINK)

K J Loydall JP Chair

COUNCILLORS

Miss P V Joshi
J Kaufman
D W Loydall
Dr I K Ridley



OFFICERS IN ATTENDANCE (BY REMOTE LINK)

| | |
|----------------|---|
| S J Ball | Trainee Solicitor (acting as the Democratic Services Officer) |
| S Hinds | Deputy Chief Executive |
| Miss J Sweeney | Democratic & Electoral Services Officer |

OTHERS IN ATTENDANCE (BY REMOTE LINK)

| | |
|-----------|-------------------|
| Ms R Deo | CW Audit Services |
| M Watkins | CW Audit Services |

1. APOLOGIES FOR ABSENCE

An apology for absence was received from Councillor Naveed Alam.

2. APPOINTMENT OF SUBSTITUTES

None.

3. DECLARATIONS OF INTEREST

None.

4. MINUTES OF THE PREVIOUS MEETING

By affirmation of the meeting, it was

UNANIMOUSLY RESOLVED THAT:

The minutes of the previous meeting held on 04 March 2020 be taken as read, confirmed and signed.

5. ACTION LIST ARISING FROM THE PREVIOUS MEETING

No Action List held from the previous meeting.

6. PETITIONS AND DEPUTATIONS

None.

7. ANNUAL INTERNAL AUDIT REPORT & OPINION (2019/20)

Audit Committee (Remote Video Conference)

Wednesday, 23 September 2020

Chair's
Initials

The Committee gave consideration to the report and appendix (as set out on pages 8-22 of the public agenda reports pack) which asked it to discuss the key outcomes arising from the work of Internal Audit 2019/20.

By affirmation of the meeting, it was

UNANIMOUSLY RESOLVED THAT:

The contents of the report and appendix be noted.

8. INTERNAL AUDIT PROGRESS REPORT (Q1 2020/21)

The Committee gave consideration to the report and appendix (as set out on pages 23-30 of the public agenda reports pack) which asked it to note the progress made in delivering the 20/21 Audit Plan.

By affirmation of the meeting, it was

UNANIMOUSLY RESOLVED THAT:

The contents of the report and appendix be noted.

9. ANNUAL GOVERNANCE STATEMENT (2019/20)

The Committee gave consideration to the report and appendix (as set out on pages 31-47 of the public agenda reports pack) which asked it to approve the Annual Governance Statement 2019/20.

In relation to Appendix 1 - Corporate Objective One, Members requested that all future Corporate Plans should be worded to be inclusive to the 'wellbeing' of residents, in addition to the current wording of the objective. It was agreed by Officers that going forward this amendment would be implemented.

By affirmation of the meeting, it was

UNANIMOUSLY RESOLVED THAT:

- i) The Annual Governance Statement 2019/20 be approved.**
- ii) The contents of the report and appendix be noted.**

THE MEETING CLOSED AT 5.11 PM



Chair

Thursday, 26 November 2020

*Printed and published by Democratic Services, Oadby and Wigston Borough Council,
Council Offices, Station Road, Wigston, Leicestershire, LE18 2DR*

Agenda Item 7



| | | |
|------------------------|---------------------------------------|--|
| Audit Committee | Thursday, 26 November 2020 | Matter for Information and Decision |
|------------------------|---------------------------------------|--|

Report Title: **Statement of Accounts and Annual External Audit ISA 260
Governance Report (2019/20)**

Report Author(s): **Stephen Hinds (Deputy Chief Executive)
Comie Campbell (Interim Financial Services Manager)**

| | |
|---|--|
| Purpose of Report: | To seek Members' approval of the Statement of Accounts 2019/20. |
| Report Summary: | The Council's draft accounts were approved by the Section 151 Officer in August 2020, and have been subjected to detailed audit by our external auditors, Grant Thornton. Whilst the audit has yet to be completed, as at the date of this report, the council is anticipating that Grant Thornton issue an unqualified audit opinion for the Statement of Accounts. In accordance with the Accounts and Audit Regulations 2015, the accounts are now being presented to this Committee for their consideration and approval prior to publication by 31 November 2020. |
| Recommendation(s): | <p>A. That the Statement of Accounts for the year ended 31 March 2020 be reviewed and approved; and</p> <p>B. In order to comply with the Council's statutory obligations, it be confirmed that the Statement of Accounts for the year ended 31 March 2020 can be published by 31 November 2020 and the Section 151 Officer be authorised, following consultation with the Chair of the Audit Committee, to make any changes to the accounts that may be agreed with Grant Thornton LLP, the Council's External Auditors.</p> |
| Senior Leadership, Head of Service, Manager, Officer and Other Contact(s): | <p>Stephen Hinds (Deputy Chief Executive) (0116) 257 2681 stephen.hinds@oadby-wigston.gov.uk</p> <p>Comie Campbell (Interim Financial Service Manager) (0116) 257 2891 comie.campbell@oadby-wigston.gov.uk</p> <p>Richard Kongwa (Closedown Accountant) richard.kongwa@oadby-wigston.gov.uk</p> |
| Corporate Objectives: | Providing Excellent Services (CO3) |
| Vision and Values: | "A Stronger Borough Together" (Vision) Accountability (V1) |
| Report Implications:- | |
| Legal: | There are no implications arising from this report. |
| Financial: | The implications are as set out in this report. |

| | |
|--|--|
| Corporate Risk Management: | Decreasing Financial Resources / Increasing Financial Pressures (CR1) Reputation Damage (CR4) Regulatory Governance (CR6) |
| Equalities and Equalities Assessment (EA): | There are no implications arising from this report. No EA applicable. |
| Human Rights: | There are no implications arising from this report. |
| Health and Safety: | There are no implications arising from this report. |
| Statutory Officers' Comments:- | |
| Head of Paid Service: | The report is satisfactory. |
| Chief Finance Officer: | As the author, the report is satisfactory. |
| Monitoring Officer: | The report is satisfactory. |
| Consultees: | None. |
| Background Papers: | <ul style="list-style-type: none"> • The Accounts and Audit (England) Regulations 2011 • Delivering Good Governance in Local Government: Framework |
| Appendices: | <ol style="list-style-type: none"> 1. Draft Statement of Accounts (2019/20) 2. External Audit Report (ISA 260) 2019/20 - To Follow 3. Management Letter of Representation (2019/20) - To Follow |

1. Introduction and Background

- 1.1 The publication of the Statement of Accounts is governed by the requirements of the Accounts and Audit (England) Regulations 2011. These require the Statement of Accounts to be certified by the Council's Section 151 Officer (Deputy Chief Executive) as presenting a true and fair view of the financial position of the Council by the 31 May each year. The accounts must then be submitted for external audit to publish audited accounts by no later than the 31 July each year.
- 1.2 However, due to the COVID-19 pandemic, the deadlines have been altered, with the accounts being presented by 31st August 2020, with the audited accounts to be published by 31st November 2020.
- 1.3 Following certification by the Section 151 Officer in August 2019, the accounts have been subject to detailed and rigorous review by the Council's external auditors, Grant Thornton. The audit report is being finalised at the time of writing this report, but we expect that the auditors are planning to issue an unqualified opinion. Grant Thornton will present their External Audit Report (ISA 260) on the Accounts at this meeting.
- 1.4 In compliance with the Accounts and Audit Regulations, the Accounts were made available for public inspection during the audit. This period has concluded, and until the conclusion of the audit, electors or their representatives were able to question or raise objections with the external auditor. No questions or objections were raised at the time of writing this report.
- 1.5 There will be a small number of adjustments made to the accounts prior to the 31 November 2020 deadline. They relate mainly to presentational issues and in-house system issues and will ensure that the Council complies with technical accounting regulations, specifically CIPFA's Code of Practice on Local Authority Accounting. Additionally, there is a

potential change to the valuation of our housing assets (in a positive vein). Given the audit is still on-going, the Committee is recommended to delegate responsibility for finalising the accounts to the Section 151 Officer in liaison with the Committee Chair in order to meet the 31 November deadline.

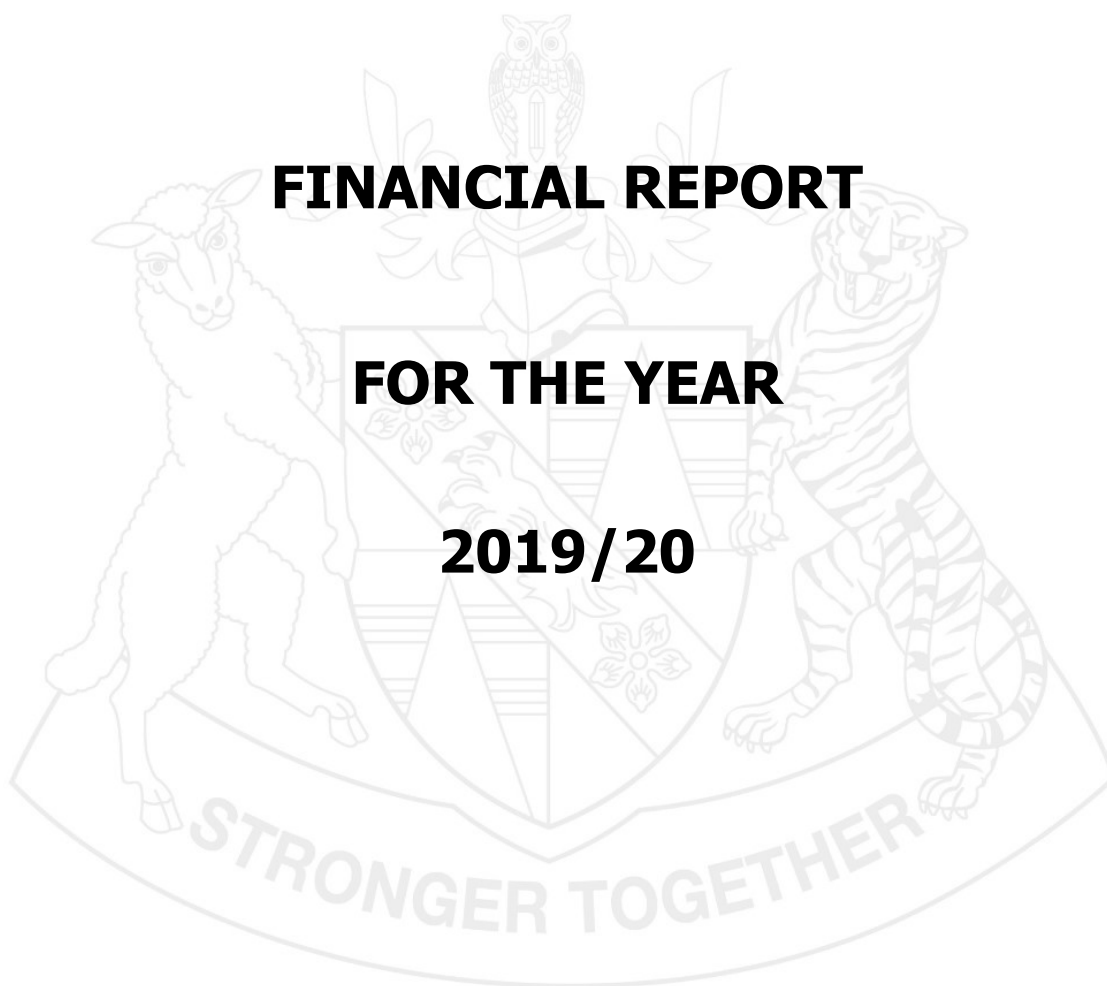
- 1.6 It is a requirement of external audit that the Section 151 Officer signs a letter of representation confirming that they have the responsibility for the proper administration of the financial affairs of the authority and that the duties that this entails have been undertaken. The draft letter will be signed nearer to the date of the approval of the accounts.
- 1.7 If the recommendation to approve the Accounts is agreed by this Committee, Grant Thornton will be able to provide their formal opinion on the accounts and formally conclude the audit. The accounts will then be published on the Council's website.

OADBY & WIGSTON BOROUGH COUNCIL

FINANCIAL REPORT

FOR THE YEAR

2019/20



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THE NARRATIVE REPORT

Introduction by the Deputy Chief Executive and Section 151 Officer

I am pleased to present Oadby and Wigston Borough Council's Statement of Accounts for the financial year ended 31 March 2020. These accounts inform their users as to the financial performance of the Council during the year and as a result are an important element of demonstrating sound financial stewardship of the taxpayers' money.

The Council's Auditors, Grant Thornton LLP, will commence their audit on 24 August 2020 after which the full audited accounts were presented to members for their approval at the Policy, Finance and Development Committee in October 2020.

Prior to approval the draft accounts were subjected to a thirty working days public inspection period. For the 2019/20 accounts, this inspection period commenced on 1 September 2020. From that date the unaudited accounts are available to the public on the Council's website.

The purpose of this Narrative Report is to provide an organisational overview of Oadby and Wigston Borough Council and the external environment in which it operates. It provides information about Oadby and Wigston, including key issues affecting the Council and its accounts.

This Statement of Accounts (the Accounts) summarises the financial position of Oadby and Wigston Borough Council for the year ended 31 March 2020. These accounts have been produced for the Council as a single entity. No group accounts are required.

The principles adopted in compiling the Statement of Accounts are those recommended by The Chartered Institute of Public Finance and Accountancy (CIPFA) namely:

- The Code of Practice on Local Authority Accounting in the United Kingdom (the Code);
- International Financial Reporting Standards (IFRS); and
- The Service Reporting Code Of Practice (SeRCOP)

A Guide to Oadby and Wigston

The Borough is located at the south-east of the city of Leicester and comprises the three town centres of Oadby, Wigston and South Wigston. Along with Leicester it shares its boundaries with the two other local authorities of Harborough District and Blaby District.

Geography

The Borough is primarily urban in nature consisting of 2,400 hectares in area with a population of 57,035 residents. It is situated 5 miles from both Leicester City centre and from Junction 21 of the M1 motorway.

THE NARRATIVE REPORT

Population

The population of the Borough has a gender split of: Males 48.6% and Females 51.4% (*Source Mid 2017 Population Estimates*)

The age demographic is set out below and shows a population that is aging when compared to both the surrounding area and the country as a whole.

| Age | Oadby & Wigston | Leics County | East Midlands | England |
|-------------|-----------------|--------------|---------------|---------|
| 0 – 19 | 24.2% | 22.7% | 23.3% | 23.7% |
| 20 - 64 | 54.6% | 57.2% | 57.6% | 58.3% |
| 65 - 89 | 19.9% | 19.2% | 18.2% | 17.1% |
| 90 and over | 1.3% | 0.9% | 0.9% | 0.9% |

The residential population is one of the most culturally diverse in the region with the overall Black and Minority Ethnic (BME) population being 29% which is almost triple the Leicestershire County average (11.1%) and double the East Midlands regional figure (14.6%). This diversity is also reflected in the religious composition of the Borough, with 22% belonging to non-Christian religions compared to a national average of 9%.

Political Structure

There has been political continuity since 1991 when the Liberal Democrats achieved an overall majority for the first time. The Council at 31 March 2020 consisted of 26 members including 24 Liberal Democrats and 2 Conservatives. Councillor John Boyce is the Leader of the Council while his deputy is Councillor Michael Charlesworth. Local Borough Elections were last held on 2 May 2019 leaving the Council with 24 Liberal Members and 2 Conservative Members.

All 26 members sit on the Full Council and this oversees decisions and actions of the four main committees. The four committees are:

- Policy, Finance & Development Committee
- Service Delivery Committee
- Development Control Committee
- Licensing & Regulatory Committee

The Committees debate and decide Council policy and make specific decisions in relation to those individual committee's responsibilities. There are also a number of working groups with limited decision making power, that develop specific initiatives and which report through the main committees to Council. A Standards Panel to oversee Councillor's conduct can be called at any time from the membership of the Policy, Finance and Development Committee.

Oadby and Wigston Borough Council have not adopted a cabinet system and all 26 members are involved in the decision making.

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On a national level Oadby and Wigston is contained wholly within the Harborough Constituency and is represented at Westminster by Neil O'Brien, MP of the Conservative Party. Mr O'Brien held the seat, for the Conservatives, at the June 2017 election with a majority of 12,429.

Management Structure

During the financial year 2019/20 the Senior Management Team comprised of the Chief Executive, Deputy Chief Executive, Chief Financial Officer and the Monitoring Officer. Its role is to lead the organisation so that the Council can fulfil its statutory responsibilities and deliver its services and local priorities. Supporting this are a team of Heads of Service across all frontline and support services of the Council.

Workforce

At 31 March 2020 the Council employed 168 (2018/19 -167) members of staff equating to 157.8 (2018/19 – 159.4) Full Time Equivalent posts.

| Agency Staff Expenditure 2019/20 | | | | | |
|----------------------------------|-------|-------|-------|-------|-------|
| | Q1 | Q2 | Q3 | Q4 | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| 2019/20 | 134 | 191 | 173 | 132 | 630 |
| 2018/19 | 64 | 111 | 140 | 169 | 484 |

The Council holds the Investors in People Award, Level 6, and is one of a handful of local authorities to achieve this status.

The Vision and Values of the Council

The Council has a clear vision for the borough, its services and employees. These were adopted after lengthy consultation with officers and members. The Council's adopted vision is 'A Stronger Borough Together' along with five organisational values;

- 1) Accountability – Proud to take responsibility for actions, seeing tasks through to completion
- 2) Respect – Act with honesty, fairness and equality at all times.
- 3) Teamwork – Committed to sharing information, skills and experience.
- 4) Innovation – Striving for service improvements by exploiting new ways of working.
- 5) Customer Focus – A mind-set that exceeds residents and stakeholder expectations.

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These values are ingrained into the Council's service provision, performance, management and recruitment policies throughout the Council.

Council Pledges and Priorities

The Council is committed to delivering quality services to all its residents and in order to do so have adopted the following nine underlying public pledges to its residents which continued throughout 2019/20 which is the final year of this current administration.

1) Protect the Borough

- a. The Council will resist any attempt by either the City or County Councils to impose their control over the Borough.
- b. The Council will work cooperatively and consensually with all the other Councils in Leicester and Leicestershire in order to form a Combined Authority and to seek the devolution of powers with the corresponding financial support from central government without the loss of its sovereignty.

2) Maintain Front Line Services

- a. The Council is committed to free shoppers' car parking and weekly collection of waste and recycling.
- b. No major changes would ever be made to these services without consultation.

3) Offering Choice when Possible

- a. The Council will offer choice wherever possible.
- b. When major decisions affecting front line services need to be considered, the Council will ensure that all the options available are explained clearly and listen and respond to residents.

4) Save Money through Service Redesign

- a. The Council will look at all its services and redesign those that can be improved and cheaper to run.
- b. The main focus of this redesign will be the better and wider use of ICT, Council assets and procurement.

5) Involve Residents and Partners

- a. The Council is committed to continue with the town forums and to develop other community engagement systems.
- b. The Council will work with and continue to support partners.

6) Economic Development

- a. The Council recognises the need to develop both housing and the town centres.

THE NARRATIVE REPORT

- b. This will be done with maximum public involvement and at minimum cost to the green spaces in the Borough.

7) Greening the Borough

- a. The Council will continue to invest in and encourage activities which result in a greener Borough
- b. The prioritising of the protection of trees will be a cornerstone of this commitment.

8) Improving the Health of Residents

- a. The Council wants to ensure residents live a full and healthy life.
- b. The Council will continue to develop its relationship with partners in order to develop and implement appropriate outcomes that attempt to achieve this.

9) Value for Money

- a. The Council will always accept any council tax freeze grant offered by the Government.
- b. The Council will endeavour to benchmark its services against the “most like” authorities to ensure transparency and demonstrate value for money.

These nine pledges have in turn been translated into five corporate priorities:

1) An Inclusive and Engaged Borough

To work with existing forums and forge new relationships in order to strengthen community engagement and cohesion throughout the borough. To listen and empower residents by communicating, consulting and where possible offering a choice on decisions which would affect frontline services.

2) Effective Service Provision

To continue to examine services and identify improvements in order to provide the most cost effective front line services. Through Innovation strive for the optimum use of Council assets, its human resources and those of its partners in order to protect front line services.

3) Balanced Economic Development

Develop, implement and create opportunities for a balanced economic development primarily focused around the three town centres, respecting the Borough's natural environment whilst providing suitable housing that meets local needs.

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4) Green and Safe Places

Invest in and encourage activities that provide green, pleasant and safe places in the borough for all to enjoy, whilst protecting the borough's trees and natural habitat wherever possible.

5) Wellbeing for all

Work with other organisations to improve wellbeing for all in the borough. Help secure new easy to access opportunities to enable everybody to live a harmonious and healthy life.

The new Corporate Plan which took effect from 2019/20 when a new Council will take its seats will see a refocusing of the corporate objectives of which there will be three

- i) Building Protecting and Empowering Communities
- ii) Growing the Borough Economically
- iii) Providing Excellent Services

Equality

Oadby and Wigston Borough Council is committed to ensure that all people who visit, live or work in the Borough are treated justly and equally, are free from prejudice, fear, harassment and discrimination, and have equal access to learning, employment and social opportunities to enhance their quality of life.

Service Performance

The Council operates performance management through Key Performance Indicators. The year 2019/20 saw a continuation of this with the indicators evolving as well as being added to. All the indicators are formally reported to management monthly and to members at each quarter of the committee cycle before being published.

There are 94 Key Performance Indicators for our Corporate Plan Objectives. These are categorised by each objective and service delivery arm. Each target has been graded using the Red/Amber/Green status ranking system. There is also a "blue" ranking and this is for indicators where work has yet to begin, and therefore cannot be ranked. Finally, there is a "white" rating where the indicator cannot be met due to circumstances outside of the Council's control. The scoring system has been applied using the following definitions:

| | |
|--------------|---|
| Green | Target fully achieved or is currently on track to achieve target |
| Amber | Indicator is in danger of falling behind target |
| Red | Indicator is off target or has been completed behind the deadline target. |

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Out of the 94 indicators, 81 were due for reporting as at the end of the financial year. Of the 94: 62 were green status, 5 were amber status 15 were red status

This equates to 77% Green, 6% Amber and 17% Red. The previous quarter was 84%, 14% and 2% respectively.

The following table identifies the Council's performance, by objective and service delivery section.

| Quarter Four 2019/20 | Green | | Amber | | Red | |
|---|----------------------|------------|----------------------|------------|----------------------|------------|
| | Number of Indicators | Percentage | Number of Indicators | Percentage | Number of Indicators | Percentage |
| Overall Performance | | | | | | |
| All Targets Due | 62 | 77% | 5 | 6% | 14 | 17% |
| Corporate Priority | | | | | | |
| Building, Protecting and Empowering Communities | 24 | 64% | 2 | 6% | 11 | 30% |
| Growing the Borough Economically | 10 | 83% | 0 | 0% | 2 | 17% |
| Providing Excellent Services | 28 | 85% | 3 | 9% | 2 | 6% |

Chart 2: Performance Table by Service Delivery

| Quarter Four 2019/20 | Green | | Amber | | Red | |
|-----------------------------------|----------------------|------------|----------------------|------------|----------------------|------------|
| | Number of Indicators | Percentage | Number of Indicators | Percentage | Number of Indicators | Percentage |
| Overall Performance | | | | | | |
| All Targets Due | 62 | 76% | 5 | 6% | 14 | 17% |
| Department | | | | | | |
| Built Environment | 16 | 76% | 0 | 0% | 5 | 24% |
| Community & Wellbeing | 18 | 67% | 2 | 7% | 7 | 26% |
| Customer Service & Transformation | 7 | 100% | 0 | 0% | 0 | 0% |
| Finance & Resources | 9 | 82% | 1 | 9% | 1 | 9% |
| Law & Democracy | 11 | 78% | 2 | 14% | 1 | 14% |
| Senior Leadership Team | 1 | 100% | 0 | 0% | 0 | 0% |

Risks and Opportunities

The Council's recognises ten key risks within its corporate risk register, which are then mitigated through risk assessments and careful planning together with performance management across the authority. Although all these risks have an impact on Council activities it is the threat of decreasing financial resources which has the most direct impact on the services it provides.

The risk register has been reviewed this year and is updated, as appropriate, each month as any new risks become apparent. The principal addition during the course of the year is in recognising the increased risk that cybercrime now poses and the Council has taken steps to recognise this with both training for offers as well a simulated attack exercise. All departments of the authority have a comprehensive business continuity plan and this two has gone through a thorough testing process.

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Impact of Covid-19

The impact of Covid-19 is profound and dramatic, and will have far reaching consequences for the Council and its residents. The Council has been at the forefront of the response reacting both positively and proactively and contributing to the wider Leicestershire response to the pandemic. The Council has continued to operate to a high standard. Operationally, OWBC has adapted and learned and recorded some significant achievements and milestones; including, set up of the OWBC Community Hub as an emergency response to the COVID 19 pandemic with staff and volunteers helping over 1600 people, contacting over 6,500 residents who were vulnerable or shielding. The Council awarded Business Grants to 730 businesses totally £8.5m. The Council has been awarded a further £400k for the extended local lockdown discretionary grant to be awarded for businesses.

Financially, the impact of Covid-19 includes: new and additional costs as a result of the response, an adverse impact on planned income, non-delivery or deferment of previously planned savings in 2020-21, the potential impact on future income from projects and slippage on delivery of new systems. The current situation is un-precedented and highly unpredictable, and is therefore it is still challenging to estimate the exact financial impact.

Whilst there has been some financial impact in 2019-20, the most significant impact on the financial position will be in 2020-21. The impact on the collection of Council Tax and Business Rates is not yet to be calculated. Whilst the Council has a good record for the collection of Council Tax, indicatively, each 5% reduction in the collection rates would lead to a loss of income of around £150k for Council Tax and £60k for Business Rates. The government has currently provided Emergency COVID-19 grant totalling £0.4m to meet additional costs.

COVID-19 will inevitably impact on the Council's performance. Whilst, the most significant impact will be in 2020-21, the Council continued to focus on service delivery as summarised above.

The Statutory Accounts

The pages which follow are the Council's Statement of Accounts for 2019/20 and comprise:-

- **Statement of Responsibilities**

This sets out the respective responsibilities of the Council and the Chief Financial Officer in respect of preparation of the Statement of Accounts.

- **Accounting Policies Statement**

This explains the basis of the figures included in the accounts. The accounts can only be properly appreciated if the policies, accounting

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estimates and judgements, which have been followed in dealing with material items, are explained.

- **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 and the Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The “Net Increase/Decrease before Transfers to or from Earmarked Reserves” line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves are undertaken by the Council.

- **Comprehensive Income and Expenditure Statement**

This statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards (IFRS), rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

- **Balance Sheet**

The Balance Sheet shows the value as at 31 March each year 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 includes those that the Council is 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 of Reserves Statement line “Adjustments between accounting basis and funding basis under regulations”.

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- **Cash Flow Statement**

The Cash Flow Statement shows the change 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.

- **The Housing Revenue Account**

This reflects a statutory obligation to separately account for housing provision. It shows the major elements of housing revenue expenditure - maintenance, administration and capital financing costs and how these are met from rents, subsidy and other income. This account is reported using two statements – the Housing Revenue Account Income and Expenditure Statement and the Movement on the Housing Revenue Account Statement.

- **The Collection Fund**

Oadby and Wigston Borough Council acts as an agent in the collection of Council Tax and Non-Domestic Rates on behalf of other precepting authorities in Leicestershire. As such the Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing Council in relation to the collection from taxpayers and ratepayers, and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates.

Financial Performance and Monitoring

The 2019/20 Budget

Once again, reduced level of core grant funding together with the limitations on Council Tax increases, effectively pre-set the amount of money available for the Council to spend on services in 2019/20. The budget was, therefore, formulated with a view to ensuring that realistic service costs were reflected whilst striving to deliver services within future funding limits. The 2019/20 budget was scrutinised by both Service Delivery and Policy Finance and Development Committees before finally being approved at Full Council in February 2019. Budget performance has been reported to members at the Policy, Finance and Development Committee during the year.

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At 31 March 2020 the Council's General Fund Balance was £600,000 which equates to 9.5% of total expenditure in the 2020/21 budget.

Financial Outturn 2019/20

During 2019/20 the General Fund revenue account has been subject to regular monitoring through the budget monitoring processes and reporting to committees. The year-end net outturn position compared to budget is set out below:

| | Original Budget 2019/20 | Revised Budget 2019/20 | Actual Spent 2019/20 | Variance Under /(Over) Spend 2019/20 |
|---------------------------------|-------------------------------|------------------------------|----------------------------|--|
| Services | £000's | £000's | £000's | £000's |
| Customer Services | 617 | 554 | 541 | 13 |
| Senior Leadership Team | 477 | 519 | 603 | (84) |
| Community & Wellbeing | 1,491 | 1,584 | 1,426 | 158 |
| Regulatory Services | 780 | 737 | 687 | 50 |
| Planning & Economic Development | 842 | 761 | 497 | 264 |
| Finance & Resources | 1,369 | 1,574 | 1,761 | (187) |
| Net Service Expenditure | 5,576 | 5,729 | 5,515 | 214 |
| Capital Financing | 880 | 906 | 908 | (2) |
| Total Net Expenditure | 6,456 | 6,635 | 6,423 | 212 |
| Transfer to/(from) Reserves | (144) | (139) | 0 | (139) |
| Net Expenditure | 6,312 | 6,496 | 6,423 | 73 |
| Financing | 6,312 | 6,442 | 6,827 | (385) |
| Transfer (from)/to Balances | 0 | (54) | 404 | 458 |

The actual position for the year shows no change to the General Fund Balance of £0.60m. This is after planned usage of earmarked reserves and keeps the General Fund at an appropriate level and in line with the MTFS.

The figures given above are reported on the same basis as the management accounts. These do not consider pure accounting entries that would have equal contra entries such as "Non Distributed Costs" and depreciation that occur at year end and are part of the Comprehensive Income and Expenditure Statement.

Major Changes in the Council's Assets and Liabilities

During 2019/20 the Council expended £4.467m (2018/19 £3.878m) on capital projects as shown below.

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| | Budget 2019/20 | Outturn 2019/20 | Outturn 2018/19 |
|------------------------------------|---------------------------|----------------------------|----------------------------|
| | £000's | £000's | £000's |
| Capital Expenditure | | | |
| Service Delivery (Housing Related) | | | |
| Housing Revenue Account | 1,500 | 2,382 | 838 |
| General Fund | 0 | 0 | 0 |
| | 1,500 | 2,382 | 838 |
| Service Delivery | 1,558 | 1,604 | 2,885 |
| Policy Finance and Development | 193 | 481 | 155 |
| Total | 3,251 | 4,467 | 3,878 |

Financed By

| | | | |
|-------------------------|--------------|--------------|--------------|
| Capital Receipts | 0 | 822 | 201 |
| Government Grants | 0 | 19 | 0 |
| Borrowing | 475 | 1,529 | 2,396 |
| External Funding | 1,276 | 241 | 417 |
| Revenue & Reserves | 0 | 0 | 26 |
| Major Repairs Allowance | 1,500 | 1,856 | 838 |
| Total | 3,251 | 4,467 | 3,878 |

Throughout 2019/20 the Council struggled with capacity in the Housing area resulting in the capital programme not being completed. Support was bought in for the department in the last quarter of the year to bring the programme up to date over the forthcoming twelve months. The General Fund expenditure was largely made up of the construction of the new sports pavilion at Horsewell Lane, and the purchase of new vehicles.

Material Charges

Any material items impacting the Comprehensive Income and Expenditure Statement and the Housing Revenue Account are disclosed separately to ensure transparency. For 2019/20 there are no material charges other than those disclosed in the Notes to the Core Financial Statements.

Pensions Liability

The Council participates in the Local Government Pension Scheme administered by Leicestershire County Council – this is a defined benefit funded scheme, meaning the benefit is guaranteed. Both the Council and employees pay contributions into a fund. Under International Accounting Standard 19 the Council is required to account for its share of the scheme's total liabilities. In this respect, the Council's liability to the fund has been included in the accounts in the sum of £22.6m as at 31 March 2020. This liability is matched by a corresponding reserve in the Balance Sheet which means it has no impact on the net worth of the Council. The value of the liability is assessed at each year end by an independent actuary, to establish any changes in the market or the membership of the scheme that may impact the balance. The total liability decreased by £3m since the prior year due to these changes.

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Further details on the pension schemes are set out in Note 37.

Accounting Policies

Accounting policies have been reviewed and are explained fully in the Statement of Accounting Policies which is part of the financial statements.

Statutory Functions and Planned Future Developments

There have been no changes in the statutory functions of the Council. The Council is constantly reviewing how services are provided to ensure excellent levels of service delivery whilst protecting frontline services.

The Council has approved a net General Fund revenue budget for 2019/20 of £6.312m and a total Capital Programme of £3.250m. The Housing Revenue Account (HRA) budget is expected show a small deficit of £91,000 in the forthcoming year, leaving revenue balances of around £1.00m, which is higher than the minimum level prescribed in the business plan.

Borrowing Facilities

The Council is able to raise finance for capital expenditure and operational requirements from a number of approved borrowing instruments. As part of its prudential indicators and treasury strategy, the Council sets limitations on borrowing and sets strategic objectives, including the minimisation of the value and cost of external borrowing.

The Prudential Code sets the following indicators for external debt:

- The Authorised Limit - This represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short-term, but is not sustainable. It is the expected maximum borrowing need with some head room for unexpected movements. This is the statutory limit under Section 3 (1) of the Local Government Act 2003.
- The Operational Boundary - This indicator is based on the probable external debt during the course of the year. It is not a limit and actual borrowing could vary around the boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached.

The following table illustrates the limits and levels of borrowing as at 31 March 2020 as compared to the preceding year end.

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| | 2019/20 £000's | 2018/19 £000's |
|-------------------------|-------------------|-------------------|
| Borrowing Limits | | |
| Authorised | 40,000 | 40,000 |
| Operational | 35,000 | 35,000 |
| Other Resources | | |
| Long-term | 21,333 | 22,418 |
| Short-term | 11,506 | 9,007 |
| Bank Overdraft | 0 | 0 |
| | <u>32,839</u> | <u>31,425</u> |

The Council also utilises operating leases primarily in respect of operational vehicles and finance leasing relating to photocopying equipment. Leasing obligations are shown in note 29 to the core financial statements. The use of operating leases is gradually being wound down in favour of the outright purchase of vehicles.

Reserves and Balances

The following table sets out the resources available to the Council to meet its capital expenditure plans and other financial commitments as at 31 March 2020.

| | 2019/20 £'000 | 2018/19 £'000 |
|-------------------------|------------------|------------------|
| Revenue Reserves | | |
| General Fund | 1,004 | 600 |
| Housing Revenue Account | 404 | 1,083 |
| Other Resources | | |
| Usable Capital Receipts | 1,046 | 1,326 |
| Earmarked Reserves | 2,195 | 2,629 |

Outlook and the Impact of the Current Economic Climate

2019/20 saw a continuation of the Government's austerity programme and with it a reduction in central government grants to fund Council services. For example, the Council did not receive the Revenue Support Grant in its traditional form in 2019/20. Low interest rates mean there is very little opportunity for the Council to earn interest from investing any "surplus" cash balances.

The uncertainty around Brexit and related transition is still a key issue and is further complicated by the impact of COVID19.

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The coronavirus outbreak has impacted the UK and global economies in different ways. From the lockdown restrictions, closing down many businesses, limits on mobility, voluntary and enforced, the economic impact is severe.

The scale of the recession caused by the coronavirus outbreak is unprecedented in modern times. UK GDP has shrunk by around 25%.

COVID-19 will therefore bring about new challenges for local authorities. The pandemic will leave public finances strained, allowing less headroom for the government to pursue prior COVID-19 agendas.

In the short term, the crisis will put pressure on local finances while increasing demand on local services. Local authorities will need to address the immediate challenges, while keeping another eye on ways to respond to future needs.

The Economic recovery prospects largely depend on how the Covid-19 caseload evolves. The likelihood of resurgence in cases presents the greatest risk to the economic outlook. In addition, the response from consumers and businesses to the uncertainty is a key ingredient in the speed of the recovery.

Consumers may be reluctant to return to 'normal' spending patterns. This may be due to health concerns but also perhaps due to concerns over their income. A key factor will be how high unemployment levels rise. Particularly important is how many employees currently furloughed will return to work and how many will become unemployed. Uncertainty may adversely impact businesses' inclination to invest.

In conclusion, the current economic outlook is uncertain and subject to change.

Receipt of Further Information

For further information about these accounts please email finance@oadby-wigston.gov.uk or write to The Deputy Chief Executive, Council Offices, Station Road, Wigston, Leicestershire LE18 2DR

Acknowledgements

The production of the Statement of Accounts would not have been possible without the exceptionally hard work and dedication of staff across the Council and in particular the Finance Section. I would like to express my thanks to all colleagues who have assisted in the preparation of this document. I would also like to thank them for all their support during the financial year.



Stephen Hinds FCPFA
Deputy Chief Executive Officer

Date: 31 August 2020

THE STATEMENT OF ACCOUNTING POLICIES

1. General

The Statement of Accounts (the Accounts) summarise the Council's transactions for the 2019/20 financial year and its position at 31 March 2020. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) and The Service Reporting Code Of Practice (SeRCOP), supported by International Financial Reporting Standards (IFRS). It also complies with guidance notes issued by The Chartered Institute of Public Finance and Accountancy (CIPFA) on the application of accounting standards to local Council accounts.

Since the Statement of Accounts is prepared under the Code, it means that the relevant accounting policies adopted, have been reviewed to ensure that the Statement of Accounts can be relied upon to give a true and fair view of the Council's financial performance and position. It also ensures that all legislative requirements have been correctly applied and that finally, the accounts have been prepared on a going concern basis. That is, the Council will continue in operational existence for the foreseeable future.

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets, and the Statement of Accounts have been prepared with reference to the following fundamental qualitative characteristics:

- Understandability;
- Relevance;
- Materiality;
- Faithful Representation;
- Completeness;
- Neutrality;
- Free from error

These accounts are presented in GB Pounds Sterling (£) as this is the most representative currency of the Council's operations, and rounded to the nearest thousand pounds.

The preparation of accounts in accordance with the Code requires management to make judgements, estimates and assumptions that affect the application of policies, the reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and other factors which are considered to be reasonable under the circumstances. They form the basis of judgements about the carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on a continuing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Critical judgements and areas where the use of estimates is significant are discussed in note 2.

THE STATEMENT OF ACCOUNTING POLICIES

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty 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.
- The Code gives strict criteria for assets held as Investment Properties. For the Council, investment properties are classified as those assets which are held for rental.
- All leases held by the Council have been reviewed in detail using the finance lease flowchart, to determine whether they should be classified as finance or an operating lease. The results of this exercise have been reviewed to establish the substance of the transaction and its appropriate treatment.
- When the Local Government Pension Scheme (LGPS) benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age allowing them certain protections against the changes in the new scheme. In December 2018 the Court of Appeal upheld a ruling in the McCloud/Sargeant cases that these protections were unlawful on the grounds of age discrimination and that these protections should apply to all members regardless of age. In June 2019 the Government were denied leave to appeal to the Supreme Court. Although the ruling in the McCloud/Sargeant case related to the Judges and Firefighter pension schemes it is widely expected to apply to the LGPS also. In the light of this the Council requested that its actuaries, Hymans Robertson LLP, review its pension liability and have taken the view that it would be both prudent and correct to adjust the accounts for this ruling. The increase liability for this adjustment is £0.305m.

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

Prior period adjustments may arise as a result of a change in accounting policy 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 policy are only made when required by proper accounting practices, or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance.

THE STATEMENT OF ACCOUNTING POLICIES

Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

4. Revenue Recognition

Revenue (excluding discounts, value added tax and similar sales taxes), represents the amount receivable in respect of services provided to customers. Revenue is recognised only when payment is probable.

Revenue from services is recognised as the services are provided.

The total consideration on arrangements with multiple revenue generating activities is allocated to those components that are capable of operating independently based on the estimated fair value of the components. When the fair value of components cannot be assessed, the revenue is spread over the term of the service.

Revenue arising from the provision of other services is recognised evenly over the periods in which the service is provided.

5. Segmental Reporting

The Council's operating segments are organised into eight service areas. These were determined to give both members and the general public a clear picture of the services the Council provides and will assist the making of decisions about allocating resources and assessing performance. The eight segments are

| | | | |
|----------------------|-----------------------------------|--------------------|-------------------------|
| Welfare and Taxation | Finance and Corporate Services | Community Services | Depot Operations |
| Regulatory Services | Planning and Economic Development | Leisure Services | Housing Revenue Account |

Measurement of segmental income and expenses is in accordance with the Council's accounting policies. Shared costs are included in segments on the basis of the actual recharges made.

The Council does not report on segmental asset and liability internally, therefore it is not required to report segmental information on assets and liabilities.

THE STATEMENT OF ACCOUNTING POLICIES

6. 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:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- 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 inventory on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- When income and expenditure has been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Exceptions to this are:-

- Telephone accounts are being charged to that year which has the majority of the quarter to which the rental or the charge relates as appropriate. This is rather than apportioning them between the financial years and as this policy is consistently applied each year it does not have a material effect on the year's accounts.
- Insurance premiums are due on the 30 September each year and are charged to the year that the payment is made and not adjusted between the years.
- Rentals and maintenance agreements are consistently charged to the year where the period starts and are not apportioned between the years.

Exceptions to the accruals principle are consistently applied each year, and therefore do not have a material effect on the year's accounts.

7. Interest Income and Expenses

Interest income and expenses are accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable.

An interest expense on a qualifying asset is capitalised.

THE STATEMENT OF ACCOUNTING POLICIES

8. Exceptional Items

Exceptional items are material items which derive from individual events that fall within the ordinary activities of the Council and are identified as exceptional items by virtue of their size, nature or incidence. These items are disclosed separately in the accounts.

9. Overheads and Support Services

The cost of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2019/20 (SeRCOP). 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.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Cost of Services.

An appropriate charge has been made from the General Fund to the Housing Revenue Account for Corporate and Democratic Core costs. This has been based on the proportion of committee time spent on Housing Revenue Account business.

10. Government Grants and Contributions

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

- The Council will comply with the conditions attached to the payments, and
- The grants or contribution 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.

THE STATEMENT OF ACCOUNTING POLICIES

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-ringfenced revenue grants and contributions 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. Items in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

11. Revenue Expenditure Funded From Capital under Statute

Revenue expenditure funded from capital under statute results from expenditure of a capital nature where no fixed asset is created for the Council. They include private sector renewal grants and advances to other parties to finance capital investments.

This also includes exceptional revenue expenditure for which a capitalisation direction can be granted to allow this expenditure to be funded from capital. Capitalisation direction gives the Council the flexibility to treat specified revenue expenditure as capital expenditure, the Council has to meet strict criteria and should only be sought for costs which are due largely to factors beyond the control of the Council and are unavoidable.

The Council generally writes off revenue expenditure funded from capital under statute to revenue in the year in which it is created.

Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, 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.

12. Value Added Tax (VAT)

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.

13. Investment Properties

An investment property is one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property.

THE STATEMENT OF ACCOUNTING POLICIES

Investment properties are measured at fair value, with gains and losses recognised in surplus or deficit within the Comprehensive Income and Expenditure Statement rather than through the Revaluation Reserve. Investment properties held at fair value are not depreciated.

Fair value is to be interpreted as the amount that would be paid for the asset in its highest and best use which is market value. The fair value of investment property held under a lease is the lease interest.

14. Charges to Revenue for Non-Current Assets

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

- Depreciation attributable to the assets used by the relevant service
- Impairment losses attributable to the clear consumption of economic benefits on non-current assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- Amortisation of intangible fixed assets attributable to the services

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue (known as the Minimum Revenue Provision - MRP) to contribute towards the reduction in its overall borrowing requirement. For this year, in respect of debt that is supported by Revenue Support Grant (RSG), the provision is calculated using the Capital Financing Requirement (CFR) method. For new borrowing for which no Government support has been given and is therefore self-financed, the asset life method has been used for the 2019/20 accounts.

The CFR method calculates the provision as 4% of the non-housing supported CFR at the end of the preceding financial year (4% of the capital expenditure funded by supported borrowing).

The asset life method requires MRP to be made in equal annual instalments over the estimated life of the asset for which the unsupported borrowing is undertaken.

The annuity asset life method requires that the MRP for each year be the amount presumed to be the principal element of the equal amounts that would be payable each year in respect of a loan at a specified rate of interest that would reduce the outstanding principal amount to zero at the end of the estimated useful life of the asset. This results in an MRP charge that rises over time. This is deemed to be particularly appropriate for assets which generate increasing revenues over time.

THE STATEMENT OF ACCOUNTING POLICIES

Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

15. Intangible Fixed 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.

16. Property, Plant and Equipment

Property, Plant and Equipment are non-current assets that have physical substance and are held for use in the provision of services or for administration purposes on a continuing basis.

Recognition: Expenditure equal to or in excess of £3,000 (De minimis level) on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it yields benefits to the Council for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Measurement: Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

- Council Dwellings - Existing Use Value (Social Housing)
- Property, Plant and Equipment (Includes Other Land and Buildings, Vehicles, Plant and Equipment) – At Existing Use Value or Depreciated Replacement Cost where the asset is specialised.
- Infrastructure Assets – Depreciated Historical Cost
- Community Assets – Historical Cost if available otherwise Depreciated Replacement Cost
- Investment Properties – Existing Use Value
- Assets Held for Sale – Market Value (As an approximation to Fair Value)
- Surplus Assets - Market Value (As an approximation to Fair Value)

Assets included in the Balance Sheet at current value are revalued each year by either a desktop revaluation or by the major revaluation exercise which occurs every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service revenue account.

THE STATEMENT OF ACCOUNTING POLICIES

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

Depreciation: depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- Council dwellings and other buildings – straight-line allocation over the life of the property as estimated by the valuer. Council dwellings are depreciated over a useful life of between 45 and 50 years.
- Vehicles, plant and equipment – straight line allocation over the life of the asset as advised by a suitably qualified officer. The useful life of the plant, equipment and vehicles has fallen into a range of between 5 and 10 years.
- Generally a prudent view has been taken on the life of the Council's operational buildings and as such they have been depreciated over a period of between 5 and 20 years. However it is recognised that the Leisure Centres which are a new build, therefore the expected life is greater, and these have been depreciated over 40 years.
- Newly acquired or operational assets are depreciated for a full year in the first year, although assets in the course of construction are not depreciated until they are brought into use
- No depreciation is provided on assets in the year of disposal
- Depreciation is not charged on freehold land, investment properties or assets held for sale.

Where an asset has major components with different estimated useful lives, these are depreciated separately.

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

Componentisation: A component is a part of a larger asset that has to be separately identified and depreciated, for the purposes of assisting more accurate financial reporting and asset management.

A component must have the following factors:

- A significantly different useful life from the parent asset
- A significantly different value to the parent asset

THE STATEMENT OF ACCOUNTING POLICIES

- Provide an economic or service benefit to the Council, which is materially different to the rest of the asset.

The Council will recognise significant components of an item of property, plant and equipment where the asset's value is greater than £1,000,000 and where the component is more than 25% of the total asset's value.

Componentisation takes place at valuation, acquisition and enhancement of the parent asset.

The following assets have been componentised:

- Wigston Swimming Pool
- Brocks Hill Visitor Centre
- Blaby Road Park
- Parklands Leisure Centre

Council Dwellings are not componentised, other than the separations of the land value, as the internal components, individually, do not form a significant enough part of the value to be material. However where components are replaced the Council derecognises the replaced components in the accounts.

Impairment: the values of each category of assets and of material individual assets are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for as follows:

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals: when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account

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A proportion of receipts relating to Housing Revenue Account disposals (75% for dwellings, 50% for land and other assets, net of deductions and allowances) is payable into a Government pool. The Council also retains an amount relating to the building of new houses in the One-for-One replacement agreement the Council has signed up to as well as Council House Buy-Back should these occur.

The balance of receipts received from disposals are credited to the Useable Capital Receipts Reserve, which can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the reserve from the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Movement in Reserves Statement.

17. Heritage Assets

Heritage assets are defined as those tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities and are held for their contribution to knowledge and culture.

Heritage assets are recognised where they meet these criteria and are valued in excess of the de-minimis threshold of £3,000. Heritage assets are measured in the Balance Sheet at insurance value which is based on market value. An impairment review is carried out each year to assess any physical depletion of the assets. All heritage assets held by the Council are deemed to have indefinite lives and are therefore not depreciated. Any disposal of assets will be treated in the same manner as other Property, Plant and Equipment.

18. Inventories and Work in Progress

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

19. Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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20. Leases

Finance Leases

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. Rentals payable are apportioned between:

- A charge for the acquisition of the interest in the asset (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable) and
- A finance charge (debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement as the rent becomes payable).

Assets recognised under finance leases are accounted for using the policies applied generally to Property, Plant and Equipment, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on an accruals basis.

21. Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate revenue account when the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up 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 be required, the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

22. Employee Benefits

Payable During Employment

Short-term employee benefits (those that fall wholly within 12 months of the year end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits such as car loans for current employees, are recognised as an expense in the year in which employees render service to the Council. An accrual is made against the service in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and flexi-time earned by employees but not taken before the year end and which employees can carry forward into the next financial year. The accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Unuseable Reserve – Accumulated Absence Account in the Movement in Reserves Statement.

Termination Benefits

These are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service(s) within the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to either terminating the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for termination benefits related to pensions enhancements and replace them with debits for cash paid to the pension fund and pensioners and any such amounts payable but unpaid at year end.

23. Retirement Benefits

Employees of the Council are members of the Local Government Pensions Scheme, administered by Leicestershire County Council.

The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

The Local Government Scheme is accounted for as a defined benefits scheme:-

- The liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected

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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, employee turnover rates, etc, and projections of future earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 2.8% and 2.9% dependent on the duration of the liability. (A Corporate Bond yield curve is constructed based on the constituents of the iBoxx Corporates AA bond index and using the UBS delta curve fitting methodology. The discount is set based on the employer's own weighted average duration).
- The assets of pension fund attributable to the Council are included in the Balance Sheet at their fair value:-
 - Quoted securities – current bid price
 - Unquoted securities – professional estimate
 - Unitised securities – current bid price
 - Property – market value
- The change in the net pensions liability is analysed into eight components:-
 - Current service cost - the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.
 - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
 - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.
 - Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.
 - Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.

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- The return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Comprehensive Income and Expenditure Statement.
- Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

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

24. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For all of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

25. 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.

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Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. 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 and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans to employees as part of its assisted car purchase scheme at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from employees, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement on the General Fund Balance.

Where assets are identified as impaired because of the 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.

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

Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price.

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- Other instruments with fixed and determinable payments – discounted cash flow analysis.
- Equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Comprehensive Income and Expenditure Statement. Where impairment losses have been incurred – these are also debited to the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of the 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.

Any gains or losses that arise on derecognition of the asset are credited or debited to the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

26. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Movement on Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for Property, Plant and Equipment, retirement benefits and other items that do not represent useable resources for the Council. Full explanations are given within the Notes to the Core Financial Statements of the Capital Adjustment Account (Note 23), the Revaluation Reserve (Note 24) and the Pensions Fund Reserve (Note 25). Other than these the following unuseable reserves apply:

- Financial Instruments Adjustment Account – This account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions (Note 44).
- Deferred Capital Receipts Reserve – This holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these

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gains as useable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Useable Capital Receipts Reserve.

- Collection Fund Adjustment Account – This manages the difference arising from the recognition of council tax and non domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers compared with statutory arrangements for paying across amounts to the General Fund from the Collection Fund.
- Accumulated Absence Account – This absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year such as leave carried forward at 31 March.

27. Contingencies

Where a contingent loss can be accurately estimated and it is probable that a future event will confirm a material loss, it will be accrued in the financial statements. In the case of contingent liabilities that cannot be accurately estimated or where it is not certain that a future event will confirm a material loss, no accrual is made but details are set out in a disclosure note. In accordance with the concept of prudence, contingent gains are not allowed in the accounting statements.

28. Related Party Transactions

Material related party relationships and transactions, outstanding balances between the Council and its related parties are disclosed within a note to the Statement of Accounts (Note 34).

29. Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, which provide evidence of conditions that existed at the end of the reporting but occur between the end of the reporting period and the date when the financial statements are authorised for issue.

An adjustment is made to the Statement of Accounts where events provide evidence of conditions that existed at the end of the reporting. Where events are only indicative of conditions, no adjustment is made but a disclosure is made where the impact is deemed to be material.

30. Collection Fund

The Council acts as an agent collecting Council Tax on behalf of the major preceptors and itself. Consequently, Council Tax transactions and balances are allocated to this Council and the other major preceptors. This results in

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the Comprehensive Income and Expenditure Statement showing the accrued amounts payable with an adjustment in the Movement in Reserves Statement on the General Fund Balance to reflect statutory requirements. The Balance Sheet shows debtors or creditors for the amounts receivable or payable to the major preceptors and this Council.

In the case of National Non-Domestic Rates (NNDR), the Council again acts as agents collecting the income for major preceptors including Central Government. This results in the Comprehensive Income and Expenditure Statement showing the accrued amounts payable with an adjustment in the Movement in Reserves Statement on the General Fund Balance to reflect statutory requirements. The Balance Sheet shows debtors or creditors for the amounts receivable or payable to the major preceptors and this Council. "Tariff" expenditure included in the Comprehensive Income and Expenditure Statement for the year is treated as accrued expenditure.

THE MOVEMENT IN RESERVES STATEMENT

This Statement shows the movement in the year on the different reserves held by the Council, analysed into 'useable 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. This is 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/from Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to/from Earmarked Reserves undertaken by the Council.

| Movement in Reserves 2019/20 | Note | General Fund Balance £000's | Deferred Capital Receipts £000's | Housing Revenue Account £000's | Earmarked Reserves £000's | Capital Receipts Reserve £000's | Capital Grants Unapplied £000's | Total Usable Reserves £000's | Total Unusable Reserves £000's | Total Authority Reserves £000's |
|--|------|-----------------------------------|---|---|---------------------------------|--|---------------------------------------|------------------------------------|---|--|
| Balance at 1 April 2019 | | 600 | 3 | 1,083 | 2,628 | 1,326 | 24 | 5,664 | 31,340 | 37,004 |
| <u>Movement in Reserves during 2019/20</u> | | | | | | | | | | |
| Deficit on the provision of services | | (2,539) | | (147) | | | | (2,686) | 0 | (2,686) |
| Other Comprehensive Income and Expenditure | | | | | | | | 0 | | 0 |
| Total Comprehensive Income and Expenditure | | (2,539) | 0 | (147) | 0 | 0 | 0 | (2,686) | 0 | (2,686) |
| Adjustments between accounting basis & funding basis under regulations | 4 | 2,943 | 0 | 196 | (433) | (304) | 0 | 2,402 | (2,402) | 0 |
| Net Increase/(Decrease) before Transfers to Earmarked Reserves | | 404 | 0 | 49 | (433) | (304) | 0 | (284) | (2,402) | (2,686) |
| Transfers (to)/from Earmarked Reserves | 5 | (0) | | 0 | 0 | | 0 | 0 | 0 | 0 |
| Increase/(Decrease) in 2019/20 | | 404 | 0 | 49 | (433) | (304) | 0 | (284) | (2,402) | (2,686) |
| Balance at 31 March 20 carried forward | | 1,003 | 3 | 1,132 | 2,195 | 1,022 | 24 | 5,380 | 28,938 | 34,318 |

THE MOVEMENT IN RESERVES STATEMENT

| Movement in Reserves 2018/19 | Note | General Fund Balance £000's | Deferred Capital Receipts £000's | Housing Revenue Account £000's | Earmarked Reserves £000's | Capital Receipts Reserve £000's | Capital Grants Unapplied £000's | Total Usable Reserves £000's | Total Unusable Reserves £000's | Total Authority Reserves £000's |
|---|------|-----------------------------------|---|---|---------------------------------|--|---------------------------------------|------------------------------------|---|--|
| Balance at 1 April 2018 | | 600 | 3 | 635 | 2,676 | 1,018 | 30 | 4,962 | 30,677 | 35,639 |
| <u>Movement in Reserves during 2018/19</u> | | | | | | | | | | |
| Deficit on the provision of services | | (2,378) | 0 | 2,807 | 0 | 0 | 0 | 429 | 0 | 429 |
| Other Comprehensive Income and Expenditure | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 936 | 936 |
| Total Comprehensive Income and Expenditure | | (2,378) | 0 | 2,807 | 0 | 0 | 0 | 429 | 936 | 1,365 |
| Adjustments between accounting basis & funding basis under regulations | 4 | 1,907 | 0 | (2,359) | 423 | 308 | (6) | 273 | (273) | 0 |
| Net Increase/(Decrease) before Transfers to Earmarked Reserves | | (471) | 0 | 448 | 423 | 308 | (6) | 702 | 663 | 1,365 |
| Transfers (to)/from Earmarked Reserves | 5 | 471 | 0 | | (471) | 0 | 0 | 0 | 0 | 0 |
| Increase/(Decrease) in 2018/19 | | 0 | 0 | 448 | (48) | 308 | (6) | 702 | 663 | 1,365 |
| Balance at 31 March 2019 carried forward | | 600 | 3 | 1,083 | 2,628 | 1,326 | 24 | 5,664 | 31,340 | 37,004 |

THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This Statement shows the accounting cost in the year of providing services in accordance with Generally Accepted Accounting Practice, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

| | | Gross Expend | 2019/20 Gross Income | Net Expend | Gross Expend | 2018/19 Gross Income | Net Expend |
|--|------|-----------------|----------------------------|----------------|-----------------|----------------------------|----------------|
| | Note | £000's | £000's | £000's | £000's | £000's | £000's |
| EXPENDITURE ON SERVICES | | | | | | | |
| Customer Services | | 618 | 0 | 618 | 698 | 0 | 698 |
| Senior Leadership Team | | 639 | 0 | 639 | 644 | 0 | 644 |
| Community & Wellbeing | | 3,927 | (1,173) | 2,754 | 4,094 | (1,771) | 2,323 |
| Regulatory Services | | 1,309 | (551) | 758 | 1,122 | (193) | 929 |
| Planning and Economic Development | | 1,602 | (925) | 677 | 1,817 | (876) | 941 |
| Finance & Resources | | 13,834 | (9,396) | 4,438 | 12,980 | (10,304) | 2,676 |
| Housing Revenue Account | | 2,798 | (4,951) | (2,153) | 1,142 | (5,024) | (3,882) |
| Net Cost of Services | | 24,727 | (16,996) | 7,731 | 22,497 | (18,168) | 4,329 |
| Other Operating Expenditure | 7 | | | 713 | | | 238 |
| Financing and Investment Income | 8 | | | 1,344 | | | 1,293 |
| Taxation and Non-specific Grant Income and Expenditure | 9 | | | (7,106) | | | (6,289) |
| (Surplus) or Deficit on Provision of Services | | | | 2,682 | | | (429) |
| (Surplus)/Deficit arising on Revaluation of Plant, Property and Equipment Assets | 24 | | | (1,603) | | | (3,051) |
| Actuarial (Gains)/Losses on Pension Fund Assets and Liabilities | 25 | | | (3,873) | | | 2,114 |
| Other Comprehensive Income and Expenditure | | | | (5,476) | | | (937) |
| Total Comprehensive Income and Expenditure | | | | (2,794) | | | (1,366) |

THE BALANCE SHEET

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 authority 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 is those that the Council is 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".

| | | As At 31/03/2020 | As At 31/03/2020 |
|------------------------------------|------|---------------------|---------------------|
| | Note | £000's | £000's |
| Property, Plant & Equipment | 10 | 93,671 | 92,611 |
| Heritage Assets | 11 | 50 | 50 |
| Investment Property | 12 | 419 | 415 |
| Intangible Assets | 13 | 234 | 143 |
| Long Term Debtors | 14 | 123 | 132 |
| Long Term Investments | 15 | 0 | 0 |
| Long Term Assets | | 94,497 | 93,351 |
| Short Term Debtors | 14 | 2,917 | 2,407 |
| Short Term Investments | 15 | 1 | 1 |
| Inventories | 17 | 13 | 17 |
| Cash and Cash Equivalents | 18 | 3,897 | 4,112 |
| Current Assets | | 6,828 | 6,537 |
| Short Term Borrowing | | (11,549) | (9,052) |
| Bank Overdrawn | 18 | (1) | (1) |
| Short Term Creditors | 19 | (4,241) | (3,977) |
| Short Term Provisions | 20 | (857) | (875) |
| Current Liabilities | | (16,648) | (13,905) |
| Long Term Creditors | | (48) | (20) |
| Long Term Borrowing | | (21,333) | (22,418) |
| Other Long Term Liabilities | 37 | (22,552) | (25,358) |
| Capital Grants Receipts in Advance | 21 | (940) | (1,182) |
| Long Term Liabilities | | (44,873) | (48,978) |
| Net Assets | | 39,804 | 37,005 |

THE BALANCE SHEET

| | | As At 31/03/2020 | As At 31/03/2019 |
|---|------|------------------------|---------------------|
| | Note | <u>£000's</u> | <u>£000's</u> |
| Usable Reserves | 22 | (5,325) | (5,664) |
| Unusable Reserves | | | |
| Capital Adjustment Account | 23 | (44,578) | (45,293) |
| Revaluation Reserve | 24 | (12,670) | (11,693) |
| Pension Fund Reserve | 25 | 22,552 | 25,358 |
| Financial Instrument Adjustment Account | | 7 | 7 |
| Collection Fund Adjustment Account | 22 | 183 | 220 |
| Accumulated Staff Absences Reserve | 22 | 27 | 60 |
| Total Reserves | | <u>(39,804)</u> | <u>(37,005)</u> |

THE CASH FLOW STATEMENT

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

| | | 2019/20 | 2018/19 |
|--|------|-----------------------|-----------------------|
| | Note | <u>£000's</u> | <u>£000's</u> |
| Net (Surplus) or Deficit on the Provision of Services | | (734) | (429) |
| Adjustments to the Net Surplus or Deficit of the Provision of Services for Non Cash Movement | | | |
| Depreciation and Impairment of Non-current Assets | | (3,449) | (314) |
| Bad Debts Written Off in Year | | 0 | (12) |
| Increase/(Decrease) in Inventories | | (10) | (6) |
| Increase/(Decrease) in Debtors | | (311) | (198) |
| (Increase)/Decrease in Creditors | | (1,232) | (779) |
| Net Charges made for Retirement Benefits | | (1,067) | (1,196) |
| Carrying Amount of Non Current Assets Sold | | (468) | (608) |
| Carrying Amount of Non Current Assets De-recognised | | (730) | (139) |
| Increase/(Decrease) in Provisions | | (227) | (195) |
| Movement in the Value of Investment Properties | | 4 | 6 |
| Other Cash and Non Cash Movements | | <u>14</u> | <u>14</u> |
| | | (7,476) | (3,427) |
| Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities | | | |
| | | 161 | 508 |
| Interest Received in Year | | (13) | (23) |
| Interest Paid in Year | | <u>747</u> | <u>741</u> |
| Net Cashflows from Operating Activities | | (7,315) | (2,630) |
| Investing Activities | 26 | 3,662 | 956 |
| Financing Activities | 27 | (867) | 547 |
| Net Increase or (Decrease) in Cash or Cash Equivalents | | <u>(4,520)</u> | <u>(1,127)</u> |
| Cash or Cash Equivalents at the Beginning of the Reporting Period | | (4,112) | (2,985) |
| Cash or Cash Equivalents at the End of the Reporting Period | 18 | <u>(3,897)</u> | <u>(4,112)</u> |
| Movement in Cash and Cash Equivalents | | <u>215</u> | <u>(1,127)</u> |

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Standards Issued but not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2019/20 Code.

The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would result in an impact on disclosures spanning two financial years.

Accounting changes that are introduced by the 2020/21 code are:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation.

These changes are not expected to have a material impact on the Council's financial statements

2. Events after the Reporting Period

There were no adjusting events after the reporting period.

3. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounting Policies describes the significant areas in which estimates and assumptions have been made, relating to the reporting of results of operations and the financial position of the Council.

The items in the Council's Balance Sheet at 31st March 2020 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|-------------------------------|---|---|
| Property, Plant and Equipment | Depreciation and Amortisation are provided for Property, Plant and Equipment and Intangible assets respectively. This enables the assets to be written down over their estimated useful lives and show an appropriate cost of the asset in the Comprehensive Income and Expenditure Statement. Management judgement | If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £36k on General Fund Property and £43k on Housing Revenue Account property for every year that the useful life is reduced. |

NOTES TO THE CORE FINANCIAL STATEMENTS

| | | |
|--------------------|---|---|
| | <p>based on independent external advice is used to determine the useful economic lives of the Council's property.</p> <p>Property Plant and Equipment are reviewed for both economic and price impairment on an annual basis. As at 31st March each year the Council's valuers carry out a valuation review of the Council's assets. In addition, a year end impairment review is also undertaken. The recoverable amount is then estimated having regard to the application of the concept of materiality.</p> | <p>If an asset is impaired the carrying amount of the asset is reduced.</p> |
| Pensions Liability | <p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. These judgements are made by actuaries appointed by Leicestershire County Council who administer the pension fund.</p> | <p>The effect on net pensions of changes in individual assumptions can be measured. For instance:</p> <ul style="list-style-type: none"> • A decrease in the discount rate assumption would result in an increase in pension liability. • A one year increase in member life expectancy would result in an increase in pension liability. • An increase in the pension increase rate would result in an increase in pension liability. |
| Arrears | <p>At 31st March 2020, the Council had a balance of £1.1m for sundry debtors. A review of balances suggested that an impairment of doubtful debts of £0.04m was appropriate.</p> | <p>If collection rates were to deteriorate and sundry debt increased with the same debt profile, an additional contribution would be required to be set aside as an allowance.</p> |

NOTES TO THE CORE FINANCIAL STATEMENTS

4. Adjustments between Accounting and Funding Basis under Regulation

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

| | Usable Reserves | | | | | | Movement in Unusable Reserves |
|--|----------------------------|---------------------------------|-------------------------------|-----------------------|--------------------------------|--------------------------------|--|
| | General Fund Balance | Deferred Capital Receipts | Housing Revenue Account | Earmarked Reserves | Capital Receipts Reserve | Capital Grants Unapplied | |
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| 2019/20 | | | | | | | |
| Adjustment primarily involving the Capital Adjustment Account: | | | | | | | |
| <u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u> | | | | | | | |
| Depreciation and impairment of non-current Assets | 2,357 | | 1,004 | | | | (3,361) |
| Movement in Market Value of Investment Properties | (4) | | | | | | 4 |
| Amortisation of Intangible Assets | 82 | | 6 | | | | (88) |
| Revenue expenditure funded from capital under statute | | | | | | | |
| Revenue expenditure funded from capital under statute | 292 | | | | | | (292) |
| 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 | 37 | | 1,198 | | | | (1,235) |
| <u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u> | | | | | | | |
| Statutory provision for the financing of capital investment | (713) | | | | | | 713 |
| Capital Expenditure charged against General Fund and HRA Balances | | | | | | | |
| Capital Expenditure charged against Earmarked Reserves | | | | | | | |

NOTES TO THE CORE FINANCIAL STATEMENTS

| 2019/20 | Usable Reserves | | | | | | Movement in Unusable Reserves |
|--|----------------------------|---------------------------------|-------------------------------|----------------------|--------------------------------|--------------------------------|-------------------------------------|
| | General Fund Balance | Deferred Capital Receipts | Housing Revenue Account | Earmarked Reserve | Capital Receipts Reserve | Capital Grants Unapplied | |
| | £000's | £000's | £000's | £000's | £000's | £000's | |
| | | | | | | | |
| Adjustments primarily involving the Capital Grants Unapplied Account: | | | | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | (241) | | | | | 241 | |
| Application of grants to capital financing transferred to Capital Adjustment Account | | | | | | 0 | |
| Adjustments primarily involving the Capital Receipts Reserve: | | | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 0 | | (689) | | 689 | 0 | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | | | | (822) | 822 | |
| Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposal | 3 | | | | (3) | 0 | |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool | 167 | | | | (167) | 0 | |
| Adjustments involving the Major Repairs Reserve: | | | | | | | |
| Reversal of Major Repairs Allowance credited to the HRA | | | | (1,423) | 1,423 | 0 | |
| Use of the Major Repairs Reserve to finance new capital expenditure | | | | | (1,855) | 1,855 | |

NOTES TO THE CORE FINANCIAL STATEMENTS

| 2019/20 | Usable Reserves | | | | | | Movement in Unusable Reserves |
|---|----------------------------|---------------------------------|-------------------------------|-----------------------|--------------------------------|--------------------------------|-------------------------------------|
| | General Fund Balance | Deferred Capital Receipts | Housing Revenue Account | Earmarked Reserves | Capital Receipts Reserve | Capital Grants Unapplied | |
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| Adjustments involving the Pensions Reserve: | | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | 2,068 | | 205 | | | | (2,273) |
| Employer's pension contributions and direct payments to pensioners payable in the year | (1,097) | | (109) | | | | 1,206 |
| Adjustments involving the Collection Fund Adjustment Account: | | | | | | | |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | | | | | | | 37 |
| Adjustments involving the Accumulated Absences Account: | | | | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirement | 30 | | 3 | | | | (32) |
| Total Adjustments | 2,943 | 0 | 196 | (433) | (304) | 0 | 2,402 |

NOTES TO THE CORE FINANCIAL STATEMENTS

2018/19 Comparative Figures

Adjustment primarily involving the Capital Adjustment Account:

Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:

| | | | | | | | |
|---|-------|---|---------|------|---|---|-------|
| Depreciation and impairment of non-current Assets | 1,511 | 0 | (1,258) | 0 | 0 | 0 | 253 |
| Revaluation losses on Property, Plant and Equipment | | | | | | | 0 |
| Movement in Market Value of Investment Properties | (6) | 0 | 0 | 0 | 0 | 0 | (6) |
| Amortisation of Intangible Assets | 53 | 0 | 7 | 0 | 0 | 0 | 60 |
| Revenue expenditure funded from capital under statute | 40 | 0 | 0 | 0 | 0 | 0 | 40 |
| <u>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</u> | 166 | 0 | 581 | 0 | 0 | 0 | 747 |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | | |
| Statutory provision for the financing of capital investment | (529) | 0 | 0 | 0 | 0 | 0 | (529) |
| Capital Expenditure charged against General Fund and HRA Balances | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital Expenditure charged against Earmarked Reserves | 0 | 0 | 0 | (27) | 0 | 0 | (27) |

NOTES TO THE CORE FINANCIAL STATEMENTS

| 2018/19 Comparative Figures | Usable Reserves | | | | | | Movement in Unusable Reserves |
|--|----------------------------|---------------------------------|-------------------------------|-----------------------|--------------------------------|--------------------------------|--|
| | General Fund Balance | Deferred Capital Receipts | Housing Revenue Account | Earmarked Reserves | Capital Receipts Reserve | Capital Grants Unapplied | |
| | £000's | £000's | £000's | £000's | £000's | £000's | |
| Adjustments primarily involving the Capital Grants Unapplied Account: | | | | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | | | | | | | 0 |
| Application of grants to capital financing transferred to Capital Adjustment Account | (411) | 0 | 0 | 0 | 0 | (6) | (417) |
| Adjustments primarily involving the Capital Receipts Reserve: | | | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal | (129) | 0 | (533) | 0 | 662 | 0 | 0 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 0 | 0 | 0 | 0 | (681) | 0 | (681) |
| Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposal | 2 | 0 | 0 | 0 | (2) | 0 | 0 |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool | 151 | 0 | 0 | 0 | (151) | 0 | 0 |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | | | | | | | |
| Adjustments involving the Major Repairs Reserve: | | | | | | | |
| Reversal of Major Repairs Allowance credited to the HRA | 0 | 0 | (1,288) | 1288 | 0 | 0 | 0 |
| Use of the Major Repairs Reserve to finance new capital expenditure | 0 | 0 | 0 | 838 | 0 | 0 | 838 |

NOTES TO THE CORE FINANCIAL STATEMENTS

2018/19 Comparative Figures

Adjustments involving the Pensions Reserve:

Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement

Employer's pension contributions and direct payments to pensioners payable in the year

| | Usable Reserves | | | | | | Movement in Unusable Reserves |
|---|----------------------------|---------------------------------|-------------------------------|-----------------------|--------------------------------|--------------------------------|--|
| | General Fund Balance | Deferred Capital Receipts | Housing Revenue Account | Earmarked Reserves | Capital Receipts Reserve | Capital Grants Unapplied | |
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| | 2,087 | 0 | 258 | 0 | 0 | 0 | 2,345 |
| | (1,023) | 0 | (126) | 0 | 0 | 0 | (1,149) |
| Adjustments involving the Collection Fund | | | | | | | |
| Adjustment Account: | | | | | | | |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | 35 | 0 | 0 | 0 | 0 | 0 | 35 |
| Adjustments involving the Accumulated Absences | | | | | | | |
| Account: | | | | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirement | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Adjustments | 1,907 | 0 | (2,359) | 423 | 308 | 0 | 273 |

NOTES TO THE CORE FINANCIAL STATEMENTS

5. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and Housing Revenue Account (HRA) balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2019/20.

| | 2018/19 | | | 2019/20 | | |
|--|---------------------------------------|--|--|---------------------------------------|--|--|
| | Balance 31 March 2018 £000's | Transfer In/(Out) Fund £000's | (To)/From Other Reserves £000's | Balance 31 March 2019 £000's | Transfer In/(Out) Fund £000's | (To)/From Other Reserves £000's |
| General Fund Earmarked Reserves | | | | | | |
| Budget Carried Forward | 5 | (5) | 0 | 0 | | 0 |
| Homelessness | 0 | 0 | 100 | 100 | | 100 |
| Wellbeing | 0 | 0 | 160 | 160 | 22 | 182 |
| Capital | 1 | 0 | 0 | 1 | | 1 |
| Service Improvement | 12 | 0 | 0 | 12 | | 12 |
| Council Priority | 126 | (14) | 0 | 112 | | 112 |
| Welfare Reform | 72 | 0 | 0 | 72 | | 72 |
| Troubled Families | 0 | 0 | 0 | 0 | | 0 |
| Disabled Facilities | 199 | (199) | 0 | 0 | (22) | (22) |
| ERDF Schemes | 16 | 0 | 0 | 16 | | 16 |
| Greening the Borough | 120 | 0 | 0 | 120 | | 120 |
| Active Asset Management | 300 | 0 | 0 | 300 | | 300 |
| Contingency | 0 | 0 | 68 | 68 | | 68 |
| Budget Equilibrium | 32 | 0 | 0 | 32 | | 32 |
| Income Profiling | 47 | 0 | 0 | 47 | | 47 |
| Land Valuation | 17 | 0 | 0 | 17 | | 17 |
| Land Charges | 22 | 0 | 0 | 22 | | 22 |
| Borough Events | 6 | 0 | 0 | 6 | | 6 |
| Total General Fund Earmarked Reserves | 975 | (218) | 328 | 1,085 | (0) | 1,085 |

NOTES TO THE CORE FINANCIAL STATEMENTS

| | 2018/19 | | | 2019/20 | | | |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|-----------|--------------|
| | Balance | Transfer | (To)/From | Balance | Transfer | (To)/From | Balance |
| | 31 March | In/(Out) | Other | 31 March | In/(Out) | Other | 31 March |
| | 2018 | Fund | Reserves | 2019 | Fund | Reserves | 2020 |
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| General Fund Grants | | | | | | | |
| Grounds Maintenance | 353 | (39) | 0 | 314 | | | 314 |
| Local Plan Reserve | 100 | (49) | 0 | 51 | | | 51 |
| Earmarked Grants | 520 | (165) | (355) | 0 | 0 | | 0 |
| Total General Fund Grants | 973 | (253) | (355) | 365 | 0 | 0 | 365 |
| Total General Fund | 1,948 | (471) | (27) | 1,450 | (0) | | 1,450 |
| HRA | | | | | | | |
| Regeneration Reserve | 361 | 0 | 0 | 361 | | | 361 |
| Major Repairs Reserve | 0 | 0 | 450 | 450 | (433) | | 17 |
| Housing Voids Levy Reserve | 220 | 0 | 0 | 220 | | | 220 |
| Universal Credit Reserve | 140 | 0 | 0 | 140 | | | 140 |
| Budget Carried Forward | 8 | | | 8 | | | 8 |
| Total HRA | 729 | 0 | 450 | 1,179 | (433) | 0 | 746 |
| Grand Total | 2,677 | (471) | 423 | 2,629 | (433) | 0 | 2,196 |

Purpose of Reserves

Details of the purpose of reserves not given elsewhere in either the Notes to the Core Financial Statements or the Statement of Accounting Policies are shown below.

| | |
|--|--|
| Local Plan Reserve | Formerly Housing and Planning Delivery Grant Reserve and will be used to fund the development of the Local Plan in future years. |
| Earmarked Revenue Grants and Contributions | Reserves containing the proceeds of revenue grants and other external contributions that are yet to be used. |
| Budget Carried Forward | Contains authorised budget carry forwards from this year, to be used in the next financial year. |
| Homelessness | Fund to mitigate the increased incidence of homelessness within the borough. |

NOTES TO THE CORE FINANCIAL STATEMENTS

| | |
|-----------------------------|--|
| Health & Wellbeing | Fund to promote the physical and mental health and wellbeing of residence of the borough through sport and light recreation. |
| Capital | Monies put aside specifically for use to fund capital projects. |
| Service Improvement Reserve | Used to fund improvements in Council services to improve performance after corporate restructure and reductions in commensurate budgets |
| Council Priority Reserve | Funding to be used to fund the improvement of areas which are specific to Council priorities and allocated through the Local Forums. |
| Grounds Maintenance Reserve | This reserve holds a commuted lump sum received from a developer earmarked for the maintenance of a specific green space. |
| Major Repairs Reserve | Resources available to meet capital investment in council housing. |
| Welfare Reform | Monies set aside to cover the additional costs of administration and recovery following the introduction of the local Council Tax Benefit scheme and Universal Credit. |
| Troubled Families | Used to fund investment in the Leicestershire Troubled Families programme. |
| Disabled Facilities | Monies put aside specifically to fund Disabled Facilities Grants. |
| ERDF | Monies put aside specifically to provide matched funding for European Regional Development Fund schemes. |
| Greening the Borough | Resources available to improve the environment of the Borough and well-being of residents. |
| Active Asset Management | Funding for developing Business Enterprise Centres in the Borough. |
| Regeneration Reserve | Additional reserve set aside for regeneration and new build of council housing. |
| Contingency Reserve | To safeguard against budget risk and for one off priming initiatives. |
| Income Profiling Reserve | To safeguard against the volatility of planning income in future years |

NOTES TO THE CORE FINANCIAL STATEMENTS

| | |
|----------------------------|--|
| Budget Equilibrium Reserve | To safeguard against changes in Council funding. |
| Land Valuation Reserve | To allow the Council to value land within the Borough with a view to selling. |
| Land Charges Reserve | To fund improvements in the land charges service |
| Borough Events Reserve | To fund commemorative events held in the borough by the Council or other grant assisted groups. |
| Housing Voids Levy Reserve | To mitigate the impact of any levy imposed by the Government in relation to the sale of high value void dwellings. |
| Universal Credit Reserve | To fund if necessary the impact of Universal Credit on the level of rent arrears and therefore income to the HRA. |

6. Material Items of Income and Expenditure

For 2019/20 the Council has the following material items of income and expenditure for both capital and revenue:

The Council paid out £6 million in housing benefits during 2019/20 and a further £2.5 million in rent rebates. The Government subsidy that provides the funding for these items is not listed here, but is included in Note 38 to the core statements.

The Council also carried out £1 million of major refurbishment work on the Council's housing stock.

7. Other Operating Expenditure

| | 2019/20 | 2018/19 |
|---|----------------|----------------|
| | £000's | £000's |
| (Gain)/Loss on Disposal of Non-Current Assets | (184) | (54) |
| Loss on De-Recognition of Fixed Assets * | 730 | 139 |
| Contribution to Housing Pooled Capital Receipts | 167 | 153 |
| | 713 | 238 |

* De-recognition relates to components of various housing assets which have been replaced and therefore de-recognised in year.

NOTES TO THE CORE FINANCIAL STATEMENTS

8. Financing and Investment Income and Expenditure

| | 2019/20 | 2018/19 |
|--|--------------|--------------|
| | £000's | £000's |
| Interest Payable and Similar Charges | 747 | 742 |
| (Gains)/Loss on Revaluation of Investment Properties | (4) | (6) |
| Interest and Investment Income | (14) | (24) |
| Pension Interest Costs and Expected Return on Pension Assets | 615 | 577 |
| Total | 1,344 | 1,289 |

9. Taxation and Non Specific Grant Income and Expenditure

| | 2019/20 | 2018/19 |
|---|----------------|----------------|
| | £000's | £000's |
| General Government Grants | (150) | (252) |
| Council Tax Income | (3,912) | (3,754) |
| Collection Fund (Surplus)/Deficit - Council Tax | (6) | (10) |
| Non Domestic Rates Income | 0 | (4,750) |
| Non Domestic Rates Tariff Payment | 0 | 3,618 |
| Non Domestic Rates Levy | 0 | 101 |
| Non Domestic Rates LLP Share of Surplus (Pool) | 0 | 0 |
| Collection Fund (Surplus)/Deficit - NNDR | 28 | 139 |
| S31 Small Business Rate Relief | (946) | (631) |
| Capital Grants and Contributions | 0 | (411) |
| New Homes Bonus | (264) | (339) |
| Total | (5,250) | (6,289) |

10. Property, Plant and Equipment

NOTES TO THE CORE FINANCIAL STATEMENTS

Cost or Valuation

| | Council Dwellings | Other Land & Buildings | Community Assets | Vehicles, plant etc. | Assets Under Construction | Total Assets |
|--|----------------------|------------------------------|---------------------|-------------------------|------------------------------|-------------------|
| | £000's | £000's | £000's | £000's | £000's | £000's |
| Balance at 1 April 2018 | 57,914 | 23,908 | 2,902 | 5,823 | 198 | 90,745 |
| Additions | 805 | 485 | 75 | 1,944 | 484 | 3,793 |
| Revaluation Increases/ (Decreases) Recognised in the Revaluation Reserve | 1,569 | 153 | 175 | 0 | 0 | 1,897 |
| Revaluation Increases/ (Decreases) Recognised in the Surplus/Deficit on the Provision of Services | 1,886 | (417) | (4) | 0 | 0 | 1,465 |
| Derecognition - Sales | (442) | 0 | 0 | (451) | 0 | (893) |
| Derecognition - Component Disposals | (139) | 0 | 0 | 0 | 0 | (139) |
| Assets Reclassified (to)/from Non-Operational Assets | 0 | 0 | 0 | 0 | 0 | 0 |
| Assets Reclassified (to)/from Assets Under Construction | 0 | 178 | 0 | 0 | (178) | 0 |
| Derecognition - Other | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance at 31 March 2019 | 61,593 | 24,307 | 3,148 | 7,316 | 504 | 96,868 |
| Balance at 1 April 2019 | 61,593 | 24,307 | 3,148 | 7,316 | 504 | 96,868 |
| Additions | 2,382 | 1,096 | 46 | 558 | 0 | 4,082 |
| Revaluation Increases/ (Decreases) Recognised in the Revaluation Reserve | (14) | 165 | 115 | 0 | 0 | 266 |
| Revaluation Increases/ (Decreases) Recognised in the Surplus/Deficit on the Provision of Services | (286) | (1,082) | (34) | 0 | 0 | (1,402) |
| Derecognition - Disposals (Sales) | (468) | (24) | 0 | 0 | 0 | (492) |
| Derecognition - Disposals (Component Disposal) | (730) | 0 | 0 | | 0 | (730) |
| Assets Reclassified (to)/from Non-Operational Assets | 0 | 0 | 0 | 0 | 0 | 0 |
| Assets Reclassified (to)/from Assets Under Construction | 0 | 462 | 0 | 0 | (491) | (28) |
| Other Movements in Cost or Valuation | 0 | (17) | 17 | 0 | 0 | 0 |
| Derecognition - Disposals (Other) | 0 | 0 | 0 | 0 | (13) | (13) |
| Balance at 31 March 2019 | 62,477 | 24,907 | 3,291 | 7,874 | 0 | 98,550 |

NOTES TO THE CORE FINANCIAL STATEMENTS

Depreciation and Impairment

| | Council Dwellings | Other Land & Buildings | Community Assets | Vehicles, plant etc. | Assets Under Construction | Total Assets |
|--|----------------------|------------------------------|---------------------|-------------------------|------------------------------|-----------------|
| | £000's | £000's | £000's | £000's | £000's | £000's |
| Balance at 1 April 2018 | 0 | 0 | 0 | 3,978 | 0 | 3,978 |
| Depreciation Charge | 1,175 | 902 | 9 | 563 | 0 | 2,649 |
| Depreciation Written out to the Revaluation Reserve | (522) | (632) | 0 | 0 | 0 | (1,154) |
| Depreciation & Impairment Written Out to the Surplus/Deficit on the Provision of Services | (653) | (270) | (9) | 0 | 0 | (932) |
| Derecognition - Sales | 0 | 0 | 0 | (285) | 0 | (285) |
| Balance at 31 March 2019 | 0 | 0 | 0 | 4,256 | 0 | 4,256 |
| Balance at 1 April 2018 | 0 | 0 | 0 | 4,256 | 0 | 4,256 |
| Depreciation Charge | 1,287 | 988 | 9 | 622 | 0 | 2,906 |
| Depreciation Written out to the Revaluation Reserve | (589) | (749) | 0 | 0 | 0 | (1,337) |
| Depreciation & Impairment Written Out to the Surplus/Deficit on the Provision of Services | (698) | (239) | (9) | 0 | 0 | (947) |
| Derecognition - Sales | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance at 31 March 2020 | 0 | (0) | 0 | 4,878 | 0 | 4,878 |

| | 2019/20 | | | 2018/19 | | |
|------------------------|-------------------|---|---------------|-------------------|---|---------------|
| | Net Book Value | Nature of Asset Holding Finance Lease | Owned | Net Book Value | Nature of Asset Holding Finance Lease | Owned |
| | £000's | £000's | £000's | £000's | £000's | £000's |
| Council Dwellings | 62,477 | 0 | 62,477 | 61,593 | 0 | 61,593 |
| Other Land & Buildings | 24,907 | 0 | 24,907 | 24,308 | 0 | 24,308 |
| Community Assets | 3,290 | 0 | 3,290 | 3,147 | 0 | 3,147 |
| Vehicles, Plant etc | 2,930 | 67 | 2,997 | 3,030 | 30 | 3,060 |
| Incomplete Assets | 0 | 0 | 0 | 503 | 0 | 503 |
| Total | 93,605 | 67 | 93,672 | 92,581 | 30 | 92,611 |

Depreciation

The following useful lives have been used in the calculation of depreciation:

- i) Council Dwellings - 45 to 50 Years
- ii) Other land and buildings - 5 to 40 years
- iii) Vehicle Plant and Equipment - 5 to 10 years

NOTES TO THE CORE FINANCIAL STATEMENTS

Capital Commitments

At 31st March 2020, the Council had outstanding capital commitments of £485K on the Housing Revenue Account, comprising:

- £43K for window replacement
- £194K for kitchen and bathroom replacement
- £70K for replacement of central heating systems and boilers
- £107K for the replacement of the asset management software package
- 71K for smaller HRA projects, including miscellaneous decent homes works and the completion of the replacement heating system project at William Peardon Court.

There are no material capital commitments on the General Fund.

Valuation of Assets

The freehold and leasehold properties which comprise the Council's property portfolio have been valued as at 31 March 2020 by an external independent valuer, Innes England, in accordance with the statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors (RICS), except that not all the properties were inspected. This was neither practical nor considered by the valuer to be necessary for the purposes of the valuation. Consequently, Council Dwellings were valued using the "Beacon Principle". Inspections to determine the Beacon properties were carried out between January and April 2020.

Plant and machinery directly associated with the building is generally included in the valuation of the buildings. However, where in conjunction with the valuer it is found that a building has plant of which the value forms a significant part of the building and which needs to be depreciated at a different rate from the building, then this has been dealt with as a separate item.

Properties regarded by the Council as operational were valued on the basis of open market value for the existing use or, where this could not be assessed because there was no market value for the subject asset, the depreciated replacement cost.

Where an impairment loss on an operational fixed asset occurs this has been recognised, if it is caused by a clear consumption of economic benefit (e.g. physical damage or deterioration in the quality of the service provided by the asset), or a significant decline in the market value of assets that is significantly greater than would be expected as a result of the passage of time or normal use.

In order to judge impairment of Council Dwellings, a rolling stock condition survey is being carried out. Any assets that are considered to have suffered any impairment are referred to the Council's independent valuer for assessment. To date no impairment relating to obsolescence has been recognised although some assets have suffered a reduction in value due to market forces.

NOTES TO THE CORE FINANCIAL STATEMENTS

11. Heritage Assets

Heritage assets are held and maintained principally for their contribution to knowledge and culture. They have historical, artistic, technological, geophysical or environmental qualities. All assets are deemed to have indefinite useful economic lives.

| | <u>2019/20</u> | <u>2018/19</u> |
|----------------------------|------------------|------------------|
| | £000's | £000's |
| Balance at 1 April | 50 | 50 |
| Additions | <u>0</u> | <u>0</u> |
| Balance at 31 March | <u>50</u> | <u>50</u> |

12. Investment Properties

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

| | <u>2019/20</u> | <u>2018/19</u> |
|--|--------------------|--------------------|
| | £000's | £000's |
| Rental Income from Investment Property | <u>(11)</u> | <u>(10)</u> |
| Net Gain/(Loss) | <u>(11)</u> | <u>(10)</u> |

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

2019/20 has seen a net increase of £4,000 in the value of the Council's investment properties due to revaluation gains

The current investment property balance consists of £170,000 of retail property let out, and £245,000 of property awaiting development.

| | <u>2019/20</u> | <u>2018/19</u> |
|--|-------------------|-------------------|
| | £000's | £000's |
| Balance at 1 April | 415 | 409 |
| Disposals | <u>0</u> | <u>0</u> |
| Revaluation Gain Recognised in the | | |
| Surplus/Deficit on the Provision of Services | <u>4</u> | <u>6</u> |
| Reclassification of asset | | <u>0</u> |
| Balance at 31 March | <u>419</u> | <u>415</u> |

NOTES TO THE CORE FINANCIAL STATEMENTS

13. Intangible Assets

The Council accounts for its software and licenses 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.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful life assigned to all the major software suites used by the Council is 5 years.

Amortisation of the assets is charged to the ICT support service and then recharged to services on an appropriate basis under Net Cost of Services within the Comprehensive Income and Expenditure Statement.

Cost or Valuation of Software

| | <u>2019/20</u> | <u>2018/19</u> |
|----------------------------|----------------|----------------|
| | £000's | £000's |
| Balance at 1 April | 802 | 717 |
| Additions | 178 | 85 |
| Disposals | 0 | 0 |
| Balance at 31 March | 980 | 802 |

Depreciation and Impairment of Software

| | <u>2019/20</u> | <u>2018/19</u> |
|----------------------------|----------------|----------------|
| | £000's | £000's |
| Balance at 1 April | 659 | 598 |
| Amortisation for the Year | 87 | 61 |
| Disposals | 0 | 0 |
| Balance at 31 March | 746 | 659 |

Net Book Value

| | <u>Balance as at 31 March 2020</u> | <u>Balance as at 31 March 2019</u> |
|----------|--|--|
| | £000's | £000's |
| Software | 234 | 143 |

NOTES TO THE CORE FINANCIAL STATEMENTS

14. Debtors

Amounts falling due in less than one year are:

| | <u>2019/20</u> | <u>2018/19</u> |
|--------------------------------|---------------------|---------------------|
| | <u>£000's</u> | <u>£000's</u> |
| Central Government Bodies | 240 | 454 |
| Other Local Authorities | 801 | 801 |
| Other Entities and Individuals | 1719 | 1152 |
| Total | <u>2,760</u> | <u>2,407</u> |

Amounts falling due after one year are:

| | <u>2019/20</u> | <u>2018/19</u> |
|------------------------------|-------------------|-------------------|
| | <u>£000's</u> | <u>£000's</u> |
| Voluntary Organisation Loans | 2 | 2 |
| Bushloe Developments Loan | 100 | 100 |
| Car Loans to Employees | 21 | 30 |
| Other Long Term Debtors | 0 | 0 |
| | <u>123</u> | <u>132</u> |

15. Investments

The Council had no Long Term or Short Term Investments in 2019/20.

16. Assets Held for Sale

In 2019/20 no assets were held for sale.

17. Inventories

| | Stores | | Materials | | Total | |
|------------------------|----------------|----------------|------------------|----------------|----------------|----------------|
| | <u>2019/20</u> | <u>2018/19</u> | <u>2019/20</u> | <u>2018/19</u> | <u>2019/20</u> | <u>2018/19</u> |
| | <u>£000's</u> | <u>£000's</u> | <u>£000's</u> | <u>£000's</u> | <u>£000's</u> | <u>£000's</u> |
| Balance Outstanding at | | | | | | |
| Start of Year | 12 | 11 | 5 | 12 | 17 | 23 |
| Purchases | 162 | 154 | 5 | 14 | 167 | 168 |
| Recognised as an | | | | | | |
| Expense in the Year | (166) | (153) | (4) | (21) | (171) | (174) |
| Written Off Balances | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance Outstanding at | | | | | | |
| End of Year | <u>8</u> | <u>12</u> | <u>5</u> | <u>5</u> | <u>13</u> | <u>17</u> |

NOTES TO THE CORE FINANCIAL STATEMENTS

The remaining stock of the Brocks Hill shop was written off when the operation of the facility was transferred to SLM.

18. Cash and Cash Equivalent and Bank Overdrawn

| Cash and Cash Equivalents | 31 March 2019 £000's | 31 March 2018 £000's |
|----------------------------|----------------------------|----------------------------|
| Short term Deposits | 0 | 2,987 |
| Bank and Overdrafts | | |
| Cash held by the Authority | | |
| Bank Current Accounts | 526 | 1,125 |
| | | 4,112 |
| Total | 526 | 4,112 |

Cash and cash equivalents consist of short-term bank deposits and money market funds.

Short-term bank deposits consist primarily of money market deposits, which can be readily converted to cash at short notice. The effective interest rate on short-term bank deposits at 31st March 2020 was 0.50% (0.50% as at 31st March 2019).

The maximum exposure to credit risk for cash and cash equivalents is equal to the carrying value.

19. Short Term Creditors

| | 2019/20 £000's | 2018/19 £000's |
|--------------------------------|-------------------|-------------------|
| Central Government Bodies | (1,338) | (1,476) |
| Other Local Authorities | (186) | (287) |
| Other Entities and Individuals | (2,871) | (2,214) |
| Total | (4,395) | (3,977) |

NOTES TO THE CORE FINANCIAL STATEMENTS

20. Short Term Provisions

| | Accumulated Absence 2019/20 | NNDR Appeals 2019/20 | Total 2019/20 |
|---------------------------------------|-----------------------------------|----------------------------|------------------|
| | £000's | £000's | £000's |
| Balance B/Fwd | (61) | (815) | (876) |
| Arising during the year | 32 | 0 | 32 |
| Used during the year | 0 | 0 | 0 |
| Balance C/Fwd | (29) | (815) | (844) |
| Current Provision | (29) | (815) | (844) |
| | (29) | (815) | (844) |
| Expected Timing of Cash Flows: | | | |
| To 31 March 2020 | (29) | (815) | (844) |
| Total | (29) | (815) | (844) |

| | Accumulated Absence 2018/19 | NNDR Appeals 2018/19 | Total 2018/19 |
|---------------------------------------|-----------------------------------|----------------------------|------------------|
| | £000's | £000's | £000's |
| Balance B/Fwd | (61) | (620) | (681) |
| Arising during the year | 0 | (195) | (195) |
| Used during the year | 0 | 0 | 0 |
| Balance C/Fwd | (61) | (815) | (876) |
| Current Provision | (61) | (815) | (876) |
| | (61) | (815) | (876) |
| Expected Timing of Cash Flows: | | | |
| To 31 March 2019 | (61) | (815) | (876) |
| Total | (61) | (815) | (876) |

An accumulated absence provision was made for the best estimate of the unavoidable cost associated with holiday pay. This provision is expected to be used by the end of next period as no holiday pay can be carried forward for more than one year.

A provision has been set up to fund appeals against rateable values for business within the Borough. This will be utilised as appeals are settled.

NOTES TO THE CORE FINANCIAL STATEMENTS

21. Capital Grants and Contributions - Receipts in Advance

| | <u>2019/20</u> | <u>2018/19</u> |
|--|----------------|----------------|
| | £ 000's | £ 000's |
| Grants and Contributions | | |
| Big Lottery Grant - Toy library | (5) | (5) |
| Big Lottery Grant - Mobile library | (1) | (1) |
| Section 106 South Wigston Regeneration | (10) | (10) |
| South Wigston Regeneration - Interest | (152) | (277) |
| Section 106 - Open Space | (760) | (876) |
| Green Roof Bus Shelter | (6) | (6) |
| Brocks Hill Alarm | (1) | (1) |
| DECC Grant | (5) | (5) |
| Total | <u>(940)</u> | <u>(1,181)</u> |

22. Movements on Reserves

| | Balance At 31st March 2018 £000's | Net Movement in Year £000's | Balance At 31st March 2018 £000's | Net Movement in Year £000's | Balance At 31st March 2020 £000's |
|--|---|---|---|---|---|
| Earmarked Reserves (Note 5) | (2,677) | 49 | (2,628) | 433 | (2,195) |
| Other Usable Reserves | | | | | |
| Usable Capital Receipts Reserve | (1,018) | (308) | (1,326) | 376 | (950) |
| Capital Grants Unapplied Reserve | (30) | 6 | (24) | 0 | (24) |
| Deferred Capital Receipts - General Fund | (3) | 0 | (3) | 0 | (3) |
| General Fund | (600) | 0 | (600) | 0 | (600) |
| Housing Revenue Account | (635) | (448) | (1,083) | 0 | (1,083) |
| | <u>(4,963)</u> | <u>(701)</u> | <u>(5,664)</u> | <u>809</u> | <u>(4,855)</u> |

NOTES TO THE CORE FINANCIAL STATEMENTS

| | Balance At 31 March 2018 £000's | Net Movement in Year £000's | Balance At 31 March 2019 £000's | Net Movement in Year £000's | Balance At 31 March 2020 £000's |
|--|---|---|---|---|---|
| <u>Unusable Reserves</u> | | | | | |
| Collection Fund Adjustment Account | 185 | 35 | 220 | 0 | 220 |
| Pensions Reserve | 22,048 | 3,310 | 25,358 | (2,806) | 22,552 |
| Revaluation Reserve | (9,146) | (2,547) | (11,693) | (978) | (12,671) |
| Capital Adjustment Account | (43,831) | (1,462) | (45,293) | 714 | (44,579) |
| Financial Instruments Adjustment Account | 7 | 0 | 7 | 0 | 7 |
| Accumulated Absences Reserve | 60 | 0 | 60 | (32) | 28 |
| | <u>(30,677)</u> | <u>(664)</u> | <u>(31,341)</u> | <u>(3,102)</u> | <u>(34,443)</u> |
| Total | <u>(35,490)</u> | <u>(1,365)</u> | <u>(36,855)</u> | <u>(3,102)</u> | <u>(39,957)</u> |

Purpose of Reserves

Details for the purpose of reserves not given elsewhere in either the Notes to the Core Financial Statements or the Statement of Accounting Policies are shown below.

| | |
|--|---|
| Usable Capital Receipts | Proceeds of fixed asset sales available to meet future capital investment |
| Capital Grants Unapplied | Reserve contains capital grants for which all conditions of use have been fulfilled, but have yet to be used for funding. |
| Deferred Capital Receipts | Proceeds of fixed asset sales which are not receivable immediately on sale. |
| General Fund | Resources available to meet future running costs of non-housing services |
| Housing Revenue Account | Resources available to meet future running costs of council houses |
| Financial Instruments Adjustment Account | Accounts for the timing differences in the different methods of accounting for Financial Instruments |
| Accumulated Staff Absence | The authority's obligation to staff for leave earned but not taken at the end of the financial year. |

NOTES TO THE CORE FINANCIAL STATEMENTS

23. 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.

| | <u>2019/20</u> <u>£000's</u> | <u>2018/19</u> <u>£000's</u> |
|--|---------------------------------|---------------------------------|
| Balance as at 1 April | (45,293) | (43,831) |
| Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement | | |
| Charges for depreciation and impairment of non-current assets | 3,361 | 253 |
| Amortisation of intangible assets | 88 | 60 |
| Revenue expenditure funded from capital under statute | 292 | 0 |
| 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 | <u>1,235</u> | <u>747</u> |
| | 4,976 | 1,060 |
| Adjusting amounts written out of the Revaluation Reserve | <u>(625)</u> | <u>(504)</u> |
| Net Written Out Amount of the Cost of Non-current Assets Consumed in the Year | 4,351 | 556 |
| Capital financing applied in the year | | |
| Use of Capital Receipts Reserve to finance new capital expenditure | (822) | (201) |
| Use of Major Repairs Reserve to finance new capital expenditure | (1,855) | (838) |
| Capital Grants & Contributions Credited to the Comprehensive Income & Expenditure Statement That Have Been Applied to Capital Financing | (241) | (438) |
| Application of grants to capital financing from the Capital Grants Unapplied Account | 0 | (6) |
| Statutory provision for the financing of capital investment charged against the General Fund and HRA balances | (713) | (529) |
| Capital expenditure charged against the General Fund and HRA balances | <u>0</u> | <u>0</u> |
| | (3,632) | (2,012) |
| Movements in the Market Value of Investment Property Debited or Credited to the Comprehensive Income & Expenditure Statement | (4) | (6) |
| Balance as at 31 March | <u>(44,579)</u> | <u>(45,293)</u> |

The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

NOTES TO THE CORE FINANCIAL STATEMENTS

24. Revaluation Reserve

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

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 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.

| | 2019/20 | 2018/19 |
|--|-----------------------|------------------------|
| | <u>£000's</u> | <u>£000's</u> |
| Balance as at 1 April | (11,693) | (9,146) |
| Upward revaluation of assets | 2,118 | (3,301) |
| Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the Provision of Services | (515) | 250 |
| Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | 1,603 | (3,051) |
| Difference Between Fair Value Depreciation & Historical Cost Depreciation | (625) | (504) |
| Accumulated Gains on Assets Sold or Scrapped | 625 | 504 |
| Amount Written off to the Capital Adjustment Account | 625 | 504 |
| Balance as at 31 March | <u>(9,465)</u> | <u>(11,693)</u> |

25. Pensions Fund Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

| | <u>2019/20</u> | <u>2018/19</u> |
|---|----------------|----------------|
| | <u>£000's</u> | <u>£000's</u> |
| Balance as at 1 April | 25,358 | 22,048 |
| Transfer to Pension Reserve | (97) | (45) |
| Remeasurements of the net defined benefit liability/(asset) | (3,776) | 2,159 |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. | 2,273 | 2,345 |
| Employer's Pension Contributions and direct payments to the pensioners payable in the year. | (1,206) | (1,149) |
| Balance as at 31 March | 22,552 | 25,358 |

26. Cash Flow Statement - Investing Activities

| | <u>2019/20</u> | <u>2018/19</u> |
|--|----------------|----------------|
| | <u>£000's</u> | <u>£000's</u> |
| Purchase of Property, Plant and Equipment | 4,350 | 3,878 |
| Proceed of the Sale of Property, Plant and Equipment | (689) | (662) |
| Other Receipts from Investing Activities | 0 | (260) |
| Net Change in Investments | 0 | (2,000) |
| Total Investing Activities | 3,661 | 956 |

27. Cash Flow Statement - Financing Activities

| | <u>2019/20</u> | <u>2018/19</u> |
|--|----------------|----------------|
| | <u>£000's</u> | <u>£000's</u> |
| Cash Receipts from Long and Short Term Borrowing | (3,506) | (1,006) |
| Repayments of Short Term and Long Term Borrowing | 2,668 | 1,583 |
| Appropriation to/from the Collection Fund Adjustment Account | 36 | 35 |
| Other Payments for Financing Activities | (65) | (65) |
| Total Financing Activities | (867) | 547 |

28. Net Movement in Liquid Resources

The Council seeks to maximise return on short term cash surpluses by the use of money market deposits.

| | <u>As at 31st March 2020 £000's</u> | <u>As at 31st March 2019 £000's</u> | <u>Increase/ (Decrease) in Year £000's</u> |
|---------------------|---|---|--|
| Money Market | 3,401 | 2,987 | 414 |
| Short Term Deposits | 3,401 | 2,987 | 414 |

NOTES TO THE CORE FINANCIAL STATEMENTS

The Council collects Council Tax and Non Domestic Rates on behalf of its Precepting Authorities and the Government. At the end of the year the difference between money collected and paid over is shown as an increase or decrease in liquid resources.

| | As At 31/03/2020 £000's | As At 31/03/2019 £000's |
|---|--|--|
| Net Movement in other Liquid Resources | (65) | 524 |

29. Operating and Finance Leases

Operating Leases

During the year the Council made payments on operating leases as detailed below.

| 2019/20 | | | 2018/19 |
|----------------------------|---------------------------------------|-------------------------|-------------------------|
| Vehicles £000's | Other Equipment £000's | Total £000's | Total £000's |
| 10 | 2 | 12 | 27 |

At 31 March 2020 the Council had commitments in respect of operating leases for future years as shown below.

As at 31st March 2020

| | Vehicles £000's | Other Equipment £000's | Total £000's |
|-----------------------|----------------------------|---------------------------------------|-------------------------|
| Less than 1 year | 4 | 2 | 6 |
| Between 1 and 5 years | 1 | 0 | 1 |
| Total | 5 | 2 | 7 |

As at 31st March 2019

| | Vehicles £000's | Other Equipment £000's | Total £000's |
|-----------------------|----------------------------|---------------------------------------|-------------------------|
| Less than 1 year | 10 | 2 | 12 |
| Between 1 and 5 years | 5 | 1 | 6 |
| Total | 15 | 3 | 18 |

Finance Leases

During 2019/20 the Council held photocopying equipment under a finance lease. This is carried as Property, Plant and Equipment in the Balance Sheet at a net amount of £40,160 at 31 March 2020 (£29,541 at 31 March 2019).

NOTES TO THE CORE FINANCIAL STATEMENTS

The Council is committed to making minimum lease payments as shown below:

| Minimum Lease Payments | 2019/20 £000's | 2018/19 £000's |
|--|-------------------|-------------------|
| Amounts Payable under Finance Leases | | |
| Within One Year | 11 | 11 |
| Between One and Five Years | 14 | 25 |
| Less Future Finance Charges | (5) | (7) |
| Present Value of Minimum Lease Payments | <u>20</u> | <u>29</u> |
| Included in: | | |
| Current Liabilities | 9 | 9 |
| Non-current Liabilities | 11 | 20 |
| Total | <u>20</u> | <u>29</u> |

The total future minimum lease payments amount to £25,401 which includes a future rental cost of £20,452 at 31 March 2020.

30. Note to The Expenditure and Funding Analysis

The Expenditure and Funding Analysis

| | Net Expenditure Chargeable to the General Fund and HRA Balances | Adjustments between the Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement £000's |
|---|--|---|--|
| 2019/20 | | | |
| Customer Services | 542 | 76 | 618 |
| Senior Leadership Team | 604 | 35 | 639 |
| Community & Wellbeing | 1,435 | 1,319 | 2,754 |
| Law & Governance | 692 | 66 | 758 |
| Planning, Development & Regeneration | 501 | 176 | 677 |
| Finance & Resources | 2,967 | 1,471 | 4,438 |
| Housing Revenue Account | (3,203) | 1,050 | (2,153) |
| HRA - Reversal of Previous Impairment | 0 | 0 | 0 |
| Net Cost of Services | <u>3,538</u> | <u>4,193</u> | <u>7,731</u> |
| Total - Other Operating Expenditure | 0 | 716 | 716 |
| Total - Financing & Investment Income & Expenditure | 2,838 | (1,494) | 1,344 |
| Total - Taxation & Non Specific Grant Income | (6,828) | (278) | (7,106) |
| (Surplus)/Deficit on Provision of Services | <u>(452)</u> | <u>3,137</u> | <u>2,685</u> |
| Opening General Fund & HRA Balance at 1st April | 1,683 | | |
| Less Deficit/(Surplus) on General Fund and HRA Balance in Year | 443 | | |
| Closing General Fund & HRA Balance | <u>2,126</u> | | |
| at 31st March | | | |

* See Movement in Reserves Statement for the split of General Fund and HRA balances.

NOTES TO THE CORE FINANCIAL STATEMENTS

| 2018/19 | Net Expenditure Chargeable to the General Fund and HRA Balances | Adjustments between the Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement |
|---|---|--|--|
| | £000's | £000's | £000's |
| Customer Services | 630 | 68 | 698 |
| Senior Leadership Team | 623 | 21 | 644 |
| Community & Wellbeing | 1,302 | 1,020 | 2,322 |
| Law & Governance | 886 | 43 | 929 |
| Planning, Development & Regeneration | 830 | 111 | 941 |
| Finance & Resources | 1,797 | 880 | 2,677 |
| Housing Revenue Account | (2,667) | (1,215) | (3,882) |
| HRA - Reversal of Previous Impairment | 0 | 0 | 0 |
| Net Cost of Services | 3,401 | 928 | 4,329 |
| Total - Other Operating Expenditure | 0 | 238 | 238 |
| Total - Financing & Investment Income & Expenditure | 2,566 | (1,273) | 1,293 |
| Total - Taxation & Non Specific Grant Income | (5,907) | (382) | (6,289) |
| (Surplus)/Deficit on Provision of Services | 60 | (489) | (429) |
| Opening General Fund & HRA Balance at 1st April | (1,235) | | |
| Less Deficit/(Surplus) on General Fund and HRA | | | |
| Balance in Year | (448) | | |
| Closing General Fund & HRA Balance | (1,683) | | |
| at 31st March | | | |

The Expenditure and Funding Analysis above shows how annual expenditure is used and funded from resources (government grants, rents, 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 also shows how this expenditure is allocated for decision making purposes, between the Council's directorates/ services/ departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. (See also Note 30 and 31)

NOTES TO THE CORE FINANCIAL STATEMENTS

2019/20

Adjustments between Funding and Accounting Basis Net change

| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts | Adjustments for Capital Purposes | for the Pensions Adjustments | Other Differences | Total Adjustments |
|---|----------------------------------|------------------------------|-------------------|-------------------|
| | (Note 1) | (Note 2) | (Note 3) | |
| | £000's | £000's | £000's | £000's |
| Customer Services | 39 | 36 | 0 | 75 |
| Senior Leadership Team | 0 | 35 | 0 | 35 |
| Community & Wellbeing | 1,192 | 128 | 0 | 1,320 |
| Law & Governance | 13 | 53 | 0 | 66 |
| Planning, Development & Regeneration | 122 | 54 | 0 | 176 |
| Finance & Resources | 1,368 | 104 | 0 | 1,472 |
| Housing Revenue Account | 1,006 | 43 | 0 | 1,049 |
| Net Cost of Services | 3,740 | 453 | 0 | 4,193 |

| | | | | |
|--|---------|-------|-----|---------|
| Other Income and Expenditure from the Expenditure and Funding Analysis Difference between General Fund Surplus or Deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services | (1,665) | 614 | (5) | (1,056) |
| | 2,075 | 1,067 | (5) | 3,137 |

2018/19

Adjustments between Funding and Accounting Basis Net change

| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts | Adjustments for Capital Purposes | for the Pensions Adjustments | Other Differences | Total Adjustments |
|---|----------------------------------|------------------------------|-------------------|-------------------|
| | (Note 1) | (Note 2) | (Note 3) | |
| | £000's | £000's | £000's | £000's |
| Welfare and Taxation | 0 | 37 | 0 | 37 |
| Finance and Corporate | 120 | 381 | 0 | 501 |
| Community Services | 49 | 13 | 0 | 62 |
| Depot Operations | 641 | 84 | 0 | 725 |
| Regulatory Services | 3 | 18 | 0 | 21 |
| Planning and Economic Development | 22 | 34 | 0 | 56 |
| Leisure Services | 730 | 12 | 0 | 742 |
| Housing Revenue Account (HRA) | (1,252) | 36 | 0 | (1,216) |
| HRA - Reversal of Previous Impairment | | | 0 | 0 |
| Net Cost of Services | 313 | 615 | 0 | 928 |

| | | | | |
|--|---------|-------|----|---------|
| Other Income and Expenditure from the Expenditure and Funding Analysis Difference between General Fund Surplus or Deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services | (2,029) | 577 | 35 | (1,417) |
| | (1,716) | 1,192 | 35 | (489) |

Note 1 - Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

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

Note 2 – Net Change for the Pensions Adjustments

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

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

Note 3 – Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement, and amounts payable/receivable to be recognised under statute:

- **For Financing and investment income and expenditure** – the other differences column recognises adjustments to the General Fund for the timing differences of premiums and discounts.
- **Taxation and non-specific grant income and expenditure** – this charge represents the difference between, what is chargeable under statutory regulations for council tax and NNDR that was projected to be received at the start of the year, and the income recognised under generally accepted

NOTES TO THE CORE FINANCIAL STATEMENTS

accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Segmental Income

Income received on a segmental basis is analysed below:

| | 2019/20 | 2018/19 |
|--|--|--|
| Services | Income from Services £000's | Income from Services £000's |
| Customer Services | 0 | 0 |
| Senior Leadership Team | 0 | 0 |
| Community & Wellbeing | (1,173) | (1,771) |
| Regulatory Services | (551) | (193) |
| Planning & Economic Development | (925) | (876) |
| Finance & Resources | (9,396) | (10,304) |
| Housing Revenue Account | (4,951) | (5,024) |
| Total Income analysed on a Segmental Basis | (16,996) | (18,168) |

31. Expenditure and Income Analysed By Nature

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

| | 2019/20 | 2018/19 |
|--|-----------------|-----------------|
| Expenditure / Income : | £000's | £000's |
| Expenditure | | |
| Employee benefits expenses | 7,161 | 6,964 |
| Other services expenses | 13,798 | 14,551 |
| Support service recharges | 0 | 630 |
| Depreciation, amortisation, impairment | 3,721 | 304 |
| Interest payments | 2,201 | 2,187 |
| Precepts and levies | 3,048 | 3,982 |
| Payments to Housing Capital Receipts Pool | 170 | 153 |
| Gain on the disposal of assets | 542 | 79 |
| Total Expenditure | 30,641 | 28,850 |
| Income | | |
| Fees, charges and other service income | (9,042) | (8,397) |
| Interest and investment income | (853) | (888) |
| Income from council tax, non-domestic rates and district rate income | (8,553) | (8,639) |
| Government grants and contributions | (9,507) | (11,355) |
| Total Income | (27,955) | (29,279) |
| Surplus or (Deficit) on the Provision of Services | (2,686) | 429 |

NOTES TO THE CORE FINANCIAL STATEMENTS

32. Members Allowances

In 2019/20, the Council paid allowances to members totalling £168,711 (2018/19 £170,113)

33. Audit Costs

In 2019/20 Oadby and Wigston Borough Council incurred the following fees relating to external audit and inspection:

| | <u>2019/20</u> | <u>2018/19</u> |
|---|----------------|----------------|
| | <u>£000's</u> | <u>£000's</u> |
| Fees payable to the Council's auditors with regard to external audit services carried out by the appointed auditor. | 36 | 38 |
| Fees payable to the Council's auditors for the certification of grant claims and returns. | 9 | 0 |
| Fees payable in respect of other services. | 3 | 5 |
| | <u>48</u> | <u>43</u> |

34. Related Party Transactions

The aim of this note is to demonstrate that any material transactions between the Council and those in a position to influence decisions are properly disclosed.

Any material transactions between related parties must be disclosed in the Statement of Accounts. The purpose of this is to highlight the possibility that the reported position and results may have been affected by the existence of the related parties and by any material transactions with them.

As Members and Chief Officers are considered to be related party, a Register of Interest is used to record and monitor related party transactions. Disclosure forms were also completed by both Members and Chief Officers. Any declarations made by members are listed below. Leicestershire County Council, Leicestershire Police and the Leicestershire Local Government Pension Scheme are considered to be related party transactions, their year end balances being:

NOTES TO THE CORE FINANCIAL STATEMENTS

| | <u>2019/20</u> | <u>2018/19</u> |
|---|----------------------|----------------|
| | Payments | Payments |
| | £000's | £000's |
| Leicestershire County Council | 367 | 367 |
| Leicestershire County Council, Pension Fund | 1,206 | 1,149 |
| Leicestershire County Council - Year End Debtor | 0 | 0 |
| Leicestershire County Council - Year End Creditor | 213 | 213 |
| Leicestershire Police Authority | 196 | 196 |
| | <u>1,982</u> | <u>1,925</u> |
| | Precepts | Precepts |
| | £000's | £000's |
| Leicestershire County Council | 22,514 | 22,600 |
| Leicestershire Police | 3,889 | 3,447 |
| Leicestershire and Rutland Fire Authority | 1,161 | 1,120 |
| | <u>27,564</u> | <u>27,167</u> |
| Total | <u>29,546</u> | <u>29,092</u> |

In 2019/20 the Council received a number of Government grants. These have been listed in notes 9 and 38 in the accounts.

Entities controlled or significantly influenced by the Council:

The following grants were given to external organisations in year. Whilst these amounts may not be material to the Council they may be material to and indicate control of the awarded bodies.

| | <u>2019/20</u> | <u>2018/19</u> | | |
|--------------------------------------|-----------------|-----------------|----------|-----------|
| | Receipts | Payments | Receipts | Payments |
| | £000's | £000's | £000's | £000's |
| Leicestershire County Council | | | | |
| Safer Communities Grant | 28 | 0 | 29 | 0 |
| Community/Youth Grants | | | | |
| South and West | | | | |
| Leicestershire CAB | 0 | 28 | 0 | 28 |
| SSAFA | 0 | 0 | 0 | 5 |
| Age UK – Oadby & Wigston | 0 | 0 | 0 | 10 |
| Helping Hands | 0 | 28 | 0 | 28 |
| Pride of the Borough | 0 | 0 | 0 | 5 |

NOTES TO THE CORE FINANCIAL STATEMENTS

35. Remuneration of Senior Staff

The Council is required to disclose payments made to senior employees, by post, whose remuneration is in excess of £50,000 per annum. The situation for 2019/20 is as follows;

Senior Officers' Salary - £50,000 to £150,000

| Post holder information | | Salary, Fees & Allowances | Expense Allowances | Pension contributions | Total |
|---|---------|---------------------------------|-----------------------|--------------------------|--------|
| | | £000's | £000's | £000's | £000's |
| Chief Executive | 2019/20 | 103 | 0 | 22 | 125 |
| | 2018/19 | 95 | 0 | 20 | 115 |
| Director of Finance & Transformation | 2019/20 | 0 | 0 | 0 | 0 |
| | 2018/19 | 80 | 1 | 17 | 98 |
| Deputy Chief Executive | 2019/20 | 84 | 1 | 18 | 103 |
| Monitoring Officer | 2019/20 | 60 | 1 | 13 | 74 |
| Chief Financial Officer | 2019/20 | 33 | 1 | 7 | 41 |

Officers Salary Exceeding £50,000

The Council's other employees receiving more than £50,000 remuneration for the year 2019/20 were paid in the following bands:

| Remuneration Band | 2019/20 | 2018/19 |
|-------------------|----------|----------|
| £50,000 - £55,000 | 4 | 6 |
| £55,000 - £60,000 | 0 | 1 |
| £60,000 - £65,000 | 0 | 0 |
| £65,000 - £70,000 | 0 | 0 |
| | <u>4</u> | <u>7</u> |

Remuneration for these purposes includes all sums paid to or receivable by an employee, sums due by way of expense allowances and the money value of any other benefits received other than in cash, but excludes pension contributions payable by either the employee or the Council.

Exit Packages

The numbers of exit packages with the total cost per band and total cost of the redundancies are set out in the table below:

NOTES TO THE CORE FINANCIAL STATEMENTS

| Exit Package Cost Band | Number of Compulsory Redundancies | 2019/20 | Total Number of Exit Packages by Cost Band | Total Cost of Exit Packages in Each Band |
|------------------------|-----------------------------------|-----------------------------------|--|--|
| | | Number of Other Departures Agreed | | |
| | | | | £000's |
| £0 - £20,000 | 10 | 0 | 10 | 106 |
| Total | 10 | 0 | 10 | 106 |

| Exit Package Cost Band | Number of Compulsory Redundancies | 2018/19 | Total Number of Exit Packages by Cost Band | Total Cost of Exit Packages in Each Band |
|------------------------|-----------------------------------|-----------------------------------|--|--|
| | | Number of Other Departures Agreed | | |
| | | | | £000's |
| £0 - £20,000 | 1 | 0 | 1 | 12 |
| £20,001 - £40,000 | 0 | 0 | 0 | 0 |
| Total | 1 | 0 | 1 | 12 |

36. Termination Benefits

The Council has terminated the contract of ten employees in the year through redundancy. The cost of this movement was £105,656 (2018/19 £12,000) - see note 35 for the number of exit packages and total cost by band.

The cost of termination benefits has been met by a combination of earmarked reserve, balance sheet provisions and revenue. All capital costs associated with early retirement have been funded by a combination of the Leicestershire County Council Pension Fund, earmarked reserves, balance sheet provisions and revenue.

37. Defined Benefit Pension Schemes

The Council participates in the Local Government Scheme administered by Leicestershire County Council. This is a defined benefit funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level estimated to balance the pension liabilities with investment assets.

In 2019-20 the Council paid an employers contribution of £1,162,766 (2018-19 £1,070,692) into the Leicestershire County Council Superannuation Fund, representing 30.745% (2018-19 29.585%) of Pensionable Pay.

In addition the Council made payment into the Leicestershire County Council Superannuation Fund relating to added years benefits of **£42,935 (2018-19 £78,701)**, representing **1.135% (2018-19 2.175%)** of Pensionable Pay.

The annual report of the Leicestershire County Council Pension Fund is available from County Hall, Glenfield, Leicester.

NOTES TO THE CORE FINANCIAL STATEMENTS

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the change 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 Housing Revenue Account via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and General Fund Balance via the Movement in Reserve Statement during the year:

Comprehensive Income and Expenditure Statement

| | 2019/20 | 2018/19 |
|---|----------------|---------|
| | £000's | £000's |
| <u>Cost of Services</u> | | |
| Service Cost comprising | | |
| Current Service Cost | 1,630 | 1,411 |
| Past Service Costs | 28 | 353 |
| (Gain)/Loss from Settlements | | |
| Financial and Investment Income and Expenditure | | |
| Net interest expense | 615 | 581 |
| Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services | 2,273 | 2,345 |

Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement.

Remeasurement of the net defined benefit liability comprising

| | | |
|---|----------------|-------|
| Return on plan assets (excluding the amount included in the net interest expense) | 3,157 | (991) |
| Actuarial gains and losses arising on changes in demographic assumptions | (1,913) | |
| Actuarial gains and losses arising on changes in financial assumptions | (5,209) | 3,145 |
| Other | 189 | 5 |
| Transfer to Pension Reserve for Post Year Actuaries Adjustment | | |
| Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement. | (3,776) | 2,159 |

Movement in Reserves Statement

Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the code.

| | |
|-------|-------|
| (467) | (340) |
|-------|-------|

Actual amount charged against the General Fund Balance for pension in the year

| | | |
|--|-------|-------|
| Employers contribution payable to scheme | 1,260 | 1,151 |
|--|-------|-------|

NOTES TO THE CORE FINANCIAL STATEMENTS

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

| | 2019/20 £000's | 2018/19 £000's |
|--|-------------------|-------------------|
| Present Value of the Defined Benefit Obligation | 54,997 | 60,404 |
| Fair Value of the plan assets | (32,445) | (35,046) |
| Net liability arising from Defined Benefit Obligation | 22,552 | 25,358 |

| | 2019/20 £000's | 2018/19 £000's |
|-------------------------------------|-------------------|-------------------|
| Opening fair value of scheme assets | 35,046 | 33,343 |
| Interest Income | 839 | 864 |

Remeasurement gain/ (loss)

The return on plan assets, excluding the amount included in the net interest expense

| | | |
|--|---------------|---------------|
| | (3,157) | 991 |
| Contributions from employer | 1,260 | 1,151 |
| Contribution from employees into the scheme | 242 | 237 |
| Losses/(gains) on curtailment (where relevant) | 0 | 0 |
| Benefits paid | (1,785) | (1,540) |
| Closing fair value of scheme assets | 32,445 | 35,046 |

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

| | 2019/20 £000's | 2018/19 £000's |
|--|-------------------|-------------------|
| Opening balance at 1st April | 60,404 | 55,391 |
| Current Service Costs | 1,630 | 1,411 |
| Interest cost | 1,454 | 1,445 |
| Contributions from scheme participants | 242 | 237 |

Remeasurement (gain) and loss

| | | |
|---|---------------|---------------|
| Actuarial gain/loss arising from changes in demographic assumptions | (1,913) | 0 |
| Actuarial gain/loss arising from changes in financial assumptions | (5,209) | 3,145 |
| Other | 189 | 5 |
| Past Service Costs | 28 | 353 |
| Losses/(gains) on curtailment (where relevant) | 0 | 0 |
| Benefits Paid | (1,828) | (1,583) |
| Closing balance at 31st March | 54,997 | 60,404 |

NOTES TO THE CORE FINANCIAL STATEMENTS

| | | |
|--|----------------------|----------------------|
| Equity Securities | 565 | 610 |
| Debt Securities | 3,167 | 3,422 |
| Private Equity | 1,496 | 1,616 |
| Real Estate | 2,425 | 2,619 |
| | <u>8,625</u> | <u>9,317</u> |
| Investment Funds and Unit Trusts: | | |
| Equities | 13,031 | 14,076 |
| Bonds | 1,371 | 1,481 |
| Hedge Funds | 3 | 3 |
| Commodities | 1,148 | 1,240 |
| Infrastructure | 1,706 | 1,843 |
| Other | 6,602 | 7,131 |
| | <u>23,861</u> | <u>25,774</u> |
| Derivatives: Foreign Exchange | (41) | (45) |
| Total Assets | <u><u>32,445</u></u> | <u><u>35,046</u></u> |

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 1st April 2014.

The significant assumptions used by the actuary have been:

Longevity at 65 for current pensioners

| | | |
|-------|------|------|
| Men | 21.5 | 22.1 |
| Women | 23.8 | 24.3 |

Longevity at 65 for future pensioners

| | | |
|-------|------|------|
| Men | 22.2 | 23.8 |
| Women | 25.2 | 26.2 |

Rate of Inflation

| | | |
|---|------|------|
| Rate of increase in salaries | 2.4% | 3.5% |
| Rate of increase in pensions | 1.9% | 2.5% |
| Rate for discounting scheme liabilities | 2.3% | 2.4% |

NOTES TO THE CORE FINANCIAL STATEMENTS

Impact on the Defined Benefit Obligation in the Scheme

| | Increase in Employer's Liability | Appropriate Monetary Amount |
|---|--|-----------------------------------|
| | % | £000's |
| Change in Assumptions at 31st March 2020 | | |
| 0.5% decrease in Real Discount Rate | 9% | 4,833 |
| 1 Year increase in member life expectancy | 3% | 1,379 |
| 0.5% increase in the Salary Increase Rate | 1% | 324 |
| 0.5% increase in the Pensions Increase Rate | 8% | 4,480 |

38. Revenue and Capital Grants

The Council has credited the following grants and contributions to the Comprehensive Income and Expenditure Statement during 2019/20:

| | 2019/20 | 2018/19 |
|--|--------------|--------------|
| | £000's | £000's |
| Revenue : | | |
| Rent Allowance | 4,933 | 5,654 |
| Benefit Administration | 132 | 145 |
| Rent Rebates | 2,221 | 2,549 |
| Housing Benefit Hardship | 62 | 68 |
| Universal Credit Grant | 13 | 26 |
| Housing Benefit New Burdens Grants | 20 | 39 |
| Property Searches New Burdens Grant | 0 | 8 |
| Brexit Preparations Grant | 35 | 18 |
| Council Tax Support New Burdens Grant | 0 | 3 |
| Local Authority Data Sharing | 11 | 8 |
| Individual Electoral Registration Grants | 6 | 7 |
| Safer Communities | 28 | 28 |
| Transparency Code | 8 | 8 |
| Brownfield Site Register New Burdens Grant | 2 | 4 |
| Custom Build Grant | 15 | 30 |
| Physical Activity Development Grant | 87 | 76 |
| Council Tax Family Annexe Discount | 2 | 0 |
| HLF Grant Brocks Hill Grant | 0 | 4 |
| | 7,575 | 8,675 |
| Capital : | | |
| Improvement Grants | 406 | 437 |
| | 406 | 437 |
| Total | 7,981 | 9,112 |

NOTES TO THE CORE FINANCIAL STATEMENTS

39. Capital Expenditure

The Council's in year capital expenditure was financed as follows:

| | 2019/20 | 2018/19 |
|--|---------------|---------------|
| | <u>£000's</u> | <u>£000's</u> |
| Opening Capital Financing Requirement | 36,167 | 34,299 |
| Capital Investment | | |
| Property, Plant, Equipment and Intangible Assets | 4,467 | 3,878 |
| Revenue Expenditure Funded from Capital under Statute - Other | | |
| Sources of Finance | | |
| Capital Receipts | (822) | (201) |
| Government Grants and Other Contributions | (261) | (443) |
| Revenue Contribution | (1,855) | (838) |
| Revenue Provision | (713) | (529) |
| Closing Capital Financing Requirement | <u>36,982</u> | <u>36,166</u> |
| Explanation of Movement in Year | | |
| Increase/Decrease in underlying need for supported Borrowing | 0 | 0 |
| Increase/Decrease in underlying need for unsupported Borrowing | 815 | 1,867 |
| | <u>815</u> | <u>1,867</u> |

General Fund capital expenditure in 2019/20 resulted in a net increase in the underlying need for unsupported borrowing of £815,311 (2018/19 £1,866,980).

40. Minimum Revenue Provision

Under the Capital Finance Regulations, this Council has a duty to set aside a Minimum Revenue Provision (MRP) for the repayment of external debt that it considers "prudent".

For this financial year in respect of debt that is supported by the Revenue Support Grant the method chosen is the Capital Financing Requirement (CFR) method. The CFR method calculates MRP as 4% of the non-housing CFR at the end of the preceding financial year.

In the case of new borrowing for which no government support has been given and is therefore self-financed, the Asset Life method has been used. This method requires MRP to be made in equal annual instalments over the estimated life of the asset for which the unsupported borrowing is undertaken.

The annuity asset life method requires that the MRP for each year be the amount presumed to be the principal element of the equal amounts that would be payable each year in respect of a loan at a specified rate of interest that would reduce the outstanding principal amount to zero at the end of the estimated useful life of the asset. This results in an MRP charge that rises over time. This is deemed to be particularly appropriate for assets which generate increasing revenues over time. This has been chosen for the leisure facilities project.

NOTES TO THE CORE FINANCIAL STATEMENTS

| | <u>2019/20</u> | <u>2018/19</u> |
|----------------------------------|-------------------|-------------------|
| | <u>£000's</u> | <u>£000's</u> |
| General Fund Charge | 713 | 529 |
| HRA Charge | 0 | 0 |
| Minimum Revenue Provision | <u>713</u> | <u>529</u> |

The provisions for depreciation and impairment should be regarded as part of the minimum revenue provision with the balance being treated as a transfer to or from the Capital Adjustment Account.

| | <u>2019/20</u> | <u>2018/19</u> |
|---|-----------------------|-----------------------|
| | <u>£000's</u> | <u>£000's</u> |
| Minimum Revenue Provision | 713 | 529 |
| Amount Charged as Depreciation | (1,571) | (1,422) |
| Amount Charged as Impairment | (867) | (142) |
| Additional Charge to/from the General Fund Balance | <u>(1,725)</u> | <u>(1,035)</u> |

41. Analysis of Net Assets Employed

| | <u>31st March 2020 £000's</u> | <u>31st March 2019 £000's</u> |
|-------------------------|---------------------------------------|---------------------------------------|
| General Fund | (1,662) | (4,958) |
| Housing Revenue Account | 41,104 | 41,963 |
| | <u>39,442</u> | <u>37,005</u> |

NOTES TO THE CORE FINANCIAL STATEMENTS

42. Information on Assets Held

Fixed assets owned by the Council include the following;

| | No. as at 31st March 2020 | No. as at 31st March 2019 |
|-----------------------------------|--|--|
| Operational Buildings : | | |
| Allotment Sites | 4 | 4 |
| Car Parks | 11 | 11 |
| Cemeteries | 2 | 2 |
| Cemetery Buildings | 4 | 4 |
| Council Offices | 1 | 1 |
| Community / Day Centres | 2 | 2 |
| Depots & Garage | 1 | 1 |
| Garages | 179 | 179 |
| Garage Spaces | 54 | 54 |
| Homelessness Shelter | 1 | 0 |
| Pavilions | 7 | 7 |
| Public Conveniences | 4 | 4 |
| Sports Centre | 2 | 2 |
| Swimming Pools | 0 | 0 |
| Sports Grounds & Parks | 17 | 17 |
| Vehicle Workshop | 1 | 1 |
| Brocks Hill Visitor Centre | 1 | 1 |
| Brocks Hill Country Park | 1 | 1 |
| Investment Property: Shops | 3 | 3 |
| Council Dwellings | 1202 | 1207 |

NOTES TO THE CORE FINANCIAL STATEMENTS

43. Financial Instruments Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

| Financial Liabilities | Non-Current | | | | Current | | | | Total | |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Borrowings | | Creditors | | Borrowings | | Creditors | | Total | |
| | 2019/20 £000's | 2018/19 £000's | 2019/20 £000's | 2018/19 £000's | 2019/20 £000's | 2018/19 £000's | 2019/20 £000's | 2018/19 £000's | 2019/20 £000's | 2018/19 £000's |
| Fair value through profit & loss | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Amortised cost | 21,333 | 22,418 | 48 | 20 | 11,552 | 9,052 | 2,391 | 1,719 | 35,324 | 33,209 |
| Total Financial Liabilities | 21,333 | 22,418 | 48 | 20 | 11,552 | 9,052 | 2,391 | 1,719 | 35,324 | 33,209 |
| Non Financial Liabilities | | | | | | | | | 0 | 0 |
| Total | 21,333 | 22,418 | 48 | 20 | 11,552 | 9,052 | 2,391 | 1,719 | 35,324 | 33,209 |

NOTES TO THE CORE FINANCIAL STATEMENTS

44. Financial Instruments Gains/Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

| | Financial Assets | |
|------------------------------|------------------------------|----------------|
| | Loans and Receivables | |
| | 2019/20 | 2018/19 |
| | £000's | £000's |
| Interest Expense | 747 | 741 |
| Interest Income | (14) | (24) |
| Net (Gain)/Loss for the Year | <u>733</u> | <u>717</u> |

45. Fair Value of Assets and Liabilities Carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated interest rates at 31 March 2020 for loans and investments, including those loans from the Public Works Loan Board, are based on a rate equivalent to that of the outstanding period of each loan or investment.
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values calculated are as follows:

Financial liabilities

| | 31st March 2020 | | 31st March 2019 | |
|--|------------------------|-------------------|------------------------|-------------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | £000's | £000's | £000's | £000's |
| Financial liabilities held at amortised cost - | | | | |
| Public Works Loans | (35,276) | (41,980) | (33,189) | (38,069) |
| Long term creditors | 0 | 0 | 0 | 0 |
| PFI & finance lease liabilities | (48) | (20) | (20) | (20) |
| Total | <u>(35,324)</u> | <u>(42,000)</u> | <u>(33,209)</u> | <u>(38,089)</u> |

The fair value is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. This commitment

NOTES TO THE CORE FINANCIAL STATEMENTS

to pay interest above current market rates increases the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

Financial assets

| | 31st March 2020 | | 31st March 2019 | |
|---|-----------------|--------------|-----------------|--------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | £000's | £000's | £000's | £000's |
| Financial assets held at amortised cost | 6,381 | 6,381 | 5,885 | 5,885 |
| Long term Debtors | 23 | 23 | 32 | 32 |
| Total | 6,404 | 6,404 | 5,917 | 5,917 |

The fair value is represented by the carrying amount as the Council has no material long-term investments.

46. Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks, the key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimize these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the Code of Practice;
- By approving annually in advance prudential indicators for the following three years limiting:
 - The Council's overall borrowing;
 - The maximum and minimum exposures to fixed and variable rates;
 - The maximum and minimum exposures to the maturity structure of its debt;
 - The maximum annual exposures to investments maturing beyond a year.

NOTES TO THE CORE FINANCIAL STATEMENTS

- By approving an Investment Strategy for the forthcoming year, setting out its criteria for both investing and selecting investment counterparties, in compliance with the Government Guidance;

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual Treasury Strategy and Plan which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported at least annually to Members.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed periodically.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are only made with UK banks and "top 20" building societies with a minimum long-term rating of 'A' and a short-term rating of F1. In addition, investments in money market funds may be made, provided that such funds have a long-term rating of 'AAA'. Top 20 is defined as building societies with a minimum asset base of £1 billion. The Council has a policy of not lending more than £1.5 million of its surplus balances to one institution.

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions. For sundry debtors, other debtors and housing rents the historical experience of default is based on the provision for bad and doubtful debts according to generally accepted accounting practice. This is adjusted to reflect current market conditions.

| | Amount at 31st March 2020 | Historical Experience of Default | Market Conditions at 31st March 2020 | Maximum Exposure to Default and Uncollectibility |
|---|---------------------------------|--|---|---|
| | £000's | % | % | £000's |
| | A | B | C | (A x C) |
| Deposits with banks and financial Institutions | | | | |
| Local Authorities | 0 | 0.00 | 0.00 | 0.00 |
| A'AA' Rated Counterparties | 0 | 0.00 | 0.00 | 0.00 |
| 'AA' Rated Counterparties | 0 | 0.02 | 0.02 | 0.00 |
| 'A' Rated Counterparties | 0 | 0.06 | 0.06 | 0.00 |
| BBB' Rated Counterparties | 0 | 0.00 | 0.21 | 0.00 |
| Sundry Debtors * | 1,747 | 0.04 | 0.04 | 69.88 |
| Other Debtors | 191 | 0.04 | 0.04 | 7.64 |
| Housing Rents | 323 | 0.02 | 0.02 | 6.46 |
| | | | | <u>83.98</u> |

NOTES TO THE CORE FINANCIAL STATEMENTS

* Sundry debtors includes the overpayment of housing benefits, building control fees and charges, licensing fees and other service fees and charges.

Whilst the current credit crisis in international markets has raised the overall possibility of default, the Council maintains strict credit criteria for investment counterparties. As a result of these high credit criteria, we have maintained historical default rates as a good indicator under these current conditions.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council does not allow credit for customers, such that all of the debtor's balance is past its due date for payment. The past due amount can be analysed by age as follows:

| | <u>2019/20</u> | <u>2018/19</u> |
|------------------------|----------------|----------------|
| | <u>£000's</u> | <u>£000's</u> |
| Less than three months | 906.89 | 82 |
| Three to six months | 39.34 | 51 |
| Six months to one year | 105.06 | 120 |
| More than one year* | 696.43 | 644 |
| | <u>1,748</u> | <u>897</u> |

* The majority of debt that has been outstanding for more than one year relates to the overpayment of housing benefit where instalment payments have been set up.

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the Treasury Strategy and Plan and Investment Strategy reports), as well as through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the Public Works Loan Board (PWLb) provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose action is unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

NOTES TO THE CORE FINANCIAL STATEMENTS

The approved prudential indicator limits for the maturity structure of debt, and the limits placed on investments placed for greater than one year in duration, are the key parameters used to address this risk. The Council approved the Treasury Strategy and Plan and Investment Strategy to address the main risks, and the central treasury team addresses the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments to provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows:

| | 2019/20 | 2018/19 |
|----------------------------|-----------------|----------------|
| | £000's | £000's |
| Less than one year | 13,943 | 10,771 |
| Between one and two years | 1,033 | 1,015 |
| Between two and five years | 3,041 | 3,030 |
| More than five years | 17,307 | 18,393 |
| | 35,324 | 33,209 |
| Short Term Creditors* | (2,391) | (1,719) |
| Short Term Borrowing | (11,552) | (9,052) |
| Long Term Creditors | (48) | (20) |
| Long Term Borrowing | (21,333) | (22,418) |
| | (35,324) | (33,209) |

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

*Amounts owing to and from central government and other local government agencies are not deemed financial instruments, as they represent statutory obligations, rather than tradable instruments. Consequently, the short-term creditors figure here is lower than the Balance Sheet figure.

Market Risk

Interest Rate Risk

Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise

NOTES TO THE CORE FINANCIAL STATEMENTS

- Investments at fixed rates – the fair value of the assets will fall

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

The Council has a number of strategies for managing interest rate risk. The policy is to have no more than 25% of its borrowings in variable rate loans. The risk of loss is ameliorated by the fact that a proportion of Government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

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

According to this assessment strategy, at 31 March 2020, if interest rates had been 1% higher with all other variables held constant, the financial effect would have been:

| | <u>2019/20</u> <u>£000's</u> | <u>2018/19</u> <u>£000's</u> |
|--|---------------------------------|---------------------------------|
| Increased return on money market investments | (8) | (41) |
| Impact on Income and Expenditure Account | <u>(8)</u> | <u>(41)</u> |
| Share of Overall Impact Credited to the HRA | <u>(6)</u> | <u>(12)</u> |

The current Bank of England Base Rate is 0.50%. The scope for any further decrease in prevailing interest rates for investments with a maturity of less than one year is so small that the Council does not regard the risk to be material.

Price Risk

The Council is not exposed to price risk as it does not invest in equity shares.

Foreign Exchange Risk

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

47. Contingent Liabilities

Municipal Mutual Insurance

The Scheme of Arrangement was enacted in 2012/13. The impact upon the Council as a scheme creditor is not clear, nor is the consequential impact on future funding for

NOTES TO THE CORE FINANCIAL STATEMENTS

unknown claims incurred but not reported between 1974 and 1992. Whilst the Council has so far fulfilled its obligations to the scheme, the total liability going forward is uncertain, and there thus remains the possibility of future demands on Council funds.

Litigation

The Council is currently undergoing an HSE enquiry in relation to a fatal accident in Willow Park. If this proceeds to a prosecution, there is a potential liability of approximately £100K.

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

There are no prior period adjustments which relate to the 2019/20 Accounts.

THE HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

This account summarises the resources that have been generated and consumed in providing services and managing the Council's Housing Revenue Account (HRA) during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

| | <u>2019/20</u> | <u>2018/19</u> |
|---|----------------|----------------|
| Note | £000's | £000's |
| Expenditure | | |
| Repairs and maintenance | 1,143 | 1,016 |
| Supervision and management | 629 | 1,325 |
| Rents, rates, taxes and other charges | 15 | 4 |
| Depreciation and impairment of non-current assets | 6, 7 1,006 | (1,251) |
| Debt management charges | 4 | 10 |
| Increase/(decrease) in bad debt provision | (1) | 38 |
| Total Expenditure | <u>2,796</u> | <u>1,142</u> |
| Income | | |
| Dwellings rent | (4,780) | (4,858) |
| Non dwellings rent | (74) | (71) |
| Charges for services and facilities | (96) | (95) |
| Total Income | <u>(4,950)</u> | <u>(5,024)</u> |
| Net Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement | (2,154) | (3,882) |
| HRA services share of Corporate and Democratic Core | 1,195 | 385 |
| HRA Share of other amounts included in whole authority net expenditure of continuing operations not allocated to specific services | 3 | 34 |
| Net Income of HRA Services | <u>(956)</u> | <u>(3,463)</u> |
| HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement : | | |
| (Gain)/Loss on the Sale of HRA non-current assets | (221) | (91) |
| De-recognition of Non-Current Assets | 730 | 139 |
| Interest and investment income | (10) | (7) |
| Interest payable and similar charges | 549 | 552 |
| Pensions interest cost and expected return on pension assets | 55 | 63 |
| (Surplus) / Deficit for the Year on HRA Services | <u>147</u> | <u>(2,807)</u> |

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

This reconciliation statement summarises the differences between the outturn on the HRA Income and Expenditure Account and the HRA Balance.

| | <u>2019/20</u> | <u>2018/19</u> |
|--|-----------------------|-----------------------|
| Note | <u>£000's</u> | <u>£000's</u> |
| Balance on the HRA at the end of the previous reporting period | (1,083) | (635) |
| (Surplus) / Deficit for the year on the HRA Income and Expenditure Statement | 147 | (2,841) |
| Adjustments made between Accounting Basis and funding basis under statute | 1 (196) | 2,393 |
| Net (increase) or decrease before transfers to or from reserves | (49) | (448) |
| Transfers to or (from) Reserves | 0 | 0 |
| (Increase) or decrease in year on the HRA | (49) | (448) |
| Balance on the HRA at the end of the current reporting period | <u>(1,132)</u> | <u>(1,083)</u> |

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Adjustment Between Accounting Basis and Funding Basis Under Statute

| | <u>2019/20</u> | <u>2018/19</u> |
|--|----------------|----------------|
| | | £000's |
| Impairment of non-current assets | 412 | 2,538 |
| (Gain) / loss on the sale of non-current assets | 221 | 91 |
| Accumulating compensating absences | (3) | 0 |
| De-recognition of non-current assets | (730) | (139) |
| Net charges made for retirement benefits in accordance with IAS 19 | (205) | (224) |
| Transfer (to) / from major repairs reserve | 0 | 0 |
| Revenue contribution to capital | 0 | 0 |
| Employers contribution payable to the Leicestershire Pension Fund and retirement benefits payable direct to pensioners | 109 | 127 |
| Adjustments made between Accounting Basis and Funding Basis under Statute | <u>(196)</u> | <u>2,393</u> |

2. Balance Sheet Value of Authority's Housing Stock

| | <u>2019/20</u> | <u>2018/19</u> |
|-------------------------------|----------------|----------------|
| | £000's | £000's |
| Operational Assets | | |
| Dwellings | 62,477 | 61,593 |
| Other Land and Buildings | 1,091 | 1,076 |
| | <u>63,568</u> | <u>62,669</u> |
| Non Operational Assets | | |
| Investment Property | 174 | 170 |
| Total | <u>63,742</u> | <u>62,839</u> |

The vacant possession value of dwellings at 31 March 2020 was £149,049,335 (31 March 2019 £146,649,297), against a balance sheet value of £62,600,701 (31 March 2019 £61,592,705) at the same point in time. The difference reflects the fact that social housing rents generate a lower income stream than could be obtained in the open market. The value placed on assets in a commercial environment will reflect the required economic rate of return in relation to income streams that the assets might be expected to generate throughout their economic life. To the extent that income streams are constrained to serve a wider social purpose, the value of capital assets employed for council housing will be reduced.

NOTES TO THE HOUSING REVENUE ACCOUNT

3. Housing Stock

The Council was responsible for managing on average 1,205 dwellings during 2018/19. The stock at year end was as follows;

| | <u>2019/20</u> | <u>2018/19</u> |
|---------------------|----------------|----------------|
| | Number | Number |
| Houses / Bungalows | 667 | 669 |
| Flats / Maisonettes | 535 | 538 |
| Total Stock | <u>1,202</u> | <u>1,207</u> |

The change in stock can be summarised as follows;

| | <u>2019/20</u> | <u>2018/19</u> |
|-------------------|----------------|----------------|
| | Number | Number |
| Stock at 1 April | 1,207 | 1,215 |
| Sales | (8) | (8) |
| Additions | 3 | 0 |
| Stock at 31 March | <u>1,202</u> | <u>1,207</u> |

4. Major Repairs Reserve

| | <u>2019/20</u> | <u>2018/19</u> |
|------------------------------|----------------|----------------|
| | £000's | £000's |
| Balance at 1 April | 450 | 0 |
| Amounts Transferred In | 1,423 | 1,288 |
| Transfers to/(from) HRA | 0 | 0 |
| Used for Capital Expenditure | (1,856) | (838) |
| Balance at 31 March | <u>17</u> | <u>450</u> |

5. Funding of HRA Stock

A total of £840,767 was spent on the Authority's housing stock in 2018/19 (£840,767 in 2018/19).

This was funded as follows:

| | <u>2019/20</u> | <u>2018/19</u> |
|-----------------------|----------------|----------------|
| | £000's | £000's |
| Major Repairs Reserve | 1,856 | 838 |
| Unsupported Borrowing | 527 | 0 |
| Balance at 31 March | <u>2,383</u> | <u>838</u> |

NOTES TO THE HOUSING REVENUE ACCOUNT

HRA Capital Receipts retained by the Authority for 2019/20 totalled £518,459 (2018/19 £379,913). These were entirely attributable to the sale of council houses under the Right to Buy Scheme.

6. Depreciation and Amortisation

The total charge for non current assets within the Authority's HRA during the financial year 2018/19 is £1,287,000.

| | <u>2019/20</u> | <u>2018/19</u> |
|-------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Dwellings | 1287 | 1175 |
| Other Land and Buildings | 126 | 104 |
| Plant, Equipment and Vehicles | 6 | 1 |
| Intangibles | 4 | 8 |
| Total | <u>1423</u> | <u>1288</u> |

7. Impairment of HRA Assets

Due to Central Government changes in valuation guidelines, there was no net impairment charge made to the HRA for 2019/20. Instead, there was a reversal of impairment charged in previous years.

| | <u>2019/20</u> | <u>2018/19</u> |
|-----------|----------------|----------------|
| | £'000 | £'000 |
| Dwellings | (412) | (2,538) |
| Total | <u>(412)</u> | <u>(2,538)</u> |

8. Rent Arrears

During the year rent arrears have decreased by £15,000.

| | <u>2019/20</u> | <u>2018/19</u> |
|---------------------|----------------|----------------|
| | £'000 | £'000 |
| Arrears at 31 March | 284 | 299 |

A bad debt provision has been made in the accounts in respect of potentially uncollectible rent arrears. The value of the provision at 31 March 2020 is £169,249 (31 March 2019 £178,146).

9. HRA Share of Contribution To or From the Pension Fund

To Comply with IAS 19 the current service costs for the HRA are incorporated into Supervision and Management and Repairs and Maintenance costs shown. These Items are then reversed by the net effect of the following items:

NOTES TO THE HOUSING REVENUE ACCOUNT

- (i) Net Charges Made for Retirement Benefits in Accordance with IAS 19.
This amounted to £204,570 in 2019/20 (£224,400 in 2018/19).
- (ii) Employers Contributions to Leicestershire County Council pension fund and retirement benefits paid direct to pensioners. This amounted to £108,513 in 2019/20 (£126,433 in 2018/19).

Explanatory Foreword

The Collection Fund is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and National Non-Domestic Rates (NNDR) and its distribution to local government bodies and the Government.

The Council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund therefore, is to isolate the income and expenditure relating to Council Tax and National Non-Domestic Business Rates. The administrative cost associated with the collection process is charged to the General Fund.

Collection Fund surpluses declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year. For Oadby and Wigston, the Council Tax precepting bodies are the Leicestershire County Council (LCC), the Police and Crime Commissioner for Leicestershire (PCCL) and the Leicester, Leicestershire and Rutland Combined Fire Authority (LLRCFA).

In 2013/14, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give councils a greater incentive to grow businesses in the borough. It does, however, also increase the financial risk due to non-collection and the volatility of the NNDR tax base.

The scheme allows the Council to retain a proportion of the total NNDR received. The Oadby and Wigston share is 40% with the remainder paid to precepting bodies. For Oadby and Wigston the NNDR precepting bodies are Central Government (50% share), County Council (9%) and Fire Authority (1% share).

NNDR surpluses declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year.

The national code of practice followed by Local Authorities in England stipulates that a Collection Fund Income and Expenditure account is included in the Council's accounts. The Collection Fund balance sheet meanwhile is incorporated into the Council's consolidated balance sheet.

The Accounts include an Explanatory Forward, a Statement of Accounting Policies and an Income and Expenditure Account, together with supporting notes.

Accounting Policies**1. Income and Expenditure**

The accounts have been prepared on an accruals basis. This means sums due to or from the Collection Fund, are included whether or not the cash has actually been received or paid in the year.

The above policy is not followed when dealing with the apportionment of the surplus or deficit on the fund to precepting authorities.

2. Council Tax/NNDR Bad Debt Provision and NNDR Provision for Valuation Appeals

A provision is created when a sum of money is set aside to meet future specific expenses which are likely or certain to be incurred, but the amount of which cannot yet be determined accurately.

The Collection Fund provides for bad debts on arrears on the basis of prior year experience and the current year's collection rates.

THE COLLECTION FUND ACCOUNT

| 2018/19 | | | | 2019/20 | | | |
|--------------------------|-----------------------|-----------------|---|---------|--------------------------|-----------------------|-----------------|
| Business Rates £000's | Council Tax £000's | Total £000's | | Note | Business Rates £000's | Council Tax £000's | Total £000's |
| Income | | | | | | | |
| 0 | 29,892 | 29,892 | Council Tax Payers | | 0 | 31,836 | 31,836 |
| | | | Transfers from General Fund - | | | | |
| 0 | 9 | 9 | Council Tax Benefits | | 0 | 6 | 6 |
| 12,386 | 0 | 12,386 | Business Ratepayers | 3 | 12,665 | 0 | 12,665 |
| | | | Apportionment of Previous Year Deficit - | | | | |
| 0 | 0 | 0 | Central Government | | (174) | 0 | (174) |
| 0 | 0 | 0 | Oadby & Wigston Borough Council | | (139) | 0 | (139) |
| 0 | 0 | 0 | Leicestershire County Council | | (31) | 0 | (31) |
| | | | Leicester, Leicestershire & Rutland | | | | |
| 0 | 0 | 0 | Combined Fire Authority | | (3) | 0 | (3) |
| 12,386 | 29,901 | 42,287 | Total Income | | 12,318 | 31,842 | 44,160 |
| Expenditure | | | | | | | |
| 12,218 | 29,760 | 41,978 | Precepts and Demands | 4 | 12,241 | 31,476 | 43,717 |
| 55 | 0 | 55 | Costs of Collection | | 55 | 123 | 178 |
| 1 | 0 | 1 | Court Costs | | 4 | 0 | 4 |
| | | | Bad and Doubtful Debts - | | | | |
| 98 | 20 | 118 | Write Offs | | 0 | 0 | 0 |
| (61) | 99 | 38 | Provisions | | 0 | 0 | 0 |
| 487 | 0 | 487 | Appeals | | 0 | 0 | 0 |
| | | | Apportionment of Previous Year Surplus - | | | | |
| (174) | 0 | (174) | Central Government | | 0 | 0 | 0 |
| (139) | 10 | (129) | Oadby and Wigston Borough Council | | 0 | (8) | (8) |
| (31) | 57 | 26 | Leicestershire County Council | | 0 | (45) | (45) |
| | | | Leicester, Leicestershire & Rutland | | | | |
| (3) | 4 | 1 | Combined Fire Authority | | 0 | (7) | (7) |
| | | | Police and Crime Commissioner for | | | | |
| 0 | 9 | 9 | Leicestershire | | 0 | (2) | (2) |
| 12,451 | 29,959 | 42,410 | Total Expenditure | | 12,300 | 31,537 | 43,837 |
| Movement on Fund | | | | | | | |
| 65 | 58 | 123 | | | (18) | (305) | (323) |
| 481 | 6 | 487 | Balance at Beginning of Year | | 546 | 64 | 610 |
| 546 | 64 | 610 | (Surplus)/Deficit on Fund at End of Year | | 528 | (241) | 287 |
| Allocated to - | | | | | | | |
| 273 | 0 | 273 | Central Government | | 0 | 0 | 0 |
| 219 | 8 | 227 | Oadby and Wigston Borough Council | | 114 | (29) | 85 |
| 49 | 45 | 94 | Leicestershire County Council | | 213 | (173) | 40 |
| | | | Leicester, Leicestershire & Rutland | | | | |
| 5 | 2 | 7 | Combined Fire Authority | | 196 | (30) | 166 |
| | | | Police and Crime Commissioner for | | | | |
| 0 | 9 | 9 | Leicestershire | | 5 | (9) | (4) |
| 546 | 64 | 610 | | | 528 | (241) | 287 |

NOTES TO THE COLLECTION FUND ACCOUNT

1. Council Tax Balance and Transactions at Year End

For the purpose of the Balance Sheet, it is considered that this authority acts as an agent, collecting Council Tax on behalf of the major preceptors and itself. Council Tax transactions and balances are therefore allocated between this authority and the other major preceptors.

Shown below are the allocations to all preceptors as at 31st March 2020.

| Authority | Arrears £000's | Bad Debt Provision £000's | Over & Pre payments £000's | (Surplus) /Deficit £000's | Balance Payable £000's | Balance 2018/19 £000's |
|-------------------------------------|-------------------|---------------------------------|----------------------------------|---------------------------------|------------------------------|------------------------------|
| Leicestershire County Council | 1,532 | (472) | (311) | (174) | (575) | (438) |
| Leicestershire Police Authority | 265 | (82) | (54) | (30) | (99) | (76) |
| Combined Fire Authority | 79 | (24) | (16) | (9) | (30) | (22) |
| Total Other Major Preceptors | 1,875 | (578) | (381) | (212) | (704) | (536) |
| Oadby & Wigston Borough Council | 266 | (82) | (54) | (30) | (100) | (76) |
| Total All Preceptors | 2,142 | (660) | (434) | (243) | (804) | (612) |

2. Council Tax

Council Tax derives from charges raised according to the value of residential properties, which have been classified into 9 valuation bands (A-H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the Council Tax base (i.e. the equivalent numbers of Band D dwellings).

The Council Tax base for 2019/20 has increased to £17,423.20 (£17,257.00 in 2018/19).

| Band | Estimated No. of Taxable Properties after Effect of Discounts | Ratio | No. of Band D Equivalent Dwellings |
|---|--|-------|---|
| Z | 4.46 | 5/9 | 2.50 |
| A | 2,631.06 | 6/9 | 1,754.00 |
| B | 5,025.52 | 7/9 | 3,908.70 |
| C | 6,101.12 | 8/9 | 5,423.20 |
| D | 2,781.24 | 9/9 | 2,781.20 |
| E | 1,743.46 | 11/9 | 2,130.90 |
| F | 453.95 | 13/9 | 655.70 |
| G | 433.22 | 15/9 | 722.00 |
| H | 65.77 | 18/9 | 131.50 |
| Total | 19,239.80 | | 17,509.70 |
| Add Adjustment** | | | 178.83 |
| Deduct Allowance for Losses in Collection | | | (265.33) |
| Council Tax Base | | | 17,423.20 |

**** Adjustment**

The adjustment relates to anticipated changes during the year for successful appeals against valuation bandings, new properties, demolitions, disabled persons relief, exempt properties, and crown contributions.

3. Income from Business Ratepayers

In 2013/14, the administration of NNDR changed following the introduction of a business rates retention scheme which aims to give councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to the central pool, local authorities retain a proportion of the total collectable rates due. In the case of Oadby and Wigston the local share is 40%. The remainder is distributed to preceptors and in the case of Oadby and Wigston these are Central Government 50%, Leicestershire County Council (LCC) 9% and 1% to the Leicester, Leicestershire and Rutland Combined Fire Authority (CFA).

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect Oadby and Wigston paid a tariff in 2019/20 to the value of £3,911,508 (£3,618,046 in 2018/19) (see Note 9, Notes to the Core Financial Statements).

In addition to the top up, a 'safety net' figure is calculated at 92.5% of baseline amount which ensures that authorities are protected to this level of Business Rates income. For Oadby and Wigston the value of safety net figure is £1,372,283 in 2018/19 (£1,372,228 in 2018/19). The comparison of business rate income to the safety net uses the total income collected from business rate payers and adjusts for losses in collection, losses on appeal, transitional protection payments, the cost of collection and the revision to Small Business Rate Relief (announced in the Autumn Statement 2014) not allowed for when the safety net was set.

A further Safety Net or Levy system acts to ensure that any local authority is protected from a net localised business rate yield of less than 92.5% of its Baseline Funding. A Safety Net grant is paid if the authority's yield falls below this with a Levy being imposed if it is greater. In 2018/19 The Council was in a Levy position of £101,791 (Levy of £101,791 for 2018/19).

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by the Valuation Office Agency, and hence business rates outstanding as at 31 March 2020. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. The total provision charged to the collection fund for 2019/20 has been calculated at £2,038,438 (£2,038,438 in 2018/19).

NOTES TO THE COLLECTION FUND ACCOUNT

The total non-domestic rateable value at 31 March 2020 was £34,950,652 (£34,792,827 31 March 2019). The national non-domestic multipliers for the year were:

Full 0.504 (0.493 for 2018/19)
Small Business 0.491 (0.466 for 2018/19)

Shown below are the allocations to all preceptors as at 31 March 2020.

| Authority | Arrears £000's | Bad Debt Provision £000's | Appeals Provision £000's | Over & Pre payments £000's | (Surplus) /Deficit £000's | Balance Payable £000's | Balance 2018/19 £000's |
|-------------------------------------|-------------------|---------------------------------|--------------------------------|----------------------------------|---------------------------------|------------------------------|------------------------------|
| Central Government | 264 | (120) | (1,019) | (324) | 273 | (93) | 586 |
| Leicestershire County Council | 48 | (22) | (184) | (58) | 49 | (17) | 106 |
| Combined Fire Authority | 5 | (2) | (20) | (6) | 5 | (2) | 11 |
| Total Other Major Preceptors | 317 | (144) | (1,223) | (388) | 327 | (112) | 703 |
| Oadby & Wigston Borough Council | 211 | (96) | (815) | (258) | 220 | (74) | 470 |
| Total All Preceptors | 528 | (240) | (2,038) | (646) | 547 | (186) | 1,173 |

4. Precepts and Demands

| 2018/19 | | | 2019/20 | | |
|-----------------------------|--------------------------|-----------------|-----------------------------|--------------------------|-----------------|
| Business Rates £000's | Council Tax £000's | Total £000's | Business Rates £000's | Council Tax £000's | Total £000's |
| 1,100 | 21,444 | 22,544 | 4,591 | 22,514 | 27,105 |
| 0 | 3,438 | 3,438 | 0 | 3,889 | 3,889 |
| 122 | 1,117 | 1,239 | 122 | 1,161 | 1,284 |
| 6,109 | 0 | 6,109 | 4,468 | 0 | 4,468 |
| 4,887 | 3,761 | 8,648 | 3,061 | 3,912 | 6,972 |
| 12,218 | 29,760 | 41,978 | 12,242 | 31,476 | 43,718 |
| Total | | | | | |

GLOSSARY OF TERMS

For the purposes of the Code of Practice the following definitions have been adopted:

ACCOUNTING POLICIES

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- (i) Recognising,
- (ii) Selecting measurement bases for, and
- (iii) Presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or loss is to be recognised; the basis on which it is to be measured; and where in the Revenue account or Balance Sheet it is to be presented.

ACQUIRED OPERATIONS

Operations comprise services and divisions of service as defined in the Best Value Accounting Code of Practice. Acquired operations are those operations of the local authority that are acquired in the period.

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- (a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or
- (b) the actuarial assumptions have changed.

ASSETS HELD FOR SALE

Assets which are being marketed for sale in their current condition.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

CLASS OF NON CURRENT ASSETS

The classes of non current assets required to be included in the accounting statements are:

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Operational assets

- Council dwellings
- Other land and buildings
- Vehicles, plant, furniture and equipment
- Community assets
- Intangible assets

Non-operational assets

- Investment properties
- Heritage Assets
- Assets under construction
- Assets held for sale

Further analysis of any of these items should be given if it is necessary to ensure fair presentation.

COMMUNITY ASSETS

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks, cemeteries and allotments.

CONSISTENCY

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

CONSTRUCTIVE OBLIGATION

An obligation that derives from an authority's actions where:

- (a) by an established pattern of past practice, published policies or a sufficiently specific current statement, the authority has indicated to other parties that it will accept certain responsibilities; and
- (b) as a result, the authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

CONTINGENT ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the local authority's control.

CONTINGENT LIABILITY

A contingent liability is either:

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

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

CURTAILMENT

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- (a) termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business, and
- (b) termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

DEFINED BENEFIT SCHEME

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

DEFINED CONTRIBUTION SCHEME

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have

GLOSSARY OF TERMS

sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

DEPRECIATION

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

DISCONTINUED OPERATIONS

Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. An operation should be classified as discontinued if all of the following conditions are met:

- (a) the termination of the operation is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved;
- (b) the activities related to the operation have ceased permanently;
- (c) the termination of the operation has a material effect on the nature and focus of the local authority's operations and represents a material reduction in its provision of services resulting either from its withdrawal from a particular activity (whether a service or division of service or its provision in a specific geographical area) or from a material reduction in net expenditure in the local authority's continuing operations;
- (d) the assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes.

Operations not satisfying all these conditions are classified as continuing.

DISCRETIONARY BENEFITS

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the authority's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996, the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998, or The Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

GLOSSARY OF TERMS

ESTIMATION TECHNIQUES

The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses, and changes to reserves.

Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example:

- (a) methods of depreciation, such as straight-line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a tangible fixed asset consumed in a period;
- (b) different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXCEPTIONAL ITEMS

Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

EXPECTED RATE OF RETURN ON PENSIONS ASSETS

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

FINANCE LEASE

A finance lease is a lease that transfers substantially all the risks and rewards of ownership of a fixed asset to the lessee. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract.

GLOSSARY OF TERMS

GENERAL FUND

The main revenue account of the Council covering all services apart from housing landlord functions.

GOING CONCERN

The concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and Balance Sheet assume no intention to curtail significantly the scale of operations.

GOVERNMENT GRANTS

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

HERITAGE ASSETS

An asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. Examples of heritage assets are historical buildings, civic regalia, and antiques.

IMPAIRMENT

A reduction in the fair value of a fixed asset below its carrying amount on the Balance Sheet. Destruction or damage to fixed assets will result in an impairment.

INTANGIBLE ASSETS

Assets that have no physical substance, primarily intellectual property. The most common examples for local authority purposes are computer software licenses.

INTEREST COST (PENSIONS)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Accounting Standards now applicable to local authorities from 2010/11 onwards, replacing the UK GAAP regime.

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INVESTMENT PROPERTIES

Interest in land and/or buildings:

- (a) in respect of which construction work and development have been completed; and
- (b) which is held for its investment potential, any rental income being negotiated at arm's length.

INVESTMENTS (PENSIONS FUND)

The investment of the pensions fund will be accounted for in the statements of that fund. However authorities are also required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

LIQUID RESOURCES

Current asset investments that are readily disposable by the authority without disrupting its business and are either; readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

LONG-TERM CONTRACTS

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

NET BOOK VALUE

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

NET CURRENT REPLACEMENT COST

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

NET DEBT

The authority's borrowings less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference should be to net funds rather than net debt.

GLOSSARY OF TERMS

NET REALISABLE VALUE

The open market value of the asset in its existing use (or market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

NON CURRENT ASSETS

Non-current assets that yield benefits to the local authority and the service it provides for a period of more than one year.

NON-OPERATIONAL ASSETS

Fixed assets held by a local authority but not used or consumed in the delivery of services or for the service or strategic objectives of the authority. Examples of non-operational assets include; investment properties and assets that are surplus to requirements, pending their sale. It should be noted that the incident of rental income does not necessarily mean that the asset is an investment property, it would be deemed an investment property only if the asset is held solely for investment purposes and does not support the service or strategic objectives of the authority and the rental income is negotiated at arms length.

OPERATING LEASES

A lease other than a finance lease.

OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objectives of the authority.

PAST SERVICE COST

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

PRIOR PERIOD ADJUSTMENTS

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROJECTED UNIT METHOD

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

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- (a) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and
- (b) the accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:

- (i) one party has direct or indirect control of the other party; or
- (ii) the parties are subject to common control from the same source; or
- (iii) one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- (iv) the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Examples of related parties of an authority include:

- (i) central government;
- (ii) local authorities and other bodies precepting or levying demands on the council tax;
- (iii) its subsidiary and associated companies;
- (iv) its joint ventures and joint venture partners;
- (v) its members;
- (vi) its chief officers; and
- (vii) its pension fund.

Examples of related parties of a pension fund include its:

- (i) administering authority and its related parties;
- (ii) scheduled bodies and their related parties; and
- (iii) trustees and advisers.

GLOSSARY OF TERMS

These lists are not intended to be comprehensive.

For individuals identified as related parties, the following are also presumed to be related parties:

- (i) members of the close family, or the same household; and
- (ii) partnerships, companies, trusts or other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

RELATED PARTY TRANSACTION

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Examples of related party transactions include:

- (i) the purchase, sale, lease, rental or hire of assets between related parties;
- (ii) the provision by a pension fund to a related party of assets or loans, irrespective of any direct economic benefit to the pension fund;
- (iii) the provision of a guarantee to a third party in relation to a liability or obligation of a related party;
- (iv) the provision of services to a related party, including the provision of pension fund administration services;
- (v) transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as council tax, rents and payments of benefits.

This list is not intended to be comprehensive

The materiality of related party transactions should be judged not only in terms of their significance to the authority, but also in relation to its related party.

REMUNERATION

All sums paid to or receivable by employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than cash. Pension contributions payable by the employer are excluded.

RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

GLOSSARY OF TERMS

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

SCHEME LIABILITIES

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

SETTLEMENT

An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- (a) a lump-sum cash payment to scheme members in exchange for their rights to receive specified pensions benefits
- (b) the purchase of an irrevocable annuity contract sufficient to cover vested benefits, and
- (c) the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme

STOCKS

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Stocks comprise the following categories:

- (a) goods or other assets purchased for resale;
- (b) consumable stores;
- (c) raw materials & components purchased for incorporation into products for sale;
- (d) products and services in intermediate states of completion;
- (e) long-term contract balances; and
- (f) finished goods.

GLOSSARY OF TERMS

USEFUL LIFE

The period over which the local authority will derive benefits from the use of fixed assets.

VESTED RIGHTS

In relation to a defined benefit scheme, these are:

- (a) for active members, benefits to which they would unconditionally be entitled on leaving the scheme;
- (b) for deferred pensioners, their preserved benefits;
- (c) for pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses or other dependants.