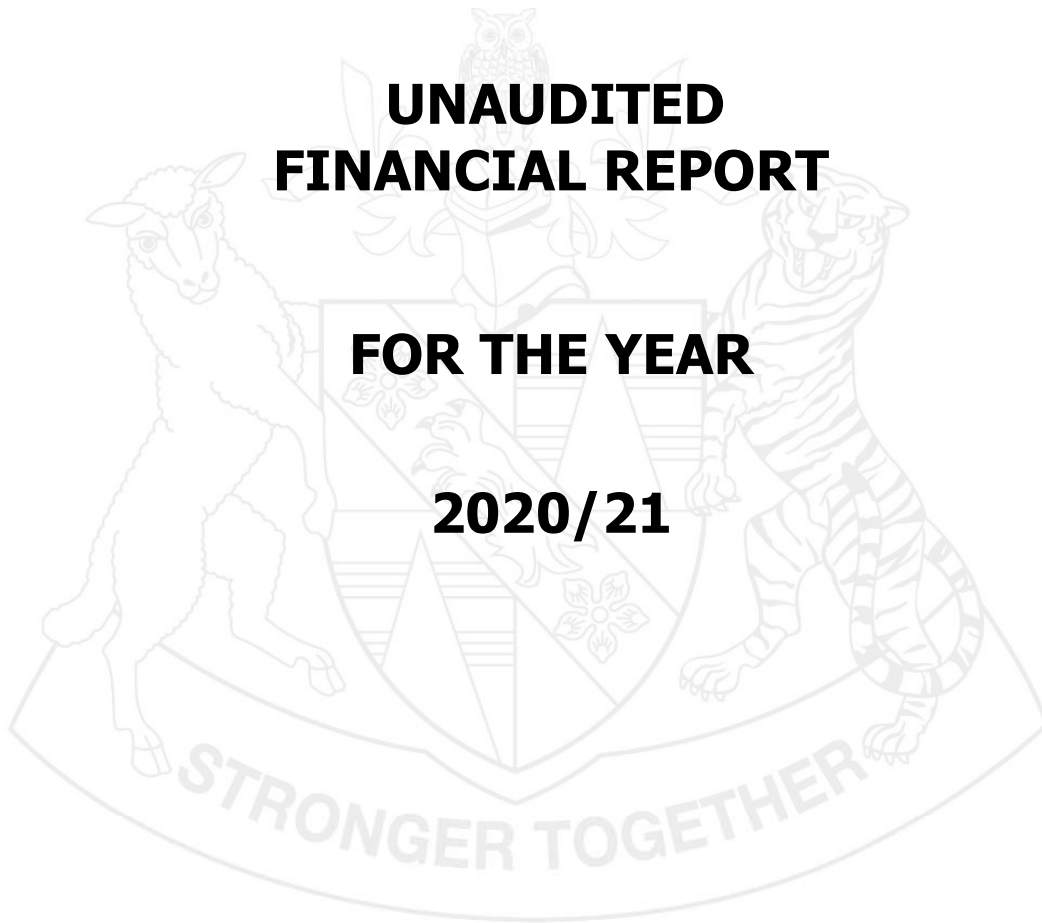


**OADBY & WIGSTON BOROUGH COUNCIL**

**UNAUDITED  
FINANCIAL REPORT**

**FOR THE YEAR**

**2020/21**



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## THE NARRATIVE REPORT

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### **Introduction by the Head of Finance and Acting Section 151 Officer**

I am pleased to present Oadby and Wigston Borough Council's Statement of Accounts for the financial year ended 31 March 2021. 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, commenced their audit early October 2021 after which now the full audited accounts will be presented to members for their approval at the Audit Committee in June 2022.

Prior to approval the draft accounts were subjected to a thirty working days public inspection period. For the 2020/21 accounts, this inspection period commenced on 26th August 2021. 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 2021. 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 57,336 residents (2020/19 57,035 residents). It is situated 5 miles from both Leicester City centre and from Junction 21 of the M1 motorway.

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### **Population**

The population of the Borough has a gender split of Males 48.5% and Females 51.5% (*Source Mid 2020 Population Estimates*).

2020/21 Population Males 48.6% and Females 51.4% (*source Mid 2020 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
<b>0 – 19</b>	24.51%	24.01%	23.11%	23.57%
<b>20 - 64</b>	53.90%	58.16%	57.27%	57.93%
<b>65 - 89</b>	20.09%	16.97%	18.72%	17.58%
<b>90 and over</b>	1.50%	0.86%	0.90%	0.92%

The residential population is one of the most culturally diverse in the region with the overall Black and Minority Ethnic (BME) population being 26.99%, which is over double the Leicestershire County average (10.74%) and almost double the East Midlands regional figure (15.53%). This diversity is also reflected in the religious composition of the Borough, with 21.87% belonging to non-Christian religions compared to a national average of 9.76%.

### **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 2021 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 (May 2021 being replaced by Samia Haq Deputy Leader). 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
- Audit Committee

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The Committees debate and decide Council policy and make specific decisions in relation to their individual 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 Council operate a Committee system of governance and all 26 members are involved in the decision making.

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, was re-elected as the MP for the Harborough constituency in December 2019 with a majority of 17,728.

### **Management Structure**

During the financial year 2020/21 the Senior Management Team comprised of the Chief Executive, Deputy Chief Executive (S151 Officer), Head of Finance (Deputy S151 Officer/Acting S151 Officer from March 2021), Head of Law & Democracy (Monitoring Officer) and three other Heads of Service. Its role is to lead the organisation so that the Council can fulfil its statutory responsibilities and deliver its services and local priorities.

### **Workforce**

At 31 March 2021 the Council employed 169 (2019/20 -168) members of staff equating to 179.84 (2019/20 – 157.8) Full Time Equivalent posts.

<b>Agency Staff Expenditure 2020/21</b>					
	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>2020/21</b>	<b>203</b>	<b>254</b>	<b>350</b>	<b>245</b>	<b>1052</b>
2019/20	134	191	173	132	630

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

**Customer Service Excellence (CSE)** has been award to the Council (December 2020) – (nationally) recognising standard designed to drive customer-focused change.

**The (CSE) Award identified the Councils high achievements within:**

- Customer Insights
- The Culture Organisation
- Information and Access
- Delivery
- Timeliness and Quality

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The **ARTIC Award** has been given to the Council's staff (reviewed yearly at the end of December) for the Council's values. Staff display the values and receive nominations for an award.

### **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.

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 2020/21 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 weekly collection of waste and recycling.
- b. No major change would be made to this service without consultation.

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### **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.
- 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.

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**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.

**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 2020/21 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



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### 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 2020/21 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 **98 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.

Out of the **98 indicators, 81 were due for reporting** as at the end of the financial year. It is important to note that COVID19 has had an impact on the reporting of some of the KPI’s and the ability to deliver and these have fallen into the white and blue categories.

### **Of the 81:**

- **66 were green status**
- **5 were amber status**
- **10 were red status**

This equates to **82% Green, 6% Amber and 12% Red status**. The previous quarter was 80% Green, 14% Amber and 6% Red. The following table identifies the Council’s performance, by objective and service delivery section.

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**Chart 1: Performance Table by Corporate Objective**

Quarter Four 2020/21	Green		Amber		Red	
	Number of Indicators	Percentage	Number of Indicators	Percentage	Number of Indicators	Percentage
<b>Overall Performance</b>						
All Targets Due	66	82%	5	6%	10	12%
<b>Corporate Priority</b>						
Building, Protecting and Empowering Communities	21	75%	1	4%	6	21%
Growing the Borough Economically	12	92%	0	0%	1	8%
Providing Excellent Services	33	83%	4	10%	3	7%

**Chart 2: Performance Table by Service Delivery**

Quarter Four 2020/21	Green		Amber		Red	
	Number of Indicators	Percentage	Number of Indicators	Percentage	Number of Indicators	Percentage
<b>Overall Performance</b>						
All Targets Due	66	82%	5	6%	10	12%
<b>Department</b>						
Built Environment	20	87%	1	4%	2	9%
Community & Wellbeing	19	90%	0	0%	2	10%
Customer Service & Transformation	8	100%	0	0%	0	0%
Finance & Resources	10	67%	3	20%	2	13%
Law & Democracy	8	62%	1	8%	4	30%

## Risks and Opportunities

The Council's recognises **eleven 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.

## 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

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Community Hub as an emergency response to the COVID-19 pandemic with staff and volunteers helping people, contacting residents who were vulnerable or shielding.

Covid-19 continued to have a severe impact on the Council through 2020-21, although the Council was able to maintain all statutory services. There was a continuing demand on the services provided by the Community Hub to vulnerable residents and it remained operational 12 hours a day, 7 days a week until September when it reverted to normal office hours following a relaxation in the lock down rules. Greater emphasis was then placed on re-opening the Town Centres and the night time economy and the Council was at the forefront in developing an effective role for the Covid-19 Marshalls. Both the Covid-19 Marshall's and the Community Hub remained active throughout the remainder of the financial year.

The Council awarded Business Grants to 2341 businesses in 2020-21, totalling £12.4m.

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 2021-22, the potential impact on future income from projects and slippage on delivery of new systems. The current situation is un-precedence and highly unpredictable, and is therefore it is still challenging to estimate the exact financial impact.

Whilst there has been some financial impact in 2020-21, the most significant impact on the financial position will be in 2021-22. The impact on the collection of Council Tax and Business Rates is yet to be calculated.

COVID-19 will potentially continue to impact on the Council's performance going forward. While the most significant impact was in 2020-21, the Council will continue to focus on service delivery as summarised above.

### **The Statutory Accounts**

The pages which follow are the Council's Statement of Accounts for 2020/21 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 estimates and judgements, which have been followed in dealing with Material items, are explained.

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- **Movement in Reserves Statement (MIRS)**

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 (CIES)**

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 (HRA)**

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 2020/21 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 2020/21. 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 2020/21 budget was scrutinised by both Service Delivery and Policy Finance and Development Committees before finally being approved at Full Council in February 2020. 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 £1.015m which equates to 16.9% of total net expenditure in the 2020/21 budget.

During 2020/21 there has been an increase in reserves due to a one off additional business rate grants to cover the cost of the additional reliefs. This has been given due to the Covid-19 pandemic. This will be taken out of the Collection Fund account next year to cover the cost of the deficit on the fund account created by the new reliefs. This year the Collection Fund Reserves account will be utilised to manage the financial impact of Covid-19 and continuing into 2021/22.

### Financial Outturn 2020/21

During 2020/21, 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 2020/21 £000's	Revised Budget 2020/21 £000's	Actual Spent 2020/21 £000's	Variance Under /(Over) Spend 2020/21 £000's
<b>Services</b>				
Customer Services & Business Transformation	1,026	1,026	1,131	(105)
Senior Leadership Team	473	473	435	38
Community & Wellbeing	1,521	1,516	913	603
Law & Governance	228	165	109	56
The Built Environment	794	758	562	196
Finance & Resources	1,023	1,028	2,127	(1,099)
COVID-19 Council Costs	0		(1,953)	1,953
<b>Net Service Expenditure</b>	<b>5,065</b>	<b>4,966</b>	<b>3,324</b>	<b>1,642</b>
Capital Financing	1,053	1,053	991	62
<b>Total Net Expenditure</b>	<b>6,118</b>	<b>6,019</b>	<b>4,315</b>	<b>1,704</b>
Transfer to/(from) Reserves	371	371	7,162	(6,791)
<b>Net Expenditure</b>	<b>6,489</b>	<b>6,390</b>	<b>11,477</b>	<b>(5,087)</b>
Financing	6,489	6,390	12,927	(6,537)
Transfer (from)/to Balances	0	0	1,450	1,450

The actual position for the year shows an increase in the General Fund Balance of £1.45m. 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.

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### **Major Changes in the Council's Assets and Liabilities**

During 2020/21 the Council expended £2.469m (2019/20 £4.467m) on capital projects as shown below.

	<b>Budget 2020/21</b>	<b>Outturn 2020/21</b>	<b>Outturn 2019/20</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Capital Expenditure</b>			
Service Delivery (Housing Related)			
Housing Revenue Account	1,500	1,237	2,382
General Fund	0	0	0
	<b>1,500</b>	<b>1,237</b>	<b>2,382</b>
Service Delivery	849	672	1,604
Policy Finance and Development	120	240	481
<b>Total</b>	<b>2,469</b>	<b>2,149</b>	<b>4,467</b>
<b>Financed By</b>			
Capital Receipts	0	0	822
Government Grants	180	0	19
Borrowing	544	854	1,529
External Funding	245	163	241
Revenue & Reserves	0	0	0
Major Repairs Allowance	1,500	1,132	1,856
<b>Total</b>	<b>2,469</b>	<b>2,149</b>	<b>4,467</b>

Throughout 2020/21, 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 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 2020/21, 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 £30.1m as at 31 March 2021. 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.

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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 Increase by £7.6m since the prior year due to these changes, 2020-21 £30.1m (2019-20 £22.5m).

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 2021/22 of £7.082m and a total Capital Programme of £12.229m. The Housing Revenue Account (HRA) budget is expected to break even in the forthcoming year, leaving revenue balances of around £1.34m, 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.



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The following table illustrates the limits and levels of borrowing as at 31 March 2021 as compared to the preceding year end.

	2020/21	2019/20
	£000's	£000's
<b>Borrowing Limits</b>		
Authorised	44,000	40,000
Operational	39,000	35,000
<b>Other Resources</b>		
Long-term	20,245	21,333
Short-term	14,506	11,506
Bank Overdraft	0	0
	<b>34,751</b>	<b>32,839</b>

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 2021.

	2020/21	2019/20
	£000's	£000's
<b>Revenue Reserves</b>		
General Fund	2,465	1,015
Housing Revenue Account	1,341	404
<b>Other Resources</b>		
Useable Capital Receipts	1,180	1,046
Earmarked Reserves Non-COVID	3,043	2,195
Earmarked Reserves COVID	6,709	0

The earmarked reserves are inflated in 2021 by unspent COVID-related business support grants, and uncommitted S31 Business Rate Relief grants. These balances will either be used for their specified purpose or returned to central government in 2021/22, and do not constitute useable resources for general council expenditure.

### **Outlook and the Impact of the Current Economic Climate**

2020/21 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 2020/21. 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 COVID-19.

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 9% since the start of the Pandemic.

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 its pre-COVID-19 agenda.

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.

As at 31 March 2021 the Council's response to the Covid-19 pandemic includes the administration of the various grants and reliefs administered by the authority on behalf of the central government. This includes both the principal and agent transactions giving wider picture of the Council's activities. Than reporting in the CIES and supporting grant disclosure notes that will just disclose those where the Council is acting as a principal.

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## THE NARRATIVE REPORT

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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](mailto:finance@oadby-wigston.gov.uk) (or)

### **Write to:**

**The Head of Finance/Acting S151 Officer,**  
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.



**Tracy Bingham**  
Strategic Director & Section 151 Officer

**Date: 07 June 2022**

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## **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

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### **The Authority's responsibilities**

- Manage arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Section 151 Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

### **The Section 151 Officer's responsibilities:**

The Section 151 Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

### **In preparing this Statement of Accounts, the Section 151 Officer has:**

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

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**STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

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**Certification of the Accounts**

I certify that the unaudited statement of accounts gives a true and fair view of the financial position of Oadby and Wigston Borough Council as at the 31 March 2021 and the Council's income and expenditure for the year ended 31 March 2021.



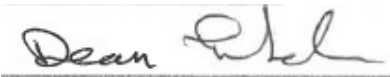
**Comie Campbell FCCA**

**Date: 26 August 2021**

**Head of Finance/Acting S151 Officer**

**Approval of the Accounts**

I certify that the unaudited Financial Statements have been approved by the Section 151 Officer in accordance with the Accounts and Audit (England) Regulations 2015 and are authorised for issue.



**Councilor Dean. A. Gamble**

**Chair, Policy Finance and Development Committee**

**Date: 26 August 2021**



**Anne Court**

**Chief Executive**

**Date: 26 August 2021**

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## THE STATEMENT OF ACCOUNTING POLICIES

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### 1. General

The Statement of Accounts (the Accounts) summarise the Council's transactions for the 2020/21 financial year and its position at 31 March 2021. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (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 further explained in note 3.

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## THE STATEMENT OF ACCOUNTING POLICIES

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### **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 solely 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.

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## THE STATEMENT OF ACCOUNTING POLICIES

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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.

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 seven 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. For the purposes of the 2021 financial statements, an eighth segment was added to separate out the extraordinary income and expenditure related to the Council's activities in respect of the COVID-19 pandemic. The eight segments are

<b>Customer Services &amp; Business Transformation</b>	<b>Senior Leadership Team</b>	<b>Community &amp; Wellbeing</b>	<b>Law &amp; Governance</b>
<b>The Built Environment</b>	<b>Finance &amp; Resources</b>	<b>COVID-19 Council Costs</b>	<b>Housing Revenue Account</b>



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## THE STATEMENT OF ACCOUNTING POLICIES

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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.

### **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.

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## THE STATEMENT OF ACCOUNTING POLICIES

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### **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.

### **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 2020/21 (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.

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## THE STATEMENT OF ACCOUNTING POLICIES

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

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

### **Covid-19 Grants**

As part of the Covid-19 pandemic the government provided a range grant schemes to support businesses that has been administered by the Council (Small Business Grant Fund, Retail, Hospitality and Leisure Grant Fund, multiple Local Restrictions grant (open/closed sectors). The Council is responsible for paying over the grants to the businesses and are then reimbursed by the government using a grant under section 31 of the Local Government Act 2003 (S31). Some of the schemes are fully reimbursed, others are a set allocation.

The Council is required to use their Business Rates system to identify the properties that meet the eligibility criteria. These grants are not Collection Fund transactions.

### **Principle or Agent**

Accounting for the S31 grants being paid to the Council by BEIS and distribution of the grants eligible to businesses will be identified (either principle or agent).

Where the Council is acting as principle, the transactions will be included in the CIES.

The Council will determine how the grant operates to acknowledge their position as a principle or agent.

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## THE STATEMENT OF ACCOUNTING POLICIES

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Acting as a distribution point for grant monies to other bodies and has no control over the amount of grant allocated to a recipient then the authority is considered to be acting as agent.

Where the authority has control over the distribution or amounts of the grant it would be deemed to be acting a principle.

The performance obligations will be considered regarding the grants.

Where the Council acts as an agent, transactions will not be reflected in any authority's financial statements. Exceptions to this are in respect of the cash collected or expenditure incurred by the agent on behalf of the principle, in which case there is a debtor/creditor position and the net cash position included in the finance activities in the Cash Flow statement.

Any materially sums will stated with a separate disclosure note (income or expenses with given explanations).

### **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.

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## THE STATEMENT OF ACCOUNTING POLICIES

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### **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.

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 2020/21 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.

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## THE STATEMENT OF ACCOUNTING POLICIES

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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.

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)

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## THE STATEMENT OF ACCOUNTING POLICIES

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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 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.

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## THE STATEMENT OF ACCOUNTING POLICIES

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**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
- 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 (as per 2020/21)**

- 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).



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## THE STATEMENT OF ACCOUNTING POLICIES

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- 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

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-minimus 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

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## THE STATEMENT OF ACCOUNTING POLICIES

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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.

### **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.

The CIPFA LAS AAC Local Authority Code Board defer the implementation of IFRS 16 Leases in the Code of practice on local Authority Accounts. In the UK (the code) until the 2022/23 financial year.

This aligns with the decisions at the governments financial reporting Advisory Board to establish a new effective date of 1<sup>st</sup> April 2022 for the implementation of IFRS 16.

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## THE STATEMENT OF ACCOUNTING POLICIES

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### 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. Private Finance Initiatives (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the authority would be deemed to control the services that are provided under any PFI schemes, and as ownership of the property, plant and equipment would pass to the authority at the end of the contracts for no additional charge, the authority would carry the assets used under the contracts on its Balance Sheet as part of property, plant and equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) would be balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet would be revalued and depreciated in the same way as property, plant and equipment owned by the authority.

The amounts payable to the PFI operators each year would be analysed into five elements:

- **Fair value of the services received during the year** – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- **Finance cost** – an interest charge of x% on the outstanding Balance Sheet liability, debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement
- **Contingent rent** – increases in the amount to be paid for the property arising during the contract, debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement
- **Payment towards liability** – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- **Lifecycle replacement costs** – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to property, plant and equipment when the relevant works are eventually carried out.

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## THE STATEMENT OF ACCOUNTING POLICIES

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A service concession arrangement is a contractual arrangement (or other arrangement that confers similar rights) between a local authority and an operator in which:

- a) the operator uses the service concession asset to provide a public service on behalf of the local authority for a specified period of time, and
- b) the operator is compensated for its services over the period of the service concession arrangement

### **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 Un-useable Reserve – Accumulated Absence Account in the Movement in Reserves Statement.

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## THE STATEMENT OF ACCOUNTING POLICIES

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### **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 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:

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## THE STATEMENT OF ACCOUNTING POLICIES

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- **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.
  - **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

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## THE STATEMENT OF ACCOUNTING POLICIES

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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 (IFRS 19) 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.

### **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.

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## THE STATEMENT OF ACCOUNTING POLICIES

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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 de-recognition 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.
- **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 de-recognition of the asset are credited or debited to the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised.



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## THE STATEMENT OF ACCOUNTING POLICIES

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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 unusable 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 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.
- As at 31 March 2021 – Transfer between the General Fund and the Collection Fund Adjustment Account;
- The council received S31 grants to offset the reliefs given to businesses during the lockdown. Under the current collection fund accounting rules, the S31 grants received this year is not discharged against the Collection Fund deficit until 2021/22. Thereby inflating General Fund Balances at the end of the 2020/21 financial year. Even though showing a significant increase in available reserves that are not actually available but earmarked against the following year's collection fund deficit.

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## THE STATEMENT OF ACCOUNTING POLICIES

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- The purpose of the Reserve, which would be used in 2021/22 to fund that element of the estimated Collection Fund deficit at 31 March 2021 which is transferred from the CFAA back to the General Fund in 2021/22.
- Giving the Council to transfer the 75% Tax Income Guarantee S31 grant to an earmarked reserve for the same reason above.
- Where the compensation grant income being considered material the Council discloses a separate/additional line on the face of the CIES. Showing it as a material component of Taxation and non-specific grant income or a note to the CIES in line with the Code.
- The Council presenting the earmarked reserve as a separate column within the usable reserves in the Movement in Reserves Statement emphasise it falls outside the scope of the reserves earmarked for service requirements (General Fund, Earmarked Reserves and S31 business rate relief compensation grant reserve).
- **The Earmarked Reserve**

Shown as a separate line on the face of the balance sheet within Usable Reserves. Provides sufficient supplementary information to the Accounts making clear status of the unspent grant. (Balance sheet does not represent additional spending power taken forward into 2021/22).
- The presentation of additional reserves within the MiRS and Balance Sheet is permitted within the Code (specifies the minimum disclosure requirements).
- **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.

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## THE STATEMENT OF ACCOUNTING POLICIES

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### **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 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.

#### **Council Tax Collection Fund Deficits/Surplus**

As at 31 March 2021 apportioning the Council Tax collection fund outturn surplus/deficit has changed for those authorities that calculate a negative exceptional balance in accordance with the regulations. Ultimately spreading the exceptional balance deficit over the three years 2021/22 to 2023/24.

The Council will follow the below where a negative exceptional balance in accordance with 2020/2021, the collection fund outturn surplus/deficit being apportioned in the following way;

Collection fund balances adjusted for the impact of any net movement on community charges for the year (limiting to any windfall income from charges previously written off or adjusted to the bad debt provision).

Extracting the balance estimated for 15<sup>th</sup> January 2021 purpose and apportion this to authorities based on the proportion of their demand/precepts for 2020/21.

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## THE STATEMENT OF ACCOUNTING POLICIES

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Then taking two thirds of any exceptional balances calculated as a negative deficit for 15<sup>th</sup> January 2021 purpose in accordance with SI 2020/1202 and spread over three years. Apportion to authorities based on the proportion of their demands/precepts for 2020/21. (\*)

The balance remaining after the above first three adjustments be according to their demands and precepts for 2020/21. The reason this has been done because any remaining balance at the end of the year that will not be recovered/distributed at the end of the year will effectively roll forward to be part of the balance at the next 15<sup>th</sup> January estimate.

For a positive exceptional balance and not spread over three years the Code applies with above note applied (\*)

The Council has communicated to their precepting authorities, their share of the above balances and all other relevant information to allow the precepting authorities to account for their own share of the collection fund position and performance for 2020/21.

### **Covid-19 Council Tax Hardship Fund (2020/21)**

The Covid-19 Council Tax Hardship Fund delivers relief to the council's taxpayers during 2020/21 reducing the council tax liability. Awarding additional council tax discounts by the collection fund billing authority funded in full, part or by a grant under S31.

The full cost any discretionary discounts are borne only by the billing authority's general fund not the collection fund. An amounts equal to the discount (not the S31 grant) will therefore need to be transferred from the billing authority's general fund to the collection fund. The S31 grant will be reimburse the billing authority's general fund to the extent of the authority's S31 allocation.

No requirements have been made to spend fully awarded funding in 2020/21 or to return any unspent allocation at the end of the financial year. Where the Council has remaining allocation, MHCLG recognises the spent supporting vulnerable households during 2021/22. The Council make best decisions on how best to respond any retrospective adjustments to local council tax support eligibility for 2020/21. Where this may impact on the Hardship Fund discount that a taxpayer might have been, or may become entitled to.

Any unspent Hardship Funds at the end of the financial year, the council can therefore spend this in a way that is consistent with the aims of the fund as set out by the MHCLG guidance. The fund is not used to write off any historical council tax debt.

By writing off debt will effect some of the cost written off to the preceptors, as it is not covered by the collection fund direction for the transfer from general fund to the collection fund.

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## THE STATEMENT OF ACCOUNTING POLICIES

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### **75% Tax Income Guarantee Compensation**

The MHCLG has issued Council's with the 75% of 2020/21 irrecoverable losses for council tax and business rates scheme.

Compensation being paid to local authorities (billing/precepting) by a way of a S31 grant, so does not feature in the Collection Fund but will require recognition in the general fund.

Grants and contributions including donated assets should not be recognised until there is reasonable assurance, conditions attached to them and grants/contribution being received.

The amounts receivable is known for the council tax clarified in April 2021 for non-domestic rates. There is no return condition attached to the compensation, so authorities recognise the total amounts due in the CIES in 2020/21. The amounts being paid in 2021/22, Authorities can consider to earmark this element of the General Fund balance.

The retained rates income (calculating if the authority is in levy or safety) net for 2020/21, will be amended to avoid double compensating for the same losses.

### **NNDR – National Non-Domestic Rates**

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.

### **NNDR – National Non- Domestic Rates Deficits/Surplus**

The NNDR collection fund arrangements for apportioning deficits/surplus have not change during 2020/21.

As a result of authorities being awarded with expanding retail, hospitality and leisure relief, nursery and newspaper reliefs in 2020/21 that were not included on the NNDR 1 for 2020/21. Resulting collection fund deficit and S31 Grant through earmarked reserves and providing explanations to any large balances within the notes in the accounts.

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## THE MOVEMENT IN RESERVES STATEMENT

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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.

As at 31 March the (surplus/deficit) on Business Rates Section 31 grants includes £4,993K of grant received by the council to compensate for the loss of Business Rates income as a result of the extended retail relief given to retail hospitality and leisure businesses, and nursery providers to support them through the Covid-19 pandemic. The legislation that governs the Collection Fund accounting means the related deficit as a result of the loss Business Rate income in – year will not be charged to the council's General Fund until 2021/22. As a result, the £4,993K has been transferred to the Collection Fund Reserve and will be draw down to offset the deficit in 2021/22. These resources are not available funds.

## THE MOVEMENT IN RESERVES STATEMENT

Movement in Reserves 2020/21	Note	General Fund Balance £000's	Deferred Capital Receipts £000's	Housing Revenue Account £000's	Earmarked Reserves £000's	Major Repairs Reserve £000's	COVID-19 Grant Reserve £000's	Collection Fund Reserve £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
<b>Balance at 1 April 2020</b>		<b>1,015</b>	<b>3</b>	<b>1,140</b>	<b>2,178</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>1,022</b>	<b>24</b>	<b>5,392</b>	<b>34,059</b>	<b>39,451</b>
<u>Movement in Reserves during 2020/21</u>													
Deficit on the provision of services		4,826	0	945	0	0	0	0	0	0	5,771	0	5,771
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0	0	0	0	(2,270)	(2,270)
<b>Total Comprehensive Income and Expenditure</b>		<b>4,826</b>	<b>0</b>	<b>945</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,771</b>	<b>(2,270)</b>	<b>3,501</b>
Adjustments between accounting basis & funding basis under regulations	4	3,786	0	(753)	0	402	0	0	158	0	3,593	(3,593)	0
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>		<b>8,612</b>	<b>0</b>	<b>192</b>	<b>0</b>	<b>402</b>	<b>0</b>	<b>0</b>	<b>158</b>	<b>0</b>	<b>9,364</b>	<b>(5,863)</b>	<b>3,501</b>
Transfers (to)/from Earmarked Reserves	5	(7,162)	0	0	453	0	1,717	4,992	0	0	0	0	0
<b>Increase/(Decrease) in 2020/21</b>		<b>1,450</b>	<b>0</b>	<b>192</b>	<b>453</b>	<b>402</b>	<b>1,717</b>	<b>4,992</b>	<b>158</b>	<b>0</b>	<b>9,364</b>	<b>(5,863)</b>	<b>3,501</b>
<b>Balance at 31 March 21 carried forward</b>		<b>2,465</b>	<b>3</b>	<b>1,332</b>	<b>2,631</b>	<b>412</b>	<b>1,717</b>	<b>4,992</b>	<b>1,180</b>	<b>24</b>	<b>14,756</b>	<b>28,196</b>	<b>42,952</b>

## THE MOVEMENT IN RESERVES STATEMENT

Movement in Reserves 2019/20 Restated	Note	General Fund Balance £000's	Deferred Capital Receipts £000's	Housing Revenue Account £000's	Earmarked Reserves £000's	Major Repairs Reserve £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
<b>Balance at 1 April 2019</b>		<b>600</b>	<b>3</b>	<b>1,086</b>	<b>2,178</b>	<b>447</b>	<b>1,326</b>	<b>24</b>	<b>5,664</b>	<b>30,514</b>	<b>36,178</b>
<u>Movement in Reserves during 2019/20</u>											
Deficit on the provision of services		(2,517)	0	477	0	0	0	0	(2,040)	0	(2,040)
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0	0	5,313	5,313
<b>Total Comprehensive Income and Expenditure</b>		<b>(2,517)</b>	<b>0</b>	<b>477</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,040)</b>	<b>5,313</b>	<b>3,273</b>
Adjustments between accounting basis & funding basis under regulations	4	2,932	0	(423)	0	(437)	(304)	0	1,768	(1,768)	0
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>		<b>415</b>	<b>0</b>	<b>54</b>	<b>0</b>	<b>(437)</b>	<b>(304)</b>	<b>0</b>	<b>(272)</b>	<b>3,545</b>	<b>3,273</b>
Transfers (to)/from Earmarked Reserves	5	0	0	0	0	0	0	0	0	0	0
<b>Increase/(Decrease) in 2019/20</b>		<b>415</b>	<b>0</b>	<b>54</b>	<b>0</b>	<b>(437)</b>	<b>(304)</b>	<b>0</b>	<b>(272)</b>	<b>3,545</b>	<b>3,273</b>
<b>Balance at 31 March 2020 carried forward</b>		<b>1,015</b>	<b>3</b>	<b>1,140</b>	<b>2,178</b>	<b>10</b>	<b>1,022</b>	<b>24</b>	<b>5,392</b>	<b>34,059</b>	<b>39,451</b>



## THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This Statement (The Comprehensive Income and Expenditure (CIES)) 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 (MIR) Statement.**

	Note	2020/21			2019/20 Restated		
		Gross Expend £000's	Gross Income £000's	Net Expend £000's	Gross Expend £000's	Gross Income £000's	Net Expend £000's
<b>EXPENDITURE ON SERVICES</b>							
Customer Services & Business Transformatio		1,388	(101)	1,287	1,417	(105)	1,312
Senior Leadership Team		437	0	437	580	0	580
Community & Wellbeing		3,221	(1,418)	1,803	3,928	(1,173)	2,755
Law & Governance		743	(621)	122	1,309	(551)	758
The Built Environment		1,845	(1,157)	688	1,602	(925)	677
Finance & Resources		12,504	(8,611)	3,893	12,920	(9,221)	3,699
COVID-19 Council Costs		2,610	(4,561)	(1,951)	6	0	6
Housing Revenue Account		2,030	(5,040)	(3,010)	2,182	(4,951)	(2,769)
<b>Net Cost of Services</b>		<b>24,778</b>	<b>(21,509)</b>	<b>3,269</b>	23,944	(16,926)	7,018
Other Operating Expenditure	7			411			716
Financing and Investment Income	8			1,277			1,344
Taxation and Non-specific Grant Income and Expenditure	9			(10,730)			(7,038)
<b>(Surplus) or Deficit on Provision of Services</b>				<b>(5,773)</b>			2,040
(Surplus)/Deficit arising on Revaluation of Plant, Property and Equipment Assets	24			(3,969)			(1,444)
Actuarial (Gains)/Losses on Pension Fund Assets and Liabilities	25			6,240			(3,869)
<b>Other Comprehensive Income and Expenditure</b>				<b>2,271</b>			<b>(5,313)</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>(3,502)</b>			<b>(3,273)</b>

**COVID-19 support grants paid to business and individuals.** Where the Council is acting as Principal, i.e. the Council determines the eligibility criteria, these payments, and the income that funds them, are included in the Comprehensive Income & Expenditure Statement. Where the Council acts as an Agent of Central Government, i.e. where Central Government determines the eligibility criteria, they are excluded.

## THE BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council (31 March 2021). 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 (MIR) Statement line "Adjustments between Accounting Basis and Funding Basis under Regulations".

		As At 31/03/2021	As At 31/03/2020 Restated	As At 31/03/2019 Restated
	Note	£000's	£000's	£000's
Property, Plant & Equipment	10	96,489	93,302	91,785
Heritage Assets	11	69	50	50
Investment Property	12	374	419	414
Intangible Assets	13	398	234	143
Long Term Debtors	14	86	123	132
Long Term Investments	15	0	0	0
<b>Long Term Assets</b>		<b>97,416</b>	94,128	92,524
Short Term Debtors	14	8,331	3,120	2,407
Short Term Investments	15	5,001	1	1
Inventories	17	33	13	16
Cash and Cash Equivalents	18	3,354	3,897	4,112
<b>Current Assets</b>		<b>16,719</b>	7,031	6,536
Short Term Borrowing	43	(14,545)	(11,551)	(9,052)
Bank Overdrawn	18	1	(1)	0
Short Term Creditors	19	(5,516)	(4,535)	(3,977)
Short Term Provisions	20	(655)	(831)	(875)
<b>Current Liabilities</b>		<b>(20,715)</b>	(16,918)	(13,904)
Long Term Creditors	43	(22)	(48)	(20)
Long Term Borrowing	43	(20,245)	(21,332)	(22,418)
Other Long Term Liabilities	37	(29,256)	(22,470)	(25,358)
Capital Grants Receipts in Advance	21	(945)	(940)	(1,181)
<b>Long Term Liabilities</b>		<b>(50,468)</b>	(44,790)	(48,977)
<b>Net Assets</b>		<b>42,952</b>	39,451	36,179

## THE BALANCE SHEET

	As At 31/03/2021	As At 31/03/2020 Restated	As At 31/03/2019 Restated
Note	£000's	£000's	£000's
<b>Usable Reserves</b>	<b>22</b>	<b>(14,756)</b>	<b>(5,391)</b>
		(5,391)	(5,664)
<b>Unusable Reserves</b>			
Capital Adjustment Account	<b>23</b>	<b>(45,635)</b>	<b>(45,568)</b>
Revaluation Reserve	<b>24</b>	<b>(14,537)</b>	<b>(11,311)</b>
Pension Fund Reserve	<b>25</b>	<b>29,256</b>	<b>22,470</b>
Financial Instrument Adjustment Account	<b>22</b>	<b>7</b>	<b>7</b>
Collection Fund Adjustment Account	<b>22</b>	<b>2,610</b>	<b>250</b>
Accumulated Staff Absences Reserve	<b>22</b>	<b>103</b>	<b>92</b>
<b>Total Reserves</b>		<b>(42,952)</b>	<b>(39,451)</b>
		(39,451)	(36,179)

## 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.

	2020/21	2019/20
	£000's	Restated £000's
<b>Net (Surplus) or Deficit on the Provision of Services</b>	<b>(5,772)</b>	2,040
<b>Adjustments to the Net Surplus or Deficit of the Provision of Services for Non Cash Movement</b>		
Depreciation and Impairment of Non-current Assets	(2,072)	(2,834)
Bad Debts Written Off in Year	(47)	0
Increase/(Decrease) in Inventories	20	(4)
Increase/(Decrease) in Debtors	4,528	505
(Increase)/Decrease in Creditors	(2,188)	(381)
Net Charges made for Retirement Benefits	(546)	(981)
Carrying Amount of Non Current Assets Sold	(189)	(468)
Carrying Amount of Non Current Assets De-recognised	(382)	(730)
Increase/(Decrease) in Provisions	176	44
Movement in the Value of Investment Properties	(45)	4
Other Cash and Non Cash Movements	0	(78)
	<b>(745)</b>	<b>(4,923)</b>
<b>Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities</b>		
Interest Received in Year	(2,636)	167
Interest Paid in Year	(14)	(13)
<b>Net Cashflows from Operating Activities</b>	<b>(8,431)</b>	<b>(1,982)</b>
<b>Investing Activities</b>	<b>26</b>	<b>3,653</b>
<b>Financing Activities</b>	<b>27</b>	<b>(1,456)</b>
<b>Net Increase or (Decrease) in Cash or Cash Equivalents</b>	<b>543</b>	<b>215</b>
Cash or Cash Equivalents at the Beginning of the Reporting Period	(3,897)	(4,112)
Cash or Cash Equivalents at the End of the Reporting Period	18	(3,897)
<b>Movement in Cash and Cash Equivalents</b>	<b>543</b>	<b>215</b>

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 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 2020/21 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:

- **IAS 8 Accounting Policies** - (Changes in Accounting Estimates and Errors) on an annual basis limit the impact of the standard.
- **IAS 8 Standard** have been issued and yet to be adopted. Excludes IFRS 16 Leases and IFRS 17 Insurance Contracts (from being included in these reporting requirements).
- **Interest Rate Benchmark Reform Amendments to IFRS 9**, IAS 39 and IFRS 7 (relevant for additional disclosures required 2020/21).
- **Interest Rate Benchmark Reform** – Phase 2: Amendments to IFRS 9, IAS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.
- **IFRS 16 Leases** – CIPFA Local Authority Accounting Code defer until 2020/23. Aligns with the decision at the Government's Financial Reporting Advisory Board established a new effective date 1 April 2022. Due to the pressure and impact on the COVID-19 Pandemic (the further deferral limited to one year only).
- **FRS 102 Related Rent Concessions - (Covid-19)** CIPFA LASAAC in January 2021 issued guidance on the accounting treatment of Covid-19 related rent concessions. This includes the forgiveness of a portion of or all lease payments for an agreed period (i.e. a temporary rent reduction or rent holiday). As at 31 March 2021 the Council has not entered into such arrangements.
- **IFRS 3 Definition of a Business** – A narrowing of the definition of a business for the purposes of reporting an acquisition as an asset or as a business combination. As at 31 March 2021, the Council has not acquired any assets that meet the definition of a business under the new standard.

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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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 2021 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
<p><b>Property, Plant and Equipment</b></p>	<p>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 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>The Council's external valuers provided valuations as at 31 March 2020.</p> <p>The Outbreak of Covid-19 has impacted global financial markets and as at the</p>	<p>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 £86k on General Fund Property and £42k on Housing Revenue Account property for every year that the useful life is reduced. If an asset is impaired the carrying amount of the asset is reduced.</p>

## NOTES TO THE CORE FINANCIAL STATEMENTS

	<p>valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement.</p> <p>Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RIC Red Book Global.</p> <p>Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, values have been based on the situation prior to Covid-19 on the assumption that values Will be restored when the real estate market becomes more fluid.</p>	
<p><b>Pensions Liability</b></p>	<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 Council has engaged Hymans Robertson to provide expert advice about the assumptions applied. The ongoing impact of the Covid19 pandemic has created uncertainty around liquid asset values such as Real Estate within the pension asset portfolio.</p>	<p>The effect on net pensions of changes in individual assumptions can be measured. For instance:</p> <ul style="list-style-type: none"> <li>• A decrease in the discount rate assumption would result in an increase in the pension liability of £1.249M</li> <li>• A one year increase in member life expectancy would result in an increase in the pension liability of £2.785M</li> <li>• An increase in the pension increase rate would result in an increase in the pension liability of £1.153M</li> </ul>

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**NOTES TO THE CORE FINANCIAL STATEMENTS**

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	<p>The pension fund auditor as part of their report stated that they are anticipating including Emphasis of Matter paragraph in their opinion in respect of the valuation of the Pension Fund's Pooled Property Unit Trust Investment Assets, where the associated valuation report includes a material uncertainty disclosure as a result of the impact of Covid-19 on the market at 31 March 2020.</p>	
<b>Arrears</b>	<p>At 31st March 2021, the Council had a balance of £0.349m for sundry debtors. A review of balances suggested that no impairment of doubtful debts of was necessary.</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.

2020/21	Usable Reserves								Movement	
General Fund Balance	Deferred Capital Receipts	Housing Revenue Account	COVID-19 Grant Reserve	Collection Fund Reserve	Earmarked Reserves	Major Repairs Reserve	Capital Receipts Reserves	Capital Grants Unapplied	In Unusable Reserves	
£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	
<b>Adjustment primarily involving the Capital adjustment</b>										
<b>Account:</b>										
<u>Reversal of item debited or credited to the Comprehensive Income and Expenditure Statement:</u>										
Depreciation and impairment of non-current Assets	1,512	0	415	0	0	0	0	0	0	(1,927)
Movement in Market Value of Investment Properties	45	0	0	0	0	0	0	0	0	(45)
Amortisation of Intangible Assets	118	0	27	0	0	0	0	0	0	(145)
Revenue expenditure funded from capital under statute	90	0	0	0	0	0	0	0	0	(90)
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	0	0	570	0	0	0	0	0	0	(570)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>										
Statutory provision for the financing of capital investment	(805)	0	0	0	0	0	0	0	0	805
Capital Expenditure charged against General Fund and HRA Balances	0	0	0	0	0	0	0	0	0	0
Capital Expenditure charged against Earmarked Reserves	0	0	0	0	0	0	0	0	0	0
	960	0	1,012	0	0	0	0	0	0	(1,972)

## NOTES TO THE CORE FINANCIAL STATEMENTS

2020/21	Usable Reserves								Movement
General Fund Balance	Deferred Capital Receipts	Housing Revenue Account	COVID-19 Grant Reserve	Collection Fund Reserve	Earmarked Reserves	Major Repairs Reserve	Capital Receipts Reserves	Capital Grants Unapplied	In Unusable Reserves
£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>Adjustment primarily involving the Capital Grants Unapplied Account:</b>									
<u>Capital grants and contributions unapplied credited to the Comprehensive income and expenditure Statement</u>									
Application of grants to capital financing transferred to the Capital Adjustment Account									
	(163)	0	0	0	0	0	0	0	163
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>									
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement									
	0	0	(276)	0	0	0	276	0	0
Use of the Capital Receipts Reserves to finance new capital expenditure									
	0	0	0	0	0	0	0	0	0
Contribution from the Capital Receipts Reserves towards administrative costs of non-current asset disposal									
	3	0	0	0	0	0	(3)	0	0
Contribution from the Capital Receipts Reserves to finance the payments to the Government capital receipts pool									
	114	0	0	0	0	0	(114)	0	0
<b>Adjustments involving the Major Repairs Reserves:</b>									
Reversal of Major Repairs Allowance credited to the HRA									
	0	0	(1,534)	0	0	(1,534)	0	0	3,068
Use of the Major Repairs Reserves to Finance new capital expenditure									
	0	0	0	0	0	(1,132)	0	0	1,132
	(46)	0	(1,810)	0	0	(2,666)	159	0	4,363

## NOTES TO THE CORE FINANCIAL STATEMENTS

2020/21	Usable Reserves									Movement
	General Fund Balance	Deferred Capital Receipts	Housing Revenue Account	COVID-19 Grant Reserve	Collection Fund Reserve	Earmarked Reserves	Major Repairs Reserve	Capital Receipts Reserves	Capital Grants Unapplied	In Unusable Reserves
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>Adjustments involving the Pension Reserves:</b>										
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,691	0	147	0	0	0	0	0	0	(1,838)
Employer's pension contributions and direct payments to pensioners payable in the year	(1,189)	0	(103)	0	0	0	0	0	0	1,292
<b>Adjustments involving the Collection Fund Adjustment Account:</b>										
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council at income calculated for the year in accordance with statutory requirements	2,361	0	0	0	0	0	0	0	0	(2,361)
<b>Adjustments involving the Accumulated Absences Account:</b>										
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	10	0	1	0	0	0	0	0	0	(11)
<b>Total Adjustments</b>	<b>3,786</b>	<b>0</b>	<b>(753)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>402</b>	<b>158</b>	<b>0</b>	<b>(3,593)</b>

## 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	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>Adjustment primarily involving the Capital Adjustment Account:</b>								
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>								
Depreciation and impairment of non-current Assets	2,357	0	389	0	0	0	0	(2,746)
Revaluation losses on Property, Plant and Equipment								0
Movement in Market Value of Investment Properties	(4)	0	0	0	0	0	0	4
Amortisation of Intangible Assets	82	0	6	0	0	0	0	(88)
Revenue expenditure funded from capital under statute	292	0	0	0	0	0	0	(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	0	1,198	0	0	0	0	(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)	0	0	0	0	0	0	713
Capital Expenditure charged against General Fund and HRA Balances	0	0	0	0	0	0	0	0
Capital Expenditure charged against Earmarked Reserves	0	0	0	0	0	0	0	0

## 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	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>								
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	(241)	0	0	0	0	0	0	241
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>								
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	(689)	0	0	689	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure						(822)	0	822
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposal	3	0	0	0	0	(3)	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	167	0	0	0	0	(167)	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash								0
<b>Adjustments involving the Major Repairs Reserve:</b>								
Reversal of Major Repairs Allowance credited to the HRA	0	0	(1,419)	0	1,419	0	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	0	(1,855)	0	0	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	Earmarke d Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	
<b>Adjustments involving the Pensions Reserve:</b>								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,990	0	197	0	0	0	0	(2,187)
Employer's pension contributions and direct payments to pensioners payable in the year	(1,097)	0	(109)	0	0	0	0	1,206
<b>Adjustments involving the Collection Fund Adjustment Account:</b>								
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	30	0	0	0	0	0	0	(30)
<b>Adjustments involving the Accumulated Absences Account:</b>								
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	0	3	0	0	0	0	(33)
<b>Total Adjustments</b>	<b>2,932</b>	<b>0</b>	<b>(423)</b>	<b>0</b>	<b>(437)</b>	<b>(304)</b>	<b>0</b>	<b>1,768</b>

## 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 2020/21.

	2021	Fund	Reserves	2020	Fund	Reserves	2019
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>General Fund Earmarked</b>							
Budget Carried Forward	0			0			0
Homelessness	100			100			100
Wellbeing	138			138	-22		160
Capital	0			0			0
Service Improvement	12			12			12
Council Priority	112			112			112
Welfare Reform	72			72			72
Troubled Families	0			0			0
Disabled Facilities	22			22	22		0
ERDF Schemes	16			16			16
Greening the Borough	120			120			120
Active Assest Management	300			300			300
Cointingency	43			43			43
Budget Equilibrium	32			32			32
Income Profiling	47			47			47
Land Valuation	17			17			17
Land Charges	22			22			22
Borough Events	6			6			6
Collection Fund	4,992	4,992		0			0
COVID-19	1,717	1,717		0			0
Local Elections Reserve	50	50		0			0
Retained Rates Reserve	350	350		0			0
<b>Total General Fund</b>	<b>8,168</b>	<b>7,109</b>	<b>0</b>	<b>1,059</b>	<b>0</b>	<b>0</b>	<b>1,059</b>
<b>Earmarked Reserves</b>							

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2020/21			2019/20				
	Balance	Transfer	(To)/From	Balance	Transfer	(To)/From		Balance
	31 March 2021	In/(Out) Fund	Other Reserves	31 March 2020	In/(Out) Fund	Other Reserves		31 March 2019
£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	
<b>General Fund Grants</b>								
Grounds Maintenance	241	(35)	0	276	(38)	0	314	
Local Plan Reserve	180	88	0	92	16	0	76	
Earmarked Grants	22	0	0	22	22	0	0	
<b>Total General Fund Grants</b>	<b>443</b>	<b>53</b>	<b>0</b>	<b>390</b>	<b>0</b>	<b>0</b>	<b>390</b>	
<b>Total General Fund</b>	<b>8,611</b>	<b>7,162</b>	<b>0</b>	<b>1,449</b>	<b>0</b>	<b>0</b>	<b>1,449</b>	
<b>HRA</b>								
Regeneration Reserve	361			361	0	0	361	
Major Repairs Reserve	412	402		10	(437)	0	447	
Housing Voids Levy Reserve	220			220	0	0	220	
Universal Credit Reserve	140			140	0	0	140	
Budget Carried Forward	8			8	0	0	8	
<b>Total HRA</b>	<b>1,141</b>	<b>402</b>	<b>0</b>	<b>739</b>	<b>(437)</b>	<b>0</b>	<b>1,176</b>	
<b>Grand Total</b>	<b>9,752</b>	<b>7,564</b>	<b>0</b>	<b>2,188</b>	<b>(437)</b>	<b>0</b>	<b>2,625</b>	

### 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.

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



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## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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<b>Income Profiling Reserve</b>	To safeguard against the volatility of planning income in future years
<b>Budget Equilibrium Reserve</b>	To safeguard against changes in Council funding.
<b>Land Valuation Reserve</b>	To allow the Council to value land within the Borough with a view to selling.
<b>Land Charges Reserve</b>	To fund improvements in the land charges service
<b>Borough Events Reserve</b>	To fund commemorative events held in the borough by the Council or other grant assisted groups.
<b>Housing Voids Levy Reserve</b>	To mitigate the impact of any levy imposed by the Government in relation to the sale of high value void dwellings.
<b>Universal Credit Reserve</b>	To fund if necessary the impact of Universal Credit on the level of rent arrears and therefore income to the HRA.
<b>COVID-19 Grant Reserve</b>	To hold unspent grant funding received from central government for the financing of COVID-19 business support grants. This is a temporary reserve, with the expectation that all funding will either be granted or reclaimed by central government in 2021/22.
<b>Collection Fund Reserve</b>	To hold the surplus of Section 31 grant received from central government in-year over and above the applicable deficit on business rate for the year. This will be released to the collection fund to offset the expected deficit on businesses rates arising from COVID-19. Over the course of the next three years.
<b>Elections Reserve</b>	To balance the budget for the four-yearly borough election cycle. Contributions of one quarter of the anticipated cost of the election are appropriated into the reserve in each of years 1-3, and then the balance is appropriated out in the year of the election.
<b>Business Rates Retention Reserve</b>	To hold the amounts required to fund the anticipated deficit on business rates collection over the following three financial years.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 6. Material Items of Income and Expenditure

For 2020/21 the Council has the following material items of income and expenditure for both capital and revenue:

The Council paid out £4.901 million in housing benefits during 2020/21 and a further £2.078 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 paid out £1.088 million of COVID-19 business grants as a Principal, and £11.380 million as an Agent, though the latter do not appear in the financial statements (see Note 47).

The Council also carried out £1.237 million of major refurbishment work on the Council's housing stock.

### 7. Other Operating Expenditure

	<u>2020/21</u> £000's	<u>2019/20</u> £000's
(Gain)/Loss on Disposal of Non-Current Assets	(88)	(184)
Loss on De-Recognition of Fixed Assets *	382	730
Contribution to Housing Pooled Capital Receipts	117	170
	<u>411</u>	<u>716</u>

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

### 8. Financing and Investment Income and Expenditure

	<u>2020/21</u> £000's	<u>2019/20</u> £000's
Interest Payable and Similar Charges	729	747
(Gains)/Loss on Revaluation of Investment Properties	45	(4)
Interest and Investment Income	(14)	(14)
Pension Interest Costs and Expected Return on Pension Assets	517	615
<b>Total</b>	<u>1,277</u>	<u>1,344</u>

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**NOTES TO THE CORE FINANCIAL STATEMENTS**

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**9. Taxation and Non Specific Grant Income and Expenditure**

	<u>2020/21</u>	<u>2019/20</u>
	£000's	£000's
General Government Grants	(117)	(151)
Council Tax Income	(4,021)	(3,912)
Collection Fund (Surplus)/Deficit - Council Tax	7	(7)
Non Domestic Rates Income	(2,589)	(1,221)
Non Domestic Rates Tariff Payment	151	0
Non Domestic Rates Levy	168	(322)
Non Domestic Rates LLP Share of Surplus (Pool)	0	0
Collection Fund (Surplus)/Deficit - NNDR	2,360	25
S31 Small Business Rate Relief	(6,385)	(946)
Capital Grants and Contributions	(163)	(241)
New Homes Bonus	(141)	(264)
<b>Total</b>	<u>(10,730)</u>	<u>(7,038)</u>

General government grants, contributions in the form of Revenue Support Grant, NDR redistribution, other un-ring-fenced government grants are disclosed above.

Revenue grants, contributions that are not considered as general grants are credited to service revenue accounts, support services, trading accounts and the Housing Revenue Account (HRA).

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 10. Property, Plant and Equipment

#### Cost or Valuation

Restated	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
<b>Balance at 1 April 2019</b>	<b>61,421</b>	<b>24,307</b>	<b>2,493</b>	<b>7,316</b>	<b>504</b>	<b>96,041</b>
Additions	2,382	1,096	46	558	0	4,082
Revaluation Increases/ (Decreases) Recognised in the Revaluation Reserve	(72)	165	87	0	0	180
Revaluation Increases/ (Decreases) Recognised in the Surplus/Deficit on the Provision of Services	255	(1,082)	(34)	0	0	(861)
Derecognition - Disposals (Sales)	(468)	(24)	0	0	0	(492)
Derecognition - Disposals (Component Disposal)	(730)	0	0	0	0	(730)
Derecognition - Disposals (Other)	0	0	0	0	(13)	(13)
Assets Reclassified (to)/from Non-Operational Assets	0	462	0	0	(491)	(29)
Other Movements in Cost or Valuation	0	(17)	17	0	0	0
<b>Balance at 31 March 2020</b>	<b>62,788</b>	<b>24,907</b>	<b>2,609</b>	<b>7,874</b>	<b>0</b>	<b>98,178</b>
Adjustments between Cost/Value and Depreciation/Impairment						<b>0</b>
<b>Balance at 1 April 2020</b>	<b>62,788</b>	<b>24,907</b>	<b>2,609</b>	<b>7,874</b>	<b>0</b>	<b>98,178</b>
Additions	1,132	33	46	230	293	1,734
Revaluation Increases/ (Decreases) Recognised in the Revaluation Reserve	2,243	91	78	0	0	2,412
Revaluation Increases/ (Decreases) Recognised in the Surplus/Deficit on the Provision of Services	406	(167)	(33)	0	0	206
Derecognition - Disposals (Sales)	(189)	0	0	0	0	(189)
Derecognition - Disposals (Component Disposal)	(381)	0	0	0	0	(381)
<b>Balance at 31 March 2021</b>	<b>65,999</b>	<b>24,864</b>	<b>2,700</b>	<b>8,104</b>	<b>293</b>	<b>101,960</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Depreciation and Impairment

Restated	Council	Other	Community	Vehicles,	Assets Under	Total
	Dwellings	Land & Buildings	Assets	plant etc.	Construction	Assets
	£000's	£000's	£000's	£000's	£000's	£000's
<b>Balance at 1 April 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4,254)</b>	<b>0</b>	<b>(4,254)</b>
Depreciation Charge	(1,283)	(988)	(9)	(622)	0	(2,902)
Depreciation Written out to the Revaluation Reserve	514	749	0	0	0	1,263
Depreciation & Impairment Written Out to the Surplus/Deficit on the Provision of Services	769	239	9	0	0	1,017
Derecognition - Sales						0
<b>Balance at 31 March 2020</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4,876)</b>	<b>0</b>	<b>(4,876)</b>
<b>Balance at 1 April 2020</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4,876)</b>	<b>0</b>	<b>(4,876)</b>
Depreciation Charge	(1,352)	(1,034)	(9)	(595)	0	(2,990)
Depreciation Written out to the Revaluation Reserve	665	873	0	0	0	1,538
Depreciation & Impairment Written Out to the Surplus/Deficit on the Provision of Services	687	161	9	0	0	857
Derecognition - Sales	0	0	0	0	0	0
<b>Balance at 31 March 2021</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(5,471)</b>	<b>0</b>	<b>(5,471)</b>

	2020/21			2019/20		
	Net Book Value	Nature of Asset		Net Book Value	Nature of Asset Holding	
	£000's	Finance Lease	Owned	£000's	Finance Lease	Owned
	£000's	£000's	£000's	£000's	£000's	£000's
Council Dwellings	66,000	0	66,000	62,789	0	62,789
Other Land & Buildings	24,865	0	24,865	24,907	0	24,907
Community Assets	2,700	0	2,700	2,609	0	2,609
Vehicles, Plant etc	2,631	41	2,590	2,997	67	2,930
Incomplete Assets	293	0	293	0	0	0
<b>Total</b>	<b>96,489</b>	<b>41</b>	<b>96,448</b>	<b>93,302</b>	<b>67</b>	<b>93,235</b>

### 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

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### **Capital Commitments**

At 31st March 2021, the Council had the following outstanding capital commitments of £320,373.57 (2019/20 £485k) on the Housing Revenue Account, comprising;

- Decent Homes Missed/Refused Premises Repairs                      £169K
  
- Kitchen Replacements Decent Homes Premises Repairs            £152K

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 2021 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 2021.

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.

	<b>2020/21</b>	2019/20
	£000's	£000's
<b>Balance at 1 April</b>	<b>50</b>	50
Additions	<b>0</b>	0
Revaluation	<b>19</b>	0
<b>Balance at 31 March</b>	<b>69</b>	50

### 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

	<b>2020/21</b>	2019/20
	£000's	£000's
Rental Income from Investment Property	<b>(13)</b>	(11)
<b>Net Gain/(Loss)</b>	<b>(13)</b>	(11)

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.

2020/21 has seen a net decrease of £45,000 in the value of the Council's investment properties due to revaluation gains

The current investment property balance consists of £129,000 of retail property let out, and £245,000 of property awaiting development.

	<b>20/20/21</b>	20/19/20
	£000's	£000's
<b>Balance at 1 April</b>	<b>419</b>	415
Disposals	<b>0</b>	0
Revaluation Gain Recognised in the Surplus/Deficit on the Provision of Services	<b>(45)</b>	4
Reclassification of asset	<b>0</b>	0
<b>Balance at 31 March</b>	<b>374</b>	419



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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### **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>2020/21</u>	<u>2019/20</u>
	£000's	£000's
<b>Balance at 1 April</b>	<b>980</b>	802
Additions	308	178
Disposals	0	0
<b>Balance at 31 March</b>	<b>1,288</b>	<b>980</b>

#### **Depreciation and Impairment of Software**

	<u>2020/21</u>	<u>2019/20</u>
	£000's	£000's
<b>Balance at 1 April</b>	<b>746</b>	659
Amortisation for the Year	144	87
Disposals	0	0
<b>Balance at 31 March</b>	<b>890</b>	<b>746</b>

#### **Net Book Value**

	<u>Balance as at 31 March 2021</u>	<u>Balance as at 31 March 2020</u>
	£000's	£000's
Software	<b>398</b>	234

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### **14. Debtors**

**Amounts falling due in less than one year are:**

	<u>2020/21</u>	<u>2019/20</u>
	£000's	£000's
Central Government Bodies	3,959	240
Other Local Authorities	2,442	1044
Other Entities and Individuals	1,930	1836
<b>Total</b>	<u><u>8,331</u></u>	<u><u>3,120</u></u>

**Amounts falling due after one year are:**

	<u>2020/21</u>	<u>2019/20</u>
	£000's	£000's
Voluntary Organisation Loans	2	2
Bushloe Developments Loan	73	100
Car Loans to Employees	11	21
Other Long Term Debtors	0	0
	<u><u>86</u></u>	<u><u>123</u></u>

### **15. Investments**

The Council had £5 Million (Thurrock Borough Council) of short-term investments outstanding 31 March 2021.

The Council has accrued £847 of income relating to these investments, amounting to £351, £340 and £156 respectively.

No Council Long Term Investments reported for 2020/21 (2019/20 £0)

### **16. Assets Held for Sale**

In 2020/21 no assets were held for sale (2019/20 £0)

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 17. Inventories

	<b>Stores</b>		<b>Materials</b>		<b>Total</b>	
	<b>2020/21</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2019/20</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Balance Outstanding at Start of Year	8	12	5	5	13	17
Purchases	141	162	17	5	157	167
Recognised as an Expense in the Year	(137)	(166)	(1)	(5)	(137)	(171)
Written Off Balances	0	0	0	0	0	0
Balance Outstanding at End of Year	<b>12</b>	<b>8</b>	<b>21</b>	<b>5</b>	<b>33</b>	<b>13</b>

### 18. Cash and Cash Equivalents

<b>Cash and Cash Equivalents</b>	<b>31 March</b>	<b>31 March</b>
	<b>2021</b>	<b>2020</b>
	<b>£000's</b>	<b>£000's</b>
Short Term Deposits	2,773	3,401
<b>Bank</b>	<b>31 March</b>	<b>31 March</b>
	<b>2021</b>	<b>2020</b>
Cash held by the Authority		
Bank Current Accounts	581	496
<b>Total</b>	<b>3,354</b>	<b>3,897</b>

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 2021 was 0.01% (0.50% as at 31st March 2020).

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 19. Short Term Creditors

	<b>2020/21</b>	2019/20
	<b>£000's</b>	£000's
Central Government Bodies	(2,871)	(946)
Other Local Authorities	(168)	(782)
Other Entities and Individuals	(2,477)	(2,807)
<b>Total</b>	<b>(5,516)</b>	<b>(4,535)</b>

### 20. Short Term Provisions

	<b>Accumulated Absence 2020/21</b>	<b>NNDR Appeals 2020/21</b>	<b>Total 2020/21</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Balance B/Fwd</b>	(92)	(739)	(831)
Arising during the year	(10)	0	(10)
Used during the year	0	186	186
<b>Balance C/Fwd</b>	<b>(102)</b>	<b>(553)</b>	<b>(655)</b>
<b>Current Provision</b>	<b>(102)</b>	<b>(553)</b>	<b>(655)</b>
<b>Expected Timing of Cash Flows:</b>			
To 31 March 2021	(102)	(553)	(655)
<b>Total</b>	<b>(102)</b>	<b>(553)</b>	<b>(655)</b>

	<b>Accumulated Absence 2019/20</b>	<b>NNDR Appeals 2019/20</b>	<b>Total 2019/20</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Balance B/Fwd</b>	(61)	(815)	(876)
Arising during the year	(31)	0	(31)
Used during the year	0	76	76
<b>Balance C/Fwd</b>	<b>(92)</b>	<b>(739)</b>	<b>(831)</b>
<b>Current Provision</b>	<b>(92)</b>	<b>(739)</b>	<b>(831)</b>
<b>Expected Timing of Cash Flows:</b>			
To 31 March 2019	(92)	(739)	(831)
<b>Total</b>	<b>(92)</b>	<b>(739)</b>	<b>(831)</b>

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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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.

### **21. Capital Grants and Contributions - Receipts in Advance**

	<u>2020/21</u>	<u>2019/20</u>
	£ 000's	£ 000's
<b>Grants and Contributions</b>		
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)	(152)
Section 106 - Open Space	(685)	(760)
Green Roof Bus Shelter	(6)	(6)
Brocks Hill Alarm	(1)	(1)
DECC Grant	(5)	(5)
LCC BRP Highways Improvements	(50)	0
LCC BRP Kirby Bridge	(30)	0
<b>Total</b>	<u><u>(945)</u></u>	<u><u>(940)</u></u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 22. Movements on Reserves (MIR)

	Balance At 31st March 2021  £000's	Net Movement in Year  £000's	Balance At 31st March 2020 Restated £000's	Net Movement in Year  £000's	Balance At 31st March 2019 Restated £000's
<b>Earmarked Reserves (Note 5)</b>	<b>(9,752)</b>	<b>(7,564)</b>	<b>(2,188)</b>	<b>437</b>	<b>(2,625)</b>
<b>Other Usable Reserves</b>					
Usable Capital Receipts Reserve	(1,180)	(158)	(1,022)	304	(1,326)
Capital Grants Unapplied Reserve	(24)	0	(24)	0	(24)
Deferred Capital Receipts - General Fund	(3)	0	(3)	0	(3)
General Fund	(2,465)	(1,450)	(1,015)	(415)	(600)
Housing Revenue Account	(1,332)	(193)	(1,139)	(53)	(1,086)
	<u>(14,756)</u>	<u>(9,365)</u>	<u>(5,391)</u>	<u>273</u>	<u>(5,664)</u>
<b>Unusable Reserves</b>					
Collection Fund Adjustment Account	2,610	2,360	250	30	220
Pensions Reserve	29,256	6,786	22,470	(2,888)	25,358
Revaluation Reserve	(14,537)	(3,226)	(11,311)	(842)	(10,469)
Capital Adjustment Account	(45,635)	(67)	(45,568)	123	(45,691)
Financial Instruments Adjustment Account	7		7		7
Accumulated Absences Reserve	103	11	92	32	60
	<u>(28,196)</u>	<u>5,864</u>	<u>(34,060)</u>	<u>(3,545)</u>	<u>(30,515)</u>
<b>Total</b>	<u><b>(42,952)</b></u>	<u><b>(3,501)</b></u>	<u><b>(39,451)</b></u>	<u><b>(3,272)</b></u>	<u><b>(36,179)</b></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.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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<b>Deferred Capital Receipts</b>	Proceeds of fixed asset sales which are not Receivable immediately on sale.
<b>General Fund</b>	Resources available to meet future running costs of non-housing services.
<b>Housing Revenue Account</b>	Resources available to meet future running costs of council houses.
<b>Financial Instruments Adjustment Account</b>	Accounts for the timing differences in the different methods of accounting for Financial Instruments.
<b>Accumulated Staff Absence</b>	The authority's obligation to staff for leave earned but not taken at the end of the financial year.
<b>Useable Revenue Reserves</b>	<p>31 March 2021 government has changed how authorities are compensated through the S31 grants for administering their Covid-19 support programmes. Primarily in the form of Business Rate Reliefs and Business Grants. Districts in particular are seeing a larger than expected temporary increase in reported reserves.</p> <p>Due to timing the payments were not considered within the NNDR 1 set business rates share for 2020/21. They were paid to the General Fund in the year and the reliefs sit in Earmarked Reserves at the year end. (Revised Note has been compiled to reflect the movements and changes as per reporting requirements).</p>

### **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 (CIES) (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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

	<u>2020/21</u>	<u>2019/20</u>
	£000's	£000's
<b>Balance as at 1 April 2020</b>	<b>(45,568)</b>	(45,691)
<b>Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement</b>		
Charges for depreciation and impairment of non-current assets	1,927	2,747
Amortisation of intangible assets	145	88
Revenue expenditure funded from capital under statute	90	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	<u>570</u>	<u>1,235</u>
	<b>2,732</b>	4,362
Adjusting amounts written out of the Revaluation Reserve	<b>(743)</b>	(602)
<b>Net Written Out Amount of the Cost of Non-current Assets Consumed in the Year</b>	<b>1,989</b>	3,760
<b>Capital financing applied in the year</b>		
Use of Capital Receipts Reserve to finance new capital expenditure	0	(822)
Use of Major Repairs Reserve to finance new capital expenditure	<b>(1,132)</b>	(1,855)
Capital Grants & Contributions Credited to the Comprehensive Income & Expenditure Statement That Have Been Applied to to Capital Financing	<b>(163)</b>	(241)
Application of grants to capital financing from the Capital Grants Unapplied Account	0	0
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	<b>(805)</b>	(713)
Capital expenditure charged against the General Fund and HRA balances	<u>0</u>	<u>0</u>
	<b>(2,100)</b>	(3,632)
Movements in the Market Value of Investment Property Debited or Credited to the Comprehensive Income & Expenditure Statement	<b>45</b>	(4)
<b>Balance as at 31 March 2021</b>	<b><u>(45,634)</u></b>	<b><u>(45,568)</u></b>

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.

### **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.



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## NOTES TO THE CORE FINANCIAL STATEMENTS

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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.

	2020/21	2019/20
	£000's	£000's
<b>Balance as at 1 April 2020</b>	<b>(11,311)</b>	(10,469)
Upward revaluation of assets	<b>(4,404)</b>	(1,953)
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the Provision of Services	<b>435</b>	509
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>(3,969)</b>	(1,444)
Difference Between Fair Value Depreciation & Historical Cost Depreciation	<b>(743)</b>	(602)
Accumulated Gains on Assets Sold or Scrapped	<b>743</b>	602
Amount Written off to the Capital Adjustment Account	<b>743</b>	602
<b>Balance as at 31 March 2021</b>	<b>(14,537)</b>	(11,311)

### **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>2020/21</u>	<u>2019/20</u>
	£000's	£000's
<b>Balance as at 1 April 2020</b>	<b>22,470</b>	25,358
Transfer to Pension Reserve	5	(97)
Remeasurements of the net defined benefit liability/(asset)	<b>6,235</b>	(3,772)
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.	<b>1,838</b>	2,187
Employer's Pension Contributions and direct payments to the pensioners payable in the year.	<b>(1,292)</b>	(1,206)
<b>Balance as at 31 March 2021</b>	<b><u>29,256</u></b>	<b><u>22,470</u></b>

### 26. Cash Flow Statement - Investing Activities

	<u>2020/21</u>	<u>2019/20</u>
	£000's	£000's
Purchase of Property, Plant and Equipment	<b>2,043</b>	4,341
Proceed of the Sale of Property, Plant and Equipment	<b>(276)</b>	(688)
Other Receipts from Investing Activities	<b>(167)</b>	0
Net Change in Investments	<b>5,000</b>	0
<b>Total Investing Activities</b>	<b><u>6,600</u></b>	<b><u>3,653</u></b>

### 27. Cash Flow Statement - Financing Activities

	<u>2020/21</u>	<u>2019/20</u>
	£000's	£000's
Cash Receipts from Long and Short Term Borrowing	<b>(3,000)</b>	(2,500)
Repayments of Short Term and Long Term Borrowing	<b>1,088</b>	1,086
Appropriation to/from the Collection Fund Adjustment Account	<b>2,360</b>	30
Other Payments for Financing Activities	<b>1,926</b>	(71)
<b>Total Financing Activities</b>	<b><u>2,374</u></b>	<b><u>(1,455)</u></b>

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 28. Net Movement in Liquid Resources

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

	<b>As at 31st March 2021</b>	<b>As at 31st March 2020</b>	<b>Increase/ (Decrease) in Year</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Money Market	<b>2,773</b>	3,401	(628)
<b>Short Term Deposits</b>	<b>2,773</b>	3,401	(628)

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.

	<b>As At 31/03/2021</b>	<b>As At 31/03/2020</b>
	<b>£000's</b>	<b>£000's</b>
<b>Net Movement in other Liquid Resources</b>	<b>624</b>	(71)

### 29. Operating and Finance Leases

#### Operating Leases

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

<b>2020/21</b>			<b>2019/20</b>
<b>Vehicles</b>	<b>Other Equipment</b>	<b>Total</b>	<b>Total</b>
<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
5	1	6	12

## NOTES TO THE CORE FINANCIAL STATEMENTS

At 31 March 2021 the Council had commitments in respect of operating leases for future years as shown below.

As at 31st March 2021

	<u>Vehicles</u> £000's	<u>Other Equipment</u> £000's	<u>Total</u> £000's
Less than 1 year	1	0	1
Between 1 and 5 years	0	0	0
<b>Total</b>	<b>1</b>	<b>0</b>	<b>1</b>

As at 31st March 2020

	<u>Vehicles</u> £000's	<u>Other Equipment</u> £000's	<u>Total</u> £000's
Less than 1 year	4	2	6
Between 1 and 5 years	1	0	1
<b>Total</b>	<b>5</b>	<b>2</b>	<b>7</b>

### Finance Leases

During 2020/21 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 £41,213 at 31 March 2021 (£40,160) at 31 March 2020).

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

<b>Minimum Lease Payments</b>	<u>2020/21</u> £000's	<u>2019/20</u> £000's
<b>Amounts Payable under Finance Leases</b>		
Within One Year	31	11
Between One and Five Years	27	14
Less Future Finance Charges	(9)	(5)
<b>Present Value of Minimum Lease Payments</b>	<b>49</b>	<b>20</b>
<b>Included in:</b>		
Current Liabilities	27	9
Non-current Liabilities	22	11
<b>Total</b>	<b>49</b>	<b>20</b>

The total future minimum lease payments amount to £57,399 (2019-20 £25,401) which includes a future rental cost of £47,906 at 31 March 2021 (2019-20 £20,452).

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 30. Note to The Expenditure and Funding Analysis

#### The Expenditure and Funding Analysis

2020/21	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensiv e Income and Expenditure Statement £000's
Customer Services & Business Transformation	1,130	157	1,287
Senior Leadership Team	435	2	437
Community & Wellbeing	913	891	1,804
Law & Governance	110	12	122
The Built Environment	546	142	688
Finance & Resources	2,824	1,069	3,893
COVID-19 Council Costs	(1,953)	2	(1,951)
Housing Revenue Account	(3,455)	445	(3,010)
<b>Net Cost of Services</b>	<b>550</b>	<b>2,720</b>	<b>3,270</b>
Total - Other Operating Expenditure	0	411	411
Total - Financing & Investment Income & Expen	2,642	(1,365)	1,277
Total - Taxation & Non Specific Grant Income	(12,927)	2,197	(10,730)
<b>(Surplus)/Deficit on Provision of Services</b>	<b>(9,735)</b>	<b>3,963</b>	<b>(5,772)</b>
Opening General Fund & HRA Balance at 1st April	(2,154)		
Less Deficit/(Surplus) on General Fund and HRA Balance in Year	(1,643)		
<b>Closing General Fund &amp; HRA Balance at 31st March</b>	<b>(3,797)</b>		

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

2019/20 Restated	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	1,131	181	1,312
Senior Leadership Team	545	35	580
Community & Wellbeing	1,436	1,319	2,755
Law & Governance	692	66	758
Planning, Development & Regeneration	501	176	677
Finance & Resources	2,419	1,280	3,699
COVID-19 Council Costs	6	0	6
Housing Revenue Account	(3,203)	434	(2,769)
<b>Net Cost of Services</b>	<b>3,527</b>	<b>3,491</b>	<b>7,018</b>
Total - Other Operating Expenditure	0	716	716
Total - Financing & Investment Income & Expenditure	2,832	(1,488)	1,344
Total - Taxation & Non Specific Grant Income	(6,827)	(211)	(7,038)
<b>(Surplus)/Deficit on Provision of Services</b>	<b>(468)</b>	<b>2,508</b>	<b>2,040</b>
<b>Opening General Fund &amp; HRA Balance at 1st April</b>	<b>(1,686)</b>		
Less Deficit/(Surplus) on General Fund and HRA Balance in Year	(468)		
<b>Closing General Fund &amp; HRA Balance as 31st March 2020</b>	<b>(2,154)</b>		

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

**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

2020/21	Adjustments between Funding and Accounting Basis			
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	(Note 1) £000's	(Note 2) £000's	(Note 3) £000's	£000's
Customer Serv. & Bus. Transformation	153	4	0	157
Senior Leadership Team	0	2	0	2
Community & Wellbeing	883	8	0	891
Law & Governance	10	2	0	12
The Built Environment	138	4	0	142
Finance & Resources	551	518	0	1,069
COVID-19 Council Costs	0	2	0	2
Housing Revenue Account	442	3	0	445
<b>Net Cost of Services</b>	<b>2,177</b>	<b>543</b>	<b>0</b>	<b>2,720</b>
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	(1,644)	517	2,370	1,243
	<u>533</u>	<u>1,060</u>	<u>2,370</u>	<u>3,963</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

2019/20 Restated Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments between Funding and Accounting Basis			
	Adjustments for Capital Purposes	Net change for the		Total Adjustments
		Pensions Adjustments	Other Differences	
		(Note 1) £000's	(Note 2) £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	1,367	18	0	1,385
COVID-19 Council Costs	0	0	0	0
Housing Revenue Account	391	43	0	434
<b>Net Cost of Services</b>	<b>3,124</b>	<b>367</b>	<b>0</b>	<b>3,491</b>
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	(1,660)	614	63	(983)
	<u>1,464</u>	<u>981</u>	<u>63</u>	<u>2,508</u>

### 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.



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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 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:

	<u>2020/21</u>	<u>2019/20</u>
<b>Services</b>	<b>Income from Services £000's</b>	<b>Income from Services £000's</b>
Customer Services & Business Transformation	(101)	0
Senior Leadership Team	0	0
Community & Wellbeing	(1,418)	(1,173)
Law & Governance	(621)	(551)
The Built Environment	(1,157)	(925)
Finance & Resources	(8,611)	(9,326)
COVID-19 Council Costs	(4,561)	0
Housing Revenue Account	(5,040)	(4,951)
<b>Total Income analysed on a Segmental Basis</b>	<b>(21,509)</b>	<b>(16,926)</b>

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 31. Expenditure and Income Analysed By Nature

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

	2020/21	2019/20
	£000's	Restated £000's
<b>Expenditure / Income :</b>		
<b>Expenditure</b>		
Employee benefits expenses	7,141	7,075
Other services expenses	14,371	13,764
COVID Grants	1,088	0
Depreciation, amortisation, impairment	2,177	3,105
Interest payments	1,990	2,201
Precepts and levies	2,380	3,048
Payments to Housing Capital Receipts Pool	117	170
Gain on the disposal of assets	339	542
<b>Total Expenditure</b>	<b>29,603</b>	<b>29,905</b>
<b>Income</b>		
Fees, charges and other service income	(8,831)	(9,020)
Interest and investment income	(758)	(853)
Income from council tax, non-domestic rates and district rate income	(6,304)	(8,485)
Government grants and contributions Non-COVID	(14,435)	(9,507)
Government grants and contributions COVID	(5,047)	0
<b>Total Income</b>	<b>(35,375)</b>	<b>(27,865)</b>
<b>Surplus or (Deficit) on the Provision of Services</b>	<b>5,772</b>	<b>(2,040)</b>

### 32. Members Allowances

As a result of the pandemic a review of the Members Allowance scheme was not undertaken and the 2019/20 scheme was carried forward into 2020/21.

In 2020/21, the Council paid allowances to members totalling £170,496 (2019/20 £168,711).

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### **33. Audit Costs**

In 2020/21 Oadby and Wigston Borough Council incurred the following fees relating to external audit and inspection:

	<u>2020/21</u>	<u>2019/20</u>
	£000's	£000's
Fees payable to the Council's auditors for external audit services carried out by the appointed auditor.	55	36
Fees payable to the Council's auditors for the certification of grant claims and returns.	10	9
Fees payable in respect of other services.	3	3
	<u>68</u>	<u>48</u>

A significant increase in audit fees was levied for 20/21 due to the impact of the COVID-19 pandemic, both on the Council, and upon the audit process.

### **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

	<b>2020/21</b>	<b>2019/20</b>
	<b>Payments</b>	Payments
	<b>£000's</b>	£000's
Leicestershire County Council	<b>0</b>	367
Leicestershire County Council, Pension Fund	<b>1,333</b>	1,206
Leicestershire County Council - Year End Debtor	<b>1,103</b>	0
Leicestershire County Council - Year End Creditor	<b>760</b>	213
Leicestershire Police Authority	<b>192</b>	196
	<b>3,388</b>	1,982
	<b>Precepts</b>	<b>Precepts</b>
	<b>£000's</b>	<b>£000's</b>
Leicestershire County Council	<b>23,543</b>	22,514
Leicestershire Police	<b>4,086</b>	3,889
Leicestershire and Rutland Fire Authority	<b>1,195</b>	1,161
	<b>28,824</b>	27,564

In 2020/21 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.

	<b>2020/21</b>	<b>2019/20</b>
	<b>Receipts</b>	Receipts
	<b>£000's</b>	£000's
<b>Leicestershire County Council</b>		
Safer Communities Grant	<b>0</b>	28
Lockdown Support Grant	<b>25</b>	0
Winter Grant Scheme	<b>93</b>	0
	<b>118</b>	28
<b>Charnwood Borough Council</b>		
Next Steps Accommodation Scheme	<b>28</b>	<b>0</b>
	<b>28</b>	<b>0</b>
	<b>2020/21</b>	2019/20
	<b>Payments</b>	Payments
<b>Community/Youth Grants</b>		
South and West Leicestershire CAB	<b>28</b>	28
SSAFA	<b>0</b>	0
Age UK – Oadby & Wigston	<b>6</b>	7
Helping Hands	<b>28</b>	21
Pride of the Borough	<b>0</b>	0
<b>Total</b>	<b>62</b>	55

## 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 2020/21 is as follows;

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

Post holder information		Salary (Inc fees & allowances)	Other	Expense Allowances	Pension Contributions	Total
Chief Executive	<b>2020/21</b>	<b>106</b>	<b>0</b>	<b>0</b>	<b>34</b>	<b>140</b>
	2019/20	103	0	0	22	125
Deputy Chief Executive & Section 151 Officer	<b>2020/21</b>	<b>90</b>	<b>0</b>	<b>0</b>	<b>29</b>	<b>119</b>
	2019/20	84	0	1	18	103
Head of Finance & Acting S151 Officer	<b>2020/21</b>	<b>13</b>	<b>93</b>	<b>0</b>	<b>4</b>	<b>110</b>
	2019/20	60	0	1	13	74
Head of Law & Democracy (Monitoring Officer)	<b>2020/21</b>	<b>61</b>	<b>0</b>	<b>0</b>	<b>19</b>	<b>80</b>
	2019/20	60	0	1	13	74
Head of Customer Services & Business Transformation	<b>2020/21</b>	<b>53</b>	<b>0</b>	<b>0</b>	<b>16</b>	<b>69</b>
	2019/20	55	0	0	17	72
Head of Community & Wellbeing	<b>2020/21</b>	<b>55</b>	<b>0</b>	<b>0</b>	<b>17</b>	<b>72</b>
	2019/20	55	0	0	17	72
Head of The Built Environment	<b>2020/21</b>	<b>55</b>	<b>0</b>	<b>0</b>	<b>17</b>	<b>72</b>
	2019/20	60	0	1	13	74
		<b>433</b>	<b>93</b>	<b>0</b>	<b>136</b>	<b>662</b>

The Deputy Chief Executive was also the Section 151 Officer throughout 2020/21. When the Deputy Chief Executive left in March 2021 the Head of Finance & Deputy S151 Officer became the Acting S151 Officer.

(a) Initially the Head of Finance was employed through an agency for part of 2020/21 but was employed on a fixed term contract from February 2021. The total fees paid to the agency for this role were £93K which is shown as other costs.

The Senior Leadership Team was expanded to include all heads of department in 2020/21.

#### Officers Salary Exceeding £50,000

The Council's other employees receiving more than £50,000 remuneration for the year 2020/21 were paid in the following bands:

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**NOTES TO THE CORE FINANCIAL STATEMENTS**

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<b>Salary Bands</b>	<b>Number of Employees</b>	
	<b>2020/21</b>	<b>2019/20</b>
£50,000 - £55,000	3	4
£55,000 - £60,000	1	0
£60,000 - £65,000	1	0
£65,000 - £70,000	0	1
£70,000 - £75,000	0	0
£75,000 - £80,000	0	0
£80,000 - £85,000	0	0
£85,000 - £90,000	0	1
£90,000 - £95,000	1	0
£95,000 - £100,000	0	0
£100,000 - £105,000	0	0
£105,000 - £110,000	1	0
£110,000 - £115,000	0	1
	<u>7</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:

<b>Exit Package Cost Band</b>	<b>Number of Compulsory Redundancies</b>	<b>2020/21 Number of Other Departures Agreed</b>	<b>Total Number of Exit Packages by Cost Band</b>	<b>Total Cost of Exit Packages in Each Band</b>
				£000's
£0 - £20,000	1	0	1	10
<b>Total</b>	<u>1</u>	<u>0</u>	<u>1</u>	<u>10</u>

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

### **36. Termination Benefits**

The Council has terminated the contract of one employee in the year through redundancy. The cost of this movement was £10,094 (2019/20 £105,656) - 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 reserves, balance sheet provisions and revenue. All capital costs associated with early retirement have been funded by a combination of the Leicestershire County 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 2020-21 the Council paid an employer's contribution of £1,286,855 (2019-20 £1,162,766) into the Leicestershire County Council Superannuation Fund, representing 32.496% (2019-20 30.745%) of Pensionable Pay.

In addition the Council made payment into the Leicestershire County Council Superannuation Fund relating to added years benefits of £5,076 (2019-20 £42,935), representing 0.128% (2019-20 1.135%) of Pensionable Pay.

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

### **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:

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Comprehensive Income and Expenditure Statement

	<u>2020/21</u>	<u>2019/20</u>
	<u>£000's</u>	<u>£000's</u>
<b>Cost of Services</b>		
<b>Service Cost comprising</b>		
Current Service Cost	1,319	1,630
Past Service Costs	2	(58)
(Gain)/Loss from Settlements		
<b>Financial and Investment Income and Expenditure</b>		
Net interest expense	<u>517</u>	<u>615</u>
<b>Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<u><b>1,838</b></u>	<u><b>2,187</b></u>

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

<b>Remeasurement of the net defined benefit liability comprising</b>		
Return on plan assets (excluding the amount included in the net interest expense)	(7,337)	3,157
Actuarial gains and losses arising on changes in demographic assumptions	770	(1,913)
Actuarial gains and losses arising on changes in financial assumptions	13,428	(5,209)
Other	(626)	189
Transfer to Pension Reserve for Post Year Actuaries Adjustment		
<b>Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement.</b>	<u><b>6,235</b></u>	<u><b>(3,776)</b></u>

### 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.	<u>(32)</u>	<u>(467)</u>
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### Actual amount charged against the General Fund Balance for pension in the year

Employers contribution payable to scheme	1,247	1,260
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### 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:

	<u>2020/21</u>	<u>2019/21</u>
	<u>£000's</u>	<u>£000's</u>
Present Value of the Defined Benefit Obligation	69,622	54,911
Fair Value of the plan assets	<u>(40,366)</u>	<u>(32,441)</u>
<b>Net liability arising from Defined Benefit Obligation</b>	<u><b>29,256</b></u>	<u><b>22,470</b></u>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

	<b>2020/21</b>	2019/20
	<b>£000's</b>	£000's
<b>Opening fair value of scheme assets</b>	<b>32,441</b>	35,046
Interest Income	744	839
<b>Remeasurement gain/ (loss)</b>		
The return on plan assets, excluding the amount included in the net interest expense	7,337	(3,161)
Contributions from employer	1,247	1,260
Contribution from employees into the scheme	269	242
Losses/(gains) on curtailment (where relevant)	0	0
Benefits paid	(1,672)	(1,785)
<b>Closing fair value of scheme assets</b>	<b>40,366</b>	32,441

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

	<b>2020/21</b>	2019/20
	<b>£000's</b>	£000's
<b>Opening balance at 1st April 2020</b>	54,911	60,404
Current Service Costs	1,319	1,630
Interest cost	1,261	1,454
Contributions from scheme participants	269	242
<b>Remeasurement (gain) and loss</b>		
Actuarial gain/loss arising from changes in demographic assumptions	770	(1,913)
Actuarial gain/loss arising from changes in financial assumptions	13,428	(5,209)
Other	(626)	189
Past Service Costs	2	(58)
Losses/(gains) on curtailment (where relevant)	0	0
Benefits Paid	(1,712)	(1,828)
<b>Closing balance at 31st March 2021</b>	<b>69,622</b>	54,911

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### Local Government Pension Scheme assets comprised

<b>Fair Value of Scheme Assets</b>	<b>Fixed Value of Scheme Assets</b>	
	<b>2020/21</b>	2019/20
	<b>£000's</b>	£000's
Cash and cash equivalents	1,209	972
Equity Securities	703	565
Debt Securities	3,941	3,167
Private Equity	1,861	1,496
Real Estate	3,017	2,425
	10,731	8,625
<b>Investment Funds and Unit Trusts:</b>		
Equities	16,212	13,029
Bonds	1,706	1,371
Hedge Funds	3	3
Commodities	1,428	1,147
Infrastructure	2,123	1,706
Other	8,214	6,601
	29,686	23,857
Derivatives: Foreign Exchange	(51)	(41)
<b>Total Assets</b>	<b>40,366</b>	<b>32,441</b>

### 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.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### The significant assumptions used by the actuary have been:

	<b>Local Government Pension Scheme</b>	
	<u>2020/21</u>	<u>2019/20</u>
<b>Mortality assumptions</b>		
<b>Longevity at 65 for current pensioners</b>		
Men	21.7	21.5
Women	24.2	23.8
<b>Longevity at 65 for future pensioners</b>		
Men	22.6	22.2
Women	25.9	25.2
<b>Rate of Inflation</b>		
Rate of increase in salaries	3.5%	2.4%
Rate of increase in pensions	2.9%	1.9%
Rate for discounting scheme liabilities	2.0%	2.3%

### Impact on the Defined Benefit Obligation in the Scheme

	<u>Increase in Employer's Liability</u>	<u>Appropriate Monetary Amount</u>
	%	£000's
<b>Change in Assumptions at 31st March 2021</b>		
0.5% decrease in Real Discount Rate	9%	6,501
1 Year increase in member life expectancy	0%	0
0.5% increase in the Salary Increase Rate	1%	419
0.5% increase in the Pensions Increase Rate	9%	5,962

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 38. Revenue and Capital Grants

The Council has credited the following grants and contributions to the Comprehensive Income and Expenditure Statement (CIES) during 2020/21:

	2020/21	2019/20
	£000's	£000's
<b>Revenue :</b>		
Rent Allowance	4,545	4,933
Benefit Administration	137	132
Rent Rebates	2,150	2,221
Housing Benefit Hardship	103	62
Council Tax Hardship Fund	274	0
Universal Credit Grant	4	13
Housing Benefit New Burdens Grants	21	20
Business Rates New Burdens	19	0
Brexit Preparations Grant	0	35
Council Tax Family Annexe Discount	2	2
Transparency Code	8	8
Local Authority Data Sharing	8	11
Safer Communities	0	28
Brownfield Site Register New Burdens Grant	0	2
Custom Build Grant	0	15
Taxi License New Burdens	1	0
Mobile Homes Fit & Proper Testing Grant	1	0
Letting Agent Transparency & Redress Scheme	1	0
Rough Sleeping Contingency Grant	2	0
Next Steps Accommodation Program Grant	28	0
Leisure Recovery Grant	92	0
Council Tax Data Supply Grant	1	0
COVID-19 Emergency Funding Grants	770	0
COVID-19 Resident Support Schemes Grants	314	0
COVID-19 Loss of Income Grants	516	0
COVID-19 Business Grant Administration Grants	59	0
COVID-19 Community Champions Grant	86	0
COVID-19 Business Support Grants	2,710	0
COVID-19 Test, Track and Contain Grants	250	0
COVID-19 Self-Isolation Grants	177	0
Physical Activity Development Grants	83	87
Individual Electoral Registration Grants	0	6
<b>Total Revenue</b>	<b>12,362</b>	<b>7,575</b>
<b>Capital :</b>		
Improvement Grants	415	406
<b>Total</b>	<b>12,777</b>	<b>7,981</b>

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 39. Capital Expenditure

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

	<b>2020/21</b>	2019/20
	<u>£000's</u>	<u>£000's</u>
Opening Capital Financing Requirement	37,059	36,167
<b>Capital Investment</b>		
Property, Plant, Equipment and Intangible Assets	2,044	4,233
Revenue Expenditure Funded from Capital under Statute - Other	105	311
<b>Sources of Finance</b>		
Capital Receipts	0	(822)
Government Grants and Other Contributions	(163)	(261)
Revenue Contribution	(1,132)	(1,855)
Revenue Provision	(806)	(713)
Closing Capital Financing Requirement	<u><b>37,107</b></u>	<u>37,059</u>
<b>Explanation of Movement in Year</b>		
Increase/Decrease in underlying need for supported Borrowing	0	0
Increase/Decrease in underlying need for unsupported Borrowing	48	893
	<u><b>48</b></u>	<u>893</u>

General Fund capital expenditure in 2020/21 resulted in a net increase in the underlying need for unsupported borrowing of £48,081 (2019/20 £892,245 increase).

### 40. Minimum Revenue Provision (MRP)

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

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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particularly appropriate for assets which generate increasing revenues over time. This has been chosen for the leisure facilities project.

	<b>2020/21</b>	<b>2019/20</b>
	<b>£000's</b>	<b>£000's</b>
General Fund Charge	<b>805</b>	713
HRA Charge	<b>0</b>	0
<b>Minimum Revenue Provision</b>	<b>805</b>	<b>713</b>

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.

	<b>2020/21</b>	<b>2019/20</b>
	<b>£000's</b>	<b>£000's</b>
Minimum Revenue Provision	<b>805</b>	713
Amount Charged as Depreciation	<b>(1,601)</b>	(1,571)
Amount Charged as Impairment	<b>(29)</b>	(867)
<b>Additional Charge to/from the General Fund Balance</b>	<b>(825)</b>	<b>(1,725)</b>

### **41. Analysis of Net Assets Employed**

	<b>31st March 2021 £000's</b>	<b>31st March 2020 £000's</b>
General Fund	<b>(3,438)</b>	(1,973)
Housing Revenue Account	<b>46,390</b>	41,424
	<b>42,952</b>	<b>39,451</b>

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**NOTES TO THE CORE FINANCIAL STATEMENTS**

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**42. Information on Assets Held**

Fixed assets owned by the Council include the following;

	<b>No. as at 31st March 2021</b>	<b>No. as at 31st March 2020</b>
	<u>          </u>	<u>          </u>
<b>Operational Buildings :</b>		
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	1
Pavilions	7	7
Public Conveniences	4	4
Sports Centre	2	2
Swimming Pools	0	0
Sports Grounds & Parks	17	17
Vehicle Workshop	1	1
<b>Brocks Hill Visitor Centre</b>	<b>1</b>	<b>1</b>
Brocks Hill Country Park	1	1
Investment Property: Shops	3	3
 Council Dwellings	 <b>1,199</b>	 1,202
 <b>Total</b>	 <u><b>1,494</b></u>	 <u>1,497</u>

## 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 Assets

	Non-Current				Current				Total	
	Investments		Debtors		Investments		Debtors		Total	
	2020/21 £000's	2019/20 £000's	2020/21 £000's	2019/20 £000's	2020/21 £000's	2019/20 £000's	2020/21 £000's	2019/20 £000's	2020/21 £000's	2019/20 £000's
Fair value through profit & loss	0	0	0	0	0	0	0	0	0	0
Amortised cost	73	100	14	23	8,354	3,897	2,232	2,279	10,673	6,299
Fair value through comprehensive income - designated equity instruments	0	0	0	0	0	0	0	0	0	0
Fair value through other comprehensive income	0	0	0	0	0	0	0	0	0	0
<b>Total Financial Assets</b>	<b>73</b>	<b>100</b>	<b>14</b>	<b>23</b>	<b>8,354</b>	<b>3,897</b>	<b>2,232</b>	<b>2,279</b>	<b>10,673</b>	<b>6,299</b>
Non Financial Assets									0	0
<b>Total</b>	<b>73</b>	<b>100</b>	<b>14</b>	<b>23</b>	<b>8,354</b>	<b>3,897</b>	<b>2,232</b>	<b>2,279</b>	<b>10,673</b>	<b>6,299</b>

#### Financial Liabilities

	Non-Current				Current				Total	
	Borrowings		Creditors		Borrowings		Creditors		Total	
	2020/21 £000's	2019/20 £000's	2020/21 £000's	2019/20 £000's	2020/21 £000's	2019/20 £000's	2020/21 £000's	2019/20 £000's	2020/21 £000's	2019/20 £000's
Fair value through profit & loss	0	0	0	0	0	0	0	0	0	0
Amortised cost	20,245	21,333	22	48	14,545	11,552	2,073	2,391	36,885	35,324
<b>Total Financial Liabilities</b>	<b>20,245</b>	<b>21,333</b>	<b>22</b>	<b>48</b>	<b>14,545</b>	<b>11,552</b>	<b>2,073</b>	<b>2,391</b>	<b>36,885</b>	<b>35,324</b>
Non Financial Liabilities	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>20,245</b>	<b>21,333</b>	<b>22</b>	<b>48</b>	<b>14,545</b>	<b>11,552</b>	<b>2,073</b>	<b>2,391</b>	<b>36,885</b>	<b>35,324</b>



## 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	
	2020/21	2019/20
	£000's	£000's
Interest Expense	729	747
Interest Income	(14)	(14)
<b>Net (Gain)/Loss for the Year</b>	<b>715</b>	<b>733</b>

### 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 2021 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 2021		31st March 2020	
	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	(36,863)	(41,680)	(35,276)	(41,980)
Long term creditors	0	0	0	0
PFI & finance lease liabilities	(22)	(20)	(48)	(20)
<b>Total</b>	<b>(36,885)</b>	<b>(41,700)</b>	<b>(35,324)</b>	<b>(42,000)</b>

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

than the rates available for similar loans at the balance sheet date. This commitment 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 2021		31st March 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000's	£000's	£000's	£000's
Financial assets held at amortised cost	10,659	10,659	6,276	6,276
Long term Debtors	14	14	23	23
<b>Total</b>	<b>10,673</b>	<b>10,673</b>	<b>6,299</b>	<b>6,299</b>

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;

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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- The maximum annual exposures to investments maturing beyond a year.
- 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.

***(IFRS 7) Financial Instruments***; Due to the Covid-19 Pandemic 31 March 2021 has had an impact of financial pressures relating to the liquidity and credit risks. Covid-19 impacting on the local authorities financial sustainability.

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Amount at 31st March 2021	Historical Experience of Default	Market Conditions at 31st March 2021	Maximum Exposure to Default and Uncollectibility
	£000's A	% B	% C	£000's (A x C)
<b>Deposits with banks and financial Institutions</b>				
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
<b>Sundry Debtors *</b>	954	0.04	0.04	38.16
<b>Other Debtors</b>	928	0.04	0.04	37.12
<b>Housing Rents</b>	350	0.02	0.02	7.00
				<b>82.28</b>

\* **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>2020/21</u>	<u>2019/20</u>
	£000's	£000's
Less than three months	111	897
Three to six months	22	43
Six months to one year	102	113
More than one year*	719	712
	<u>954</u>	<u>1,765</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.

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.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### The maturity analysis of financial liabilities is as follows:

	<u>2020/21</u>	<u>2019/20</u>
	£000's	£000's
Less than one year	16,618	13,943
Between one and two years	1,029	1,033
Between two and five years	3,019	3,041
More than five years	16,219	17,307
	<u>36,885</u>	<u>35,324</u>
Short Term Creditors*	(2,073)	(2,391)
Short Term Borrowing	(14,545)	(11,552)
Long Term Creditors	(22)	(48)
Long Term Borrowing	<u>(20,245)</u>	<u>(21,333)</u>
	<u>(36,885)</u>	<u>(35,324)</u>

**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
- **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.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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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 2021, if interest rates had been 1% higher with all other variables held constant, the financial effect would have been:**

	<u>2020/21</u> <u>£000's</u>	<u>2019/20</u> <u>£000's</u>
Increased return on money market investments	<u>(42)</u>	<u>(8)</u>
<b>Impact on Income and Expenditure Account</b>	<b><u>(42)</u></b>	<b><u>(8)</u></b>
<b>Share of Overall Impact Credited to the HRA</b>	<b><u>(11)</u></b>	<b><u>(6)</u></b>

The current Bank of England Base Rate is 0.1%. 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. Agency Services**

The Council does not normally act as an agent for other entities, beyond its role as a billing authority, collecting Council Tax and Non-Domestic Rates on behalf of Central Government and local precepting authorities. These transactions are reflected in the Collection Fund, details of which are disclosed later on in these financial statements.

However, during 2020/21, the Council was obliged to act on behalf of Central Government, for the administration and distribution of various monies related to relief payments to local people and businesses, to alleviate the economic effects of the various Covid-19 lockdowns.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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While the Council was given discretion over the distribution of certain funds, the majority of the relief grant funding received in 2020/21 was distributed in accordance with criteria determined by Central Government. As such, while the former are deemed *Principal* transitions, and are included as expenditure and income of the Council in-year, the latter are deemed *Agency* transactions, and are excluded from the primary financial statements.

**Below is a table listing the grant schemes and the volume and amount paid out by the Council in 2020/21.**

	<u>Number</u>	<u>Value</u> <u>£000s</u>
Coronavirus Small Business Rates Relief Grants	603	6,030
Retail, Hospitality & Leisure Grants	147	2,685
Local Restrictions Support Grant Closed	759	1,473
Christmas Support Payments	16	16
Tier 4 Closed Business Grants	228	62
Closed Business Lockdown Payment	229	1,041
Test and Trace Support Payments Main Scheme	146	73
<b>Total Processed as Agent</b>	<b><u>2,128</u></b>	<b><u>11,380</u></b>
Coronavirus Discretionary Grants	54	400
Extended Lockdown Discretionary Grants	114	356
Test and Trace Support Payments Discretionary Scheme	25	13
Additional Restrictions Grant	80	147
Local Restrictions Support Grant Open	111	172
<b>Total Processed as Principal</b>	<b><u>384</u></b>	<b><u>1,088</u></b>
<b>Grant Total</b>	<b><u><u>2,512</u></u></b>	<b><u><u>12,468</u></u></b>

### **48. 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 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.



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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### **Litigation**

As at 31 March 2021 there are no Litigation for Council to report.

(2019-20) The Council undergone an HSE enquiry in relation to a fatal accident in Willow Park. Following the inquest it was determined that works undertaken by the Council at Willow Park were a subsequently decided that there was no public interest pursuing a prosecution. So no further costs were incurred.

### **49. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

During the audit of the 20/21 statements of accounts, it was noted that the acreage figure used for the valuation of the Flude's Lane drainage channel and associated woodland could not be substantiated by geographical survey data. It was therefore necessary to write down the value of the property in the 19/20 statements from £738,415 to £56,925. This required a restatement of the Balance Sheet, the Movement on Reserves Statement, the Comprehensive Income and Expenditure Statement and the Cash Flow Statement.

**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>2020/21</u>	<u>2019/20</u>
	Note	£000's
<b>Expenditure</b>		£000's
Repairs and maintenance		849
Supervision and management		1,143
Rents, rates, taxes and other charges		649
Depreciation and impairment of non-current assets	6, 7	12
Debt management charges		15
Increase/(decrease) in bad debt provision		442
		6
		72
<b>Total Expenditure</b>		<u>2,030</u>
		2,181
<b>Income</b>		
Dwellings rent		(4,873)
Non dwellings rent		(4,780)
Charges for services and facilities		(72)
		(95)
<b>Total Income</b>		<u>(5,040)</u>
		(4,950)
<b>Net Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement</b>		<b>(3,010)</b>
		(2,769)
HRA services share of Corporate and Democratic Core		1,195
HRA Share of other amounts included in whole authority net expenditure of continuing operations not allocated to specific services		1,195
		4
<b>Net Income of HRA Services</b>		<u>(1,811)</u>
		(1,579)
<b>HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement :</b>		
(Gain)/Loss on the Sale of HRA non-current assets		(87)
De-recognition of Non-Current Assets		(221)
Interest and investment income		381
Interest payable and similar charges		730
Pensions interest cost and expected return on pension assets		(3)
		533
		549
		41
		55
<b>(Surplus) / Deficit for the Year on HRA Services</b>		<u>(946)</u>
		<u>(477)</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>2020/21</u>	<u>2019/20</u>
Note	£000's	£000's
<b>Balance on the HRA at the end of the previous reporting period</b>	(1,139)	(1,086)
(Surplus) / Deficit for the year on the HRA Income and Expenditure Statement	(946)	(477)
Adjustments made between Accounting Basis and funding basis under statute	1    753	424
<b>Net (increase) or decrease before transfers to or from reserves</b>	(193)	(53)
Transfers to or (from) Reserves	0	0
<b>(Increase) or decrease in year on the HRA</b>	(193)	(53)
<b>Balance on the HRA at the end of the current reporting period</b>	(1,332)	(1,139)

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1. Adjustment Between Accounting Basis and Funding Basis Under Statute

	<b>2020/21</b>	2019/20
	£000's	£000's
Impairment of non-current assets	<b>1,092</b>	1,024
(Gain) / loss on the sale of non-current assets	<b>87</b>	221
Accumulating compensating absences	<b>(1)</b>	(3)
De-recognition of non-current assets	<b>(381)</b>	(730)
Net charges made for retirement benefits in accordance with IAS 19	<b>(147)</b>	(197)
Transfer (to) / from major repairs reserve	<b>0</b>	0
Revenue contribution to capital	<b>0</b>	0
Employers contribution payable to the Leicestershire Pension Fund and retirement benefits payable direct to pensioners	<b>103</b>	109
<b>Adjustments made between Accounting Basis and Funding Basis under Statute</b>	<b>753</b>	424

### 2. Balance Sheet Value of Authority's Housing Stock

	<b>2020/21</b>	2019/20
	£000's	£000's
<b>Operational Assets</b>		
Dwellings	<b>66,000</b>	62,789
Other Land and Buildings	<b>1,186</b>	1,091
	<b>67,186</b>	63,880
<b>Non Operational Assets</b>		
Investment Property	<b>129</b>	174
<b>Total</b>	<b>67,315</b>	64,054

The vacant possession value of dwellings at 31 March 2021 was £158,328,350 (2020/19 £149,497,239), against a balance sheet value of £65,999,703 (2020/19 £62,788,841) 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 1,200.5 dwellings during 2020/21. The stock at year end was as follows;

	<u>2020/21</u>	<u>2019/20</u>
	Number	Number
Houses / Bungalows	665	667
Flats / Maisonettes	534	535
<b>Total Stock</b>	<b><u>1,199</u></b>	<b><u>1,202</u></b>

The change in stock can be summarised as follows;

	<u>2020/21</u>	<u>2019/20</u>
	Number	Number
Stock at 1 April	1,202	1,207
Sales	(3)	(8)
Additions	0	3
<b>Stock at 31 March</b>	<b><u>1,199</u></b>	<b><u>1,202</u></b>

### 4. Major Repairs Reserve

	<u>2020/21</u>	<u>2019/20</u>
	£000's	£000's
Balance at 1 April	10	447
Amounts Transferred In	1,534	1,418
Transfers to/(from) HRA		0
Used for Capital Expenditure	(1,132)	(1,855)
<b>Balance at 31 March</b>	<b><u>412</u></b>	<b><u>10</u></b>

### 5. Funding of HRA Stock

A total of £1,236,832 was spent on the Authority's housing stock in 2020/21 (£2,382,337 in 2019/20).

This was funded as follows:

	<u>2020/21</u>	<u>2019/20</u>
	£000's	£000's
Major Repairs Reserve	1,237	1,856
Unsupported Borrowing	0	527
<b>Balance at 31 March</b>	<b><u>1,237</u></b>	<b><u>2,383</u></b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

**HRA Capital Receipts** retained by the Authority for 2020/21 totalled £158,494 (2019/20 £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 2020/21 is £1,533,680 (2019/20 £1,284,046)

	<u>2020/21</u>	<u>2019/20</u>
	£000's	£000's
Dwellings	1,352	1,283
Other Land & Buildings	153	126
Plant, Equipment & Vehicles	2	4
Intangibles (Computer Software)	27	6
<b>Total</b>	<u>1,534</u>	<u>1,419</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 2020/21. Instead, there was a considerable reversal of impairment charged in previous years.

	<u>2020/21</u>	<u>2019/20</u>
	£000's	£000's
Dwellings	(1,092)	(1,024)
<b>Total</b>	<u>(1,092)</u>	<u>(1,024)</u>

### 8. Rent Arrears

During the year rent arrears have increased by £12,000.

	<u>2020/21</u>	<u>2019/20</u>
	£000's	£000's
Arrears at 31 March	313	301

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 2021 is £236,223 (31 March 2020 £169,249).

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## NOTES TO THE HOUSING REVENUE ACCOUNT

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### 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:**

- (i) **Net Charges Made for Retirement Benefits** in Accordance with IAS 19. This amounted to £147,040 in 2020/21 (£196,830 in 2019/20).
  
- (ii) **Employers Contributions** to Leicestershire County Council pension fund and retirement benefits paid direct to pensioners. This amounted to £103,354 in 2020/21 (£88,317 in 2019/20).

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## COLLECTION FUND

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### **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.



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## COLLECTION FUND

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### **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.

#### **3. Collection Fund updates for 31 March 2021 includes the following: (see Statement of Accounting policies – Note 30)**

- Council Tax Collection Fund surplus/deficits.
- Transfer between the General Fund and the Collection adjustment Account.
- Covid-19 Pandemic /Grants schemes not Collection Fund Transactions.
- 75% Tax Income Guarantee Compensation.
- Covid-19 Council Tax Hardship Fund.
- NNDR – National Non- Domestic Rates Deficits/Surplus.

## THE COLLECTION FUND ACCOUNT

2019/20			2020/21		
Business Rates £000's	Council Tax £000's	Total £000's	Business Rates £000's	Council Tax £000's	Total £000's
<b>Income</b>					
0	31,673	<b>31,673</b>	0	32,754	<b>32,754</b>
Council Tax Payers					
Transfers from General Fund -					
0	6	<b>6</b>	0	249	<b>249</b>
Council Tax Benefits					
12,809	0	<b>12,809</b>	6,369	0	<b>6,369</b>
<b>Business Ratepayers</b>					
<b>Apportionment of Previous Year Deficit -</b>					
125	0	<b>125</b>	83	0	<b>83</b>
Central Government					
100	0	<b>100</b>	20	0	<b>20</b>
Oadby & Wigston Borough Council					
22	0	<b>22</b>	0	0	<b>0</b>
Leicestershire County Council					
Police and Crime Commissioner for					
Leicestershire					
0	0	<b>0</b>	0	0	<b>0</b>
Leicester, Leicestershire & Rutland					
2	0	<b>2</b>	0	0	<b>0</b>
Combined Fire Authority					
13,058	31,679	<b>44,737</b>	6,472	33,003	<b>39,475</b>
<b>Total Income</b>					
<b>Expenditure</b>					
12,242	31,476	<b>43,718</b>	12,742	32,841	<b>45,583</b>
Precepts and Demands					
55	0	<b>55</b>	55	0	<b>55</b>
Costs of Collection					
4	0	<b>4</b>	(2)	0	<b>(2)</b>
Court Costs					
Bad and Doubtful Debts -					
0	9	<b>9</b>	192	75	<b>267</b>
Write Offs					
42	142	<b>184</b>	14	142	<b>156</b>
Provisions					
(68)	0	<b>(68)</b>	(466)	0	<b>(466)</b>
Appeals					
<b>Apportionment of Previous Year Surplus -</b>					
0	0	<b>0</b>	0	0	<b>0</b>
Central Government					
0	5	<b>5</b>	0	13	<b>13</b>
Oadby and Wigston Borough Council					
0	28	<b>28</b>	69	74	<b>143</b>
Leicestershire County Council					
Leicester, Leicestershire & Rutland					
0	1	<b>1</b>	0	13	<b>13</b>
Combined Fire Authority					
Police and Crime Commissioner for					
Leicestershire					
0	5	<b>5</b>	0	4	<b>4</b>
Disregarded Amounts - Renewable					
7	0	<b>7</b>	8	0	<b>8</b>
Energy					
0	0	<b>0</b>	95	0	<b>95</b>
Transitional Relief					
12,282	31,666	<b>43,948</b>	12,707	33,162	<b>45,869</b>
<b>Total Expenditure</b>					
(776)	(13)	<b>(789)</b>	6,235	159	<b>6,394</b>
<b>Movement on Fund</b>					
546	64	<b>610</b>	(230)	51	<b>(179)</b>
Balance at Beginning of Year					
(230)	51	<b>(179)</b>	6,005	210	<b>6,215</b>
<b>(Surplus)/Deficit on Fund at End of Year</b>					
<b>Allocated to -</b>					
17	0	<b>17</b>	3,003	0	<b>3,003</b>
Central Government					
(79)	6	<b>(73)</b>	2,402	26	<b>2,428</b>
Oadby and Wigston Borough Council					
(166)	37	<b>(129)</b>	540	150	<b>690</b>
Leicestershire County Council					
Leicester, Leicestershire & Rutland					
(2)	2	<b>0</b>	60	8	<b>68</b>
Combined Fire Authority					
Police and Crime Commissioner for					
Leicestershire					
0	6	<b>6</b>	0	26	<b>26</b>
Leicestershire					
(230)	51	<b>(179)</b>	6,005	210	<b>6,215</b>

## 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 31<sup>st</sup> March 2021.

Authority	Arrears £000's	Bad Debt Provision £000's	Over & Pre payments £000's	(Surplus) /Deficit £000's	Balance Payable £000's	Balance 2019/20 £000's
Leicestershire County Council	2,044	(683)	(410)	150	1,101	599
Leicestershire PCCO	355	(119)	(71)	26	191	105
Combined Fire Authority	104	(35)	(21)	8	56	31
<b>Total Other Major Preceptors</b>	<b>2,503</b>	<b>(837)</b>	<b>(502)</b>	<b>184</b>	<b>1,348</b>	<b>735</b>
Oadby & Wigston Borough Council	349	(117)	70	26	328	104
<b>Total All Preceptors</b>	<b>2,852</b>	<b>(954)</b>	<b>(432)</b>	<b>210</b>	<b>1,676</b>	<b>839</b>

### 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 2020/21 has increased to £17,575.80 (£17,423.20 in 2019/20).

Band	Estimated No. of Taxable Properties after Effect of Discounts	Ratio	No. of Band D Equivalent Dwellings
Z	5.64	5/9	3.13
A	2,620.30	6/9	1,746.87
B	5,003.25	7/9	3,891.42
C	6,125.03	8/9	5,444.47
D	2,810.35	9/9	2,810.35
E	1,800.08	11/9	2,200.10
F	479.71	13/9	692.91
G	435.72	15/9	726.20
H	68.20	18/9	136.40
<b>Total</b>	<b>19,348.28</b>		<b>17,651.85</b>
Add Adjustment**			191.60
Deduct Allowance for Losses in Collection			(267.65)
<b>Council Tax Base</b>			<b>17,575.80</b>

#### \*\* Adjustment

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## NOTES TO THE COLLECTION FUND ACCOUNT

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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 (Non – Domestic Rates or NDR)**

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 2020/21 to the value of £0 (£3,911,508 in 2020/19) (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 £167,673 in 2020/21 (£ in 2020/19). 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 2020/21, the Council was in a Levy position of £0 (Levy of £0 for 2019/20).

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 2021. 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 2020/21 has been calculated at £2,435,870 (£1,969,982 2019/20).

## NOTES TO THE COLLECTION FUND ACCOUNT

The total non-domestic rateable value at 31 March 2021 was £34,674,409 (£34,950,652 31 March 2020). The national non-domestic multipliers for the year were:

<b>Full</b>	0.512 (0.504 for 2019/20)
<b>Small Business</b>	0.499 (0.491 for 2019/20)

Shown below are the allocations to all preceptors as at 31 March 2021.

<u>Authority</u>	<u>Arrears</u> £000's	<u>Bad Debt</u> <u>Provision</u> £000's	<u>Appeals</u> <u>Provision</u> £000's	<u>Over &amp; Pre</u> <u>payments</u> £000's	<u>(Surplus)</u> <u>/Deficit</u> £000's	<u>Balance</u> <u>Payable</u> £000's	<u>Balance</u> 2019/20 £000's
Central Government	793	(147)	(752)	(370)	3,003	<b>2,527</b>	(85)
Leicestershire County Council	143	(27)	(135)	(67)	540	<b>454</b>	(127)
Combined Fire Authority	16	(3)	(15)	(7)	60	<b>51</b>	(3)
<b>Total Other Major Preceptors</b>	<b>952</b>	<b>(177)</b>	<b>(902)</b>	<b>(444)</b>	<b>3,603</b>	<b>3,032</b>	<b>(215)</b>
Oadby & Wigston Borough Council	634	(118)	(602)	(296)	2,402	<b>2,020</b>	44
<b>Total All Preceptors</b>	<b>1,586</b>	<b>(295)</b>	<b>(1,504)</b>	<b>(740)</b>	<b>6,005</b>	<b>5,052</b>	<b>(171)</b>

#### 4. Precepts and Demands

<u>2019/20</u>				<u>2020/21</u>		
<u>Business</u> <u>Rates</u> £000's	<u>Council</u> <u>Tax</u> £000's	<u>Total</u> £000's		<u>Business</u> <u>Rates</u> £000's	<u>Council</u> <u>Tax</u> £000's	<u>Total</u> £000's
4,468	22,514	<b>26,982</b>	Leicestershire County Council	1,147	23,542	<b>24,689</b>
0	3,889	<b>3,889</b>	Leicestershire Police Authority	0	4,085	<b>4,085</b>
122	1,161	<b>1,283</b>	Combined Fire Authority	127	1,193	<b>1,320</b>
3,061	0	<b>3,061</b>	Central Government	6,371	0	<b>6,371</b>
4,591	3,912	<b>8,503</b>	Oadby and Wigston Borough Council	5,097	4,021	<b>9,118</b>
<b>12,242</b>	<b>31,476</b>	<b>43,718</b>	<b>Total</b>	<b>12,742</b>	<b>32,841</b>	<b>45,583</b>

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## GLOSSARY OF TERMS

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For the purposes of the Code of Practice the following definitions have been adopted:  
**\*(2020-21 updates)**

### **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.

### **\*BUSINESS RATE RELIEF S31 GRANT (2020-21)**

This is the compensation from the government paid to the billing authorities and major preceptors for the cost of reliefs announced by government for 2020/21.

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## GLOSSARY OF TERMS

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### **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:**

#### ***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:

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## **GLOSSARY OF TERMS**

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- (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.

### **\*COVID-19 HARDSHIP FUND (2020-21)**

The Budget announced during 11 March 2020 by the government to provide local authorities with new grant funding to support economically vulnerable people and households in their local areas.

Where billing authorities to receive this allocation for 2020/21 under S31 of the Local Government Act 2003.

### **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.



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### **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 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;

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- (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.

### **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.

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## **GLOSSARY OF TERMS**

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### **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.

### **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.

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## **GLOSSARY OF TERMS**

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### **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.

### **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.

### **\*LOCAL AUTHORITY DISCRETIONARY GRANTS FUND (2020-21)**

For small and micro businesses who are not eligible for the Small Business Grant Fund or the Retail, Leisure and Hospitality Fund.

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The local authorities will be responsible for delivering grants to eligible businesses. Section 1 of the Localism Act 2011 provides all local authorities with the vires to make these payments.

### **\*LOCAL RESTRICTIONS SUPPORT GRANTS (LRSG), RESTART GRANT AND ADDITIONAL RESTRICTIONS GRANT (ARG) (2020-21)**

The Local Authorities pay grants to support businesses during national lockdown periods and periods of local restrictions.

Eligibility for support is determined by the government and authority payments are reimbursed by government through S31 grant.

### **\*LOCAL COUNCIL TAX SUPPORT GRANT (2020-21)**

New grant funding for local council for council tax support. Allocations based on each billing authority's mean average working age local council tax support caseload over the first two quarters 2020/21. Along with the average per dwelling compared to UK overall average.

### **\*LOCAL TAX INCOME GUARANTEE (2020-21)**

Government compensates local authorities for 75% of irrecoverable losses in council tax and business rates for 2020/21.

### **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.

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### **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 arm's length.

### **OPERATING LEASES**

In a finance lease agreement, ownership of the property is transferred to the lessee at the end of the lease term. But, in operating lease agreement, the **ownership of the property is retained during and after the lease term** by the lessor under an operating lease, the lessee does not have this option.

### **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.

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## GLOSSARY OF TERMS

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### **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:

- (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.

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***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.

***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 of 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.

### **\*Related Rent Concessions – (Covid-19) (2020-21)**

Forgiveness of a portion of or all lease payments for an agreed period (temporary rent reduction or rent holiday). Due to Covid-19 pandemic conditions have to be met where lessees recognise any changes in lease payments rising from rent



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concessions over the periods where the changes in the lease payments is intended to be compensated.

### ***Conditions;***

Where changes in the lease payments lead to revised considerations for the lease that is less than the consideration for the lease immediately preceding the change.

If there are any reductions in the lease payments affecting the original payments due before applying the Concessions.

No significant change to the other terms and conditions of the lease.

### **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.

### **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.

### **\*SALES, FEES, CHARGES SCHEME EXTENSION (2020-21)**

Compensation given to local authorities for irrecoverable, unavoidable losses from sales, fees and charges income generated in the delivery of service in the financial year 2020/21. The Government have extended this scheme into the first three months of 2021/22.

### **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.

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## GLOSSARY OF TERMS

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### **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

### **\*SMALL BUSINESS GRANT FUND AND RETAIL; HOSPITALITY AND LEISURE GRANT FUND (2020-21)**

The two grant funding schemes in the Financial Year 2020/21 (Small Business Grant Fund and the Retail, Hospitality and Leisure Grant Fund).

In line with the eligibility the government sets out specific criteria/guidance; reimburse Local Authorities that pay grants to eligible businesses.

### **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.

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## GLOSSARY OF TERMS

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### **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.

## **Annual Governance Statement (AGS) 2020/21**

### **1. Introduction**

Oadby & Wigston Council (the Council) is responsible for ensuring that its business is conducted in accordance with legislation, regulation, government guidance and that proper standards of stewardship, conduct, probity and professional competence are set and abided to by all those representing , working for and working with the Council.. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility the Council must make proper arrangements for the governance of its affairs and for facilitating the effective exercise of its functions including the management of risk.

The Council has previously approved and adopted a Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE framework ‘Delivering Good Governance in Local Government. This statement shows how the Council has complied with the code and also meets the requirements of The Accounts and Audit Regulations 2015, regulation 6(1)(b), which requires each English local authority to conduct a review, at least once a year, of the effectiveness of its systems of internal control and approve an annual governance statement (AGS).

### **2. Purpose of the Governance Framework**

The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled. It reflects activities through which the Council meets the needs of the community. It includes arrangements to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk at a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives and therefore can only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council’s policies, aims and objectives. Evaluation of the likelihood and potential impact of those risks being realised and how to manage them efficiently, effectively and economically are key parts of the Council’s Medium Term Financial Strategy and its Corporate Plan.

This AGS confirms that the governance framework has been in place for the financial year ended 31<sup>st</sup> March 2021 and up to the date of the approval of the Annual Report and the Statement of Accounts.

### **3. What does the AGS tell you about Good Governance?**

The AGS is a summarised account of how the Council's management arrangements are set up to meet the principles of good governance and how we as a Council assure ourselves that these are effective and appropriate. The main goal of an AGS is to provide the reader with confidence that the Council has an effective system of internal control that is able to manage risks to reasonable levels. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable assurance of effectiveness.

The CIPFA Delivering Good Governance publication (2016) defines the various principles of good governance in the public sector and how they relate to each other and are defined as:

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder engagement.
- Defining outcomes in terms of sustainable economic, social and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Developing the Council's capacity, including its leadership and the individuals within it.
- Managing risks and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting and audit, to deliver effective accountability.

The governance framework at Oadby and Wigston Borough Council comprises the systems and processes, culture and values which the Council has adopted in order to deliver on the above principles.

### **4. The Governance Framework**

#### ***Current Governance Structure***

Oadby & Wigston Borough Council has retained a committee system. The majority of UK local authorities now operate using a cabinet system where a group of members have been given the power to make the majority of decisions on behalf of their Council.

The benefits of retaining the committee system are that all members are able to sit on a range of decision making committees and every member has a vote that counts. This is the cornerstone of the Council's governance – members are not marginalised in decision making. All decisions are debated and made during open committee in full public view. Closed sessions, for instance where commercially sensitive matters need to be discussed, are kept to an absolute minimum. Only the most urgent

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## ANNUAL GOVERNANCE STATEMENT

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decisions are delegated to the Chair/Vice Chair of committees, and these must be reported back to the main committee as soon as possible. In addition to the statutory committees that deal with development control and with licensing, the Council has three main committees:

- The Policy, Finance and Development Committee, which has overall responsibility for setting the long term aims of the Council and moving it forward in line with these objectives.
- The Service Delivery Committee, which has direct responsibility for the day-to-day operation of all services.
- The Audit Committee, which is responsible for Internal and External Audit and Risk Management (from autumn 2019).

### ***Visions and Priorities***

The Corporate Plan was approved in March 2019, covering the period 2019 - 2024 and updated in March 2020 , along with the updated MTFs (Feb 2020) reflects the Plan's priorities:

## **“A Stronger Borough Together, Improving the Lives of Our Communities”**

This is supported by three new corporate objectives which aim to serve our residents, communities, businesses and partners to the highest standards, improving our borough as a place to live, work and visit.

### **Corporate Objective One:**

#### **Building, Protecting and Empowering Communities** ***“Be Proud of your borough as a place to live”***

This objective looks to not only build suitable accommodation to meet the needs of the community, delivering housing, attract people to our borough to live, reducing homelessness and the causes of homelessness, but to also build upon our strong communities, engaging with them and building greater community cohesion.

We also want to protect our communities, not just working with the Police to tackle crime, antisocial behaviour and enforcement, but to address health needs across the borough. We will work with health partners, including the Fire Service, to improve health equality, meaning nobody should feel excluded and reducing loneliness created by the modern world.

We will empower our communities, generating positive involvement, not only through the work of Councillors within their wards and neighbourhood forums, but to engage a greater proportion of our borough, engaging with those who often feel disenfranchised. We will increase our volunteering opportunities and encourage our communities to get more involved, taking greater responsibility for where they live, work and play.

## **Corporate Objective Two:**

### **Growing the Borough Economically**

***“Realise the aspirations of the borough, benefiting those who live and work here”***

This objective aims for our borough to be the best it can be, economically. We will work with businesses – from local sole traders to multinational corporations as to how we can help businesses develop and grow within our borough whilst attracting new organisations to the borough. This will not only provide greater opportunities for employment for our residents and regeneration opportunities, but helps our local students with opportunities to stay within the borough whereas they may be forced to look further afield for such opportunities.

The borough has a rich array of attractions that should attract people to the borough, but sadly we are not maximising these. We will market the borough as a place that is worth visiting, working with partners to create a “joined-up” approach. We will also identify what areas of demand we are lacking and look to plug those gaps – increasing the reasons to visit the borough. We will also look at our entertainment and night-time economy and look to create a sustainable and enjoyable environment where people can enjoy the borough through a host of opportunities in the evenings.

The Council will look to be more commercial in regards to generating income that can protect frontline services and not have to cut them. We will look to maximise the value our assets can provide and look at ventures that could generate commercial income rather than increase taxes on our communities.

## **Corporate Objective Three:**

### **Providing Excellent Services**

***“Delivering those services needed to the highest standard whilst providing value for money”***

This objective for our borough is to put the customer first – getting things right first time and providing services to the highest standards. The Council has always aspired to provide excellent services for all of our customers, be they Residents, Businesses, Partner Organisations or internally, meaning that we need to understand their needs. The Council has already shifted to focussing on outcome delivery, and we will ensure that we will get things right at the first opportunity we have.

The Council will aim to achieve the prestigious and nationally recognised “Customer Service Excellence Award” to demonstrate that we are achieving what we have set out to do. The award is a quality-mark award that rates how the services received by residents are delivered by the Council. We will use this award as a driver of continuous

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## ANNUAL GOVERNANCE STATEMENT

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improvement and enable our staff to improve their skills which will enable further improvements in the delivery of services.

We will also be utilising technology to make life safer for our residents or the implementation of smart technology in the homes of the vulnerable to allow them instant access to services, alongside the utilisation of technologies to improve our effectiveness in delivering our services.

The Council's financial plans are outlined in its Medium Term Financial Strategy – the latest update to the Strategy was agreed by Council in February 2020. The document outlines the financial objectives which the Council looks to achieve in order to meet continuing pressure on available resources, and also how the Medium Term Financial Strategy is now a “living” document, regularly updated during the year. In addition, the Council has agreed its Housing Revenue Account business plan which sets out how housing services will be maintained and financed over the long term.

### **Quality of Services**

Service plan targets and key performance indicators are set for each department within the annual service delivery and development plans. Progress against targets is monitored monthly by the management team and reported regularly to relevant committees. The Council's financial position is reported against budget to every meeting of the Policy, Finance and Development Committee. Detailed budget information is provided to budget holders each month and dedicated project teams provide financial information for large projects or capital schemes.

The Council ensures that its key priorities determine the allocation of resources to deliver its agreed activities. A robust corporate business planning programme is used to identify projects against agreed criteria, including the Council's policies, its priorities, the outcome of public consultations, demonstration of continuous improvements, and responding to legislative change. The Council has a Project Management Board, who reviews the progress of all major projects. The Board in 2020/21 consisted of the Senior Leadership Team who report back to the Performance, Finance and Development Committee on a quarterly basis.

Achievement of the Council's priorities has been monitored throughout the financial year 2020/21 by the Council's Senior Leadership Team (SLT) and reports to the relevant committees. The monitoring of delivery against agreed priorities ensures the Council's capacity to deliver projects within agreed costs, time and resources.

As part of the budget setting process in 2020/21, this was aligned to the setting of service delivery plans and Key Performance Indicators, all in which were linked to the Corporate Strategy. By linking Budgets, Service planning and Performance, the council can ensure that it is working effectively towards the strategic objectives.



### **Financial Management**

The financial elements of the Council's corporate business planning process are included in the Medium Term Financial Strategy, which has a detailed one year budget and high levels for the forthcoming years given the complete lack of clarity from central government regarding future funding for local authorities. Whilst the Council's MTFS runs until the end of the current national local government funding settlement, the Council has financial scenarios in place further to that, and this enables the authority to be agile in its development, and be alert to potential significant financial risks that the authority may face. The Council has a good track record of financial management and internal control, but resources are necessarily limited and significant net savings year-on-year continue to be required, and are met without the need to identify significant in-year savings.

The Council continues to ensure that the accounts are compliant with the Local Authority Accounting Code of Practice. Performance against budget is reported at committee meetings and managed by SLT and through the corporate business planning process. The Council ensures that the levels of reserves it holds are sustainable over the medium term. The MTFS takes account of the current economic climate and changes to funding for local government.

The Council has a Treasury Management Strategy that is reviewed each year and monitored on a regular basis. This ensures the Council has sound processes and controls over its treasury function to minimise risk exposure.

### **Decision Making, Scrutiny and Governance**

The Council, the Policy, Finance and Development Committee and the Service Delivery Committee take decisions on service and management matters in line with terms of reference set out in the constitution. The committees meet four times each municipal year. The Policy, Finance and Development Committee undertake the role of the Audit Committee for the Council and provide continuous monitoring and scrutiny of financial management, performance, policy and action plans. Further challenge is provided by elected members through meetings with Committee Chairmen, Resident Forums and Member Workshops.

Scrutiny is provided at officer level through the work of the Council's internal audit function which is currently delivered by CW Audit Services. The annual risk based audit plan contributes to the review of the Council's key internal control systems, risk management processes and corporate governance arrangements. CW Audit supports the design and effectiveness of the governance framework. Each internal audit review is given an assurance level. The definition of each of these assurance levels is provided in the table below:

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**Table – Definition of Assurance Levels**

<b>Level of Significance</b>	<b>Criteria</b>
Full	No significant risk issues identified.
Significant	Exposure to levels of risk that may only impair the effectiveness of the system or process under review.
Moderate	Exposure to levels of risk that render some elements of the system's control environment undeliverable.
Limited	Exposure to unacceptable level of risk that could have a serious impact upon the system or process under review.
No	Exposure to unacceptable levels of risk that could have a serious impact upon the organisation as a whole.

Regular meetings are held between CW Audit Services and the Section 151 Officer and with the Chief Executive. This ensures the high standard of internal audit support is maintained. The annual audit plan is reviewed on a frequent basis to identify any amendments needed to reflect changing priorities, emerging risks or resourcing challenges.

The Audit Committee receives regular reports from the Council's External Auditors Grant Thornton LLP and Internal Audit (CW Audit). Where appropriate, comments are made on non-compliance with legislation that has been identified as part of a routine audit. The Section 151 Officer has direct access to this committee as well as to the External Auditors. All members of the Audit Committee receive training in risk management so as to allow them to appreciate the nature of risks presented to the Council through its activities.

There are governance arrangements in place to ensure that members and officers work together to achieve a common purpose with clearly defined functions and roles. The Council's constitution includes a scheme of delegation and terms of reference for each committee. Responsibilities are set out to make clear how the Council and its committees operate within the organisation. The scheme of delegation also defines the powers granted to the Chief Executive (the Head of Paid Service) and other chief officers within the areas of their service responsibility. The constitution reflects all relevant legislation impacting on decision making in local government and is published on the Council's website.

Elected members are responsible for ensuring that effective policy making, scrutiny and monitoring activities occur. A clear committee structure assists such

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## ANNUAL GOVERNANCE STATEMENT

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responsibilities to be effectively carried out. Member expertise and involvement is further enhanced by on-going training and development opportunities.

The Council has a statutory responsibility to have a Section 151 Officer and a Monitoring Officer. The Council's financial arrangements fully conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. The Section 151 Officer is a key member of the Senior Leadership Team. The Section 151 Officer is responsible for the proper administration of the Council's financial arrangements and led a fully resourced and suitably qualified finance function. The Section 151 Officer was actively involved in and able to bring influence to bear on all material business decisions to ensure immediate and long term implications, opportunities and risks, were fully considered and in alignment with the Medium Term Financial Strategy.

Underpinning the Council's financial management arrangements is a regularity framework comprising Financial Regulations, Contract Procedure Rules, annual audits of key financial systems and audits of other systems undertaken on a risk-based basis. Other processes and procedures such as the Procurement Strategy and Risk Management Strategy are monitored on a regular basis.

The Monitoring Officer role is fulfilled by the Council's Head of Law and Democracy, who acts as guardian of the Council's constitution to ensure lawfulness, probity and fairness in Council decision making. The Monitoring Officer has processes for the review of legislative changes which feed into the annual review of the constitution.

Consultation meetings and other forms of communication between the Monitoring Officer and senior managers as appropriate ensures that managers can contribute to revisions to the constitution including the scheme of delegation. The annual review includes the constitution's terms of reference.

Officer decision making at a strategic level for 2020/21 was led by the Senior Leadership Team, comprising the Chief Executive, the Deputy Chief Executive (Section 151 Officer), Head of Finance (Deputy S151 Officer/Acting S151 Officer from March 2021) the Monitoring Officer, the Head of Built Environment, the Head of Community and Wellbeing and the Head of Customer Service and Transformation. The Team meets formally on a weekly basis and standing items of business include finance, policy, governance, human resources, performance management and the delivery of the Council's priorities.

The Senior Leadership team as at June 2022 has recently changed. It now comprises the Chief Executive, Strategic Director (Section 151 Officer), Strategic Director, Head of Law & Democracy (Monitoring Officer), Head of Finance (Deputy S151 Officer), Head of Built Environment and the Head of Customer Service & Transformation.

### **Standards of Conduct**

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## ANNUAL GOVERNANCE STATEMENT

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Officers of the Council are expected to maintain high standards of conduct. The Council has a staff code of conduct that is published on the intranet along with other policies and procedures.

There is an agreed protocol between members and officers to ensure that a constructive working relationship exists and this Annual Governance Statement also promotes and demonstrates the values of good governance through upholding high standards of conduct and behaviour.

In addition, Policy, Finance and Development committee fulfils the functions of the Standards Committee and operates to ensure that councillors and any co-opted members of the Council behave in a way that exemplifies high standards of conduct and effective governance and has regard to the member code of conduct.

Regular records of advice and code issues are kept by the Monitoring Officer.

Declaring interests under the code of conduct is a standard item on the agenda at every committee meeting and Council and declarations are minuted by the clerk. A legal advisor attends all Council and committee meetings to advise on the application of the code and other issues where this is requested or otherwise considered appropriate. A planning code of conduct is in place and is adhered to by members who sit on the Development Control Committee.

Members and officers comply with the Council's gift and hospitality policy.

The Council's website explains how complaints can be made against elected members by either downloading a complaint form or making a complaint on-line. The web page also has links to the code of conduct and the constitution.

A register of the Council's contracts is published on the Council's website. In addition, details of the Council's spend on individual items over £250 is published on a quarterly basis.

### **Compliance**

The Council's policies and procedures are drawn up and regularly reviewed to ensure compliance with current legislation and regulations. Legal Services assist with updating and amending policies and advice on legal implications including legislative impacts on recommendations included in committee reports.

Equalities implications are also considered as part of committee reports.

### **Whistle Blowing**

Concerns regarding non-compliance with policies, procedures, laws and regulations can be raised through the Council's anti-fraud and confidential reporting policies.

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## ANNUAL GOVERNANCE STATEMENT

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Concerns raised are always investigated and acted upon following clearly defined guidelines.

The Whistle Blowing Policy is published on the Council's intranet and internet to raise awareness and outline procedures in place to staff, contractors and the public. It features in the induction of new staff.

The Monitoring Officer, after consultation with the Chief Executive and Section 151 Officer, has statutory powers to report to Council in relation to any function, proposal, decision or omission that s/he considers would give rise to unlawfulness or any decision or omission that might give rise to maladministration. Such a report would have the effect of stopping the proposal or decision being implemented until the report has been considered.

### **Officer and Member Development**

The Council's staff appraisal process assesses performance and delivery of Council objectives and also identifies any skills gaps that need addressing. Each officer has an agreed annual personal development plan. Progress against these plans is reviewed regularly through one-to-one discussions with line managers. The process ensures that the Council continually keeps under review the levels of skills required to carry out functions with due regard to law, policy and regulation.

As part of the Council's business planning process each service plan includes learning and development needs linked to specific actions. This ensures that the skills sets required delivering the key priorities and actions for the Council are identified and provided.

Training programmes and other development opportunities are circulated and shared more broadly using the Council's internal communication mechanisms. The Council also supports the training and development of members.

### **Consultation**

Engaging with local people and other stakeholders to ensure robust public accountability is a key element of the governance framework. The Council takes every opportunity to consult with relevant stakeholders before taking any decisions likely to impact on the level and quality of services. In addition, the Council's business planning process includes an annual timetable of formal consultation events ensuring statutory, voluntary and business partners have the opportunity to comment on budget proposals under consideration.

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The Council has given delegated authority on budget provision to three Resident Forums who can make recommendations to the Policy, Finance & Development Committee on how funds could be allocated to various projects within their geographic area. The Forums' membership is open to people who live in the three areas and this approach has been found to be a very good source of two-way communication and consultation around the Council's policy initiatives.

The Council also implemented a "Citizens Panel" in 2019/20, comprised of a wider-representative group than would normally interact with the Council to improve our understanding of residents' opinions.

### **Reviewing the Effectiveness of the Governance Framework**

The Council has responsibility for conducting at least annually a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of senior managers within the Council who have responsibility for the development and maintenance of the governance environment. The annual report from the Council's Internal Audit service (CW Audit Services) is a key document in assessing the effectiveness of the Council's governance arrangements. Comments from External Auditors Grant Thornton LLP and other agencies and inspectorates such as the Local Government Association are also important.

The Senior Management Team, chaired by the Chief Executive, reviews the Council's governance framework and control environment and is responsible for the preparation of the Annual Governance Statement. Appropriate managers are responsible for producing their own service assurance statements and developing an improvement plan to rectify any identified governance weaknesses within their service areas. The Policy, Finance & Development Committee reviews the Annual Governance Statement and evaluates the strength of the underlying assurance statements and evidence.

### **5. Annual Review of Effectiveness**

The Framework provides examples of documents, systems and processes that an authority should have in place. Using this guidance, the Council can provide assurance that it has effective governance arrangements. The Council has an approved Local Code of Corporate Governance and this provides examples of good governance in practice.

The Council's Constitution includes Finance and Contract Procedure Rules and Schemes of Delegation to Chief Officers. These translate into key operational internal controls such as: control of access to systems, offices and assets; segregation of duties; reconciliation of records and accounts; decisions and transactions authorised by nominated officers; and production of suitable financial and operational

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## ANNUAL GOVERNANCE STATEMENT

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management information. These controls demonstrate governance structures in place throughout the Council.

### **Audit Functions**

The Council has a separate audit committee which came into existence in the autumn of 2019. The Committee receives reports from the Internal Audit service and can require service heads to attend to answer questions as required. Reports from the External Audit service are also received at these meetings.

### **External Audit**

The Council's external auditors are Grant Thornton.

#### **Each year the external auditors review the Council's arrangements for:**

- Preparing accounts and compliance with statutory and other relevant requirements.
- Ensuring the proper conduct of financial affairs and monitoring their adequacy and effectiveness in practice.
- Managing performance to secure economy, efficiency and effectiveness in the use of resources.

In September 2019 Grant Thornton issued their Annual Audit Letter, covering the audit of the Council's 2018/19 financial statements and Value for Money conclusion, providing an unqualified opinion on the accounts and an unqualified conclusion on the Council's arrangements for Value for Money.

There were no recommendations included in the Letter and no significant governance issues were identified.

### **Internal Audit**

The Council's Head of Internal Audit is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes (i.e. the Council's system of internal control). This is achieved through a risk-based plan of work, agreed with management and approved by the Audit Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below. The Head of Internal Audit's role reflects best practice as set out in the CIPFA Guidance on the Role of the Head of Internal Audit.

For 2020/21, the auditor's opinion was that significant assurance can be given that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently. However, some weakness in the design and/or inconsistent application of controls put

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the achievement of particular objectives at risk. No significant governance issues were identified by the auditor.

### **Basis of the Auditors opinion formed:**

- An initial assessment of the design and operation of the underpinning risk management framework and supporting processes.
- An assessment of the range of individual opinions arising from risk-based audit assignment containing within internal audit risk-based plans that have been reported throughout the year. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses.
- Any reliance that is being placed upon third party assurances.

### **Risk Management**

During 2020/21 the Council's Strategic Risk Register was monitored by the Senior Leadership Team and initially the Policy, Finance & Development Committee. The register identified major risks and commented on their likelihood and impact on the Council's objectives. Each risk is allocated a responsible officer for identifying an action plan and provides an update. Risk management is embedded in processes such as appraisal of new capital investment and service development plans.

### **The Role of the Chief Financial Officer (CFO)**

The CFO conforms to the governance requirements and core responsibilities of two CIPFA Statements on the Role of the Chief Financial Officer; in Local Government (2016) and in the Local Government Pension Scheme (2014). The CFO is a key member of the Corporate Management Team and is able to bring influence to bear on all material business decisions, ensuring that immediate and long term implications, opportunities and risks, are fully considered and in alignment with the MTFs and other corporate strategies. The CFO is aware of, and committed to, the five key principles that underpin the role of the CFO, and has completed an assurance statement that provides evidence against core activities which strengthen governance and financial management across the Council.

### **The Role of the Monitoring Officer (MO)**

The Monitoring Officer has responsibility for ensuring that decisions taken comply with all necessary statutory requirements and are lawful. Where in the opinion of the Monitoring Officer any decision or proposal is likely to be unlawful and lead to maladministration, he/she shall advise the Council.

The MO is also bound to ensure that decisions taken are in accordance with the Council's budget and it's Policy Framework, and provides advice on the scope of powers and authority to take decisions.



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In discharging this role the Monitoring Officer is supported by officers within the Legal and Democratic Services Teams.

### **Key Matters**

The following key matters were considered by the Council and its principal committees during 2020/21:

#### **Council**

- Budget proposals and budget monitoring
- Council Tax Base, Support and Setting
- Members' Code of Conduct
- GDPR
- Staffing Issues
- Building Control Shared Services
- Delegated reports from Forums and Committees
- Council Tax Support Scheme
- Universal Credit
- Members' Allowances
- Constitutional review

#### **Policy, Finance and Development Committee**

- Budgetary control and financial updates
- Treasury management and prudential indicators
- Debt recovery
- Residents' Forums
- Welfare Reform and Council Tax Support Scheme
- Pooling of Non-Domestic Rates
- Risk management
- Updating of Council policies and strategies
- Medium Term Financial Strategy and Housing Business Plan
- Contract Procedure Rules

#### **Service Delivery Committee**

- Council Performance and KPIs
- Housing allocations
- Homelessness
- Disabled Facilities Grants
- Leisure Contract Performance
- Service operational updates
- Fees and charges
- Corporate enforcement
- Empty homes strategy

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- Customer Services transformation and charters
- Refuse and Recycling

### **Audit Committee**

- Reports from the external auditor including the annual plan and report on the Statement of Accounts
- Individual internal audit reports and the annual report and plan

### **Local Government Ombudsman**

The number of references to the Local Government Ombudsman amounted to 1, outstanding from 2019-20 resolved no finding of maladministration.

2020/21 – 2 complaints both have been resolved – no finding of maladministration

### **Constitutional Matters**

The key roles and responsibilities of Council committees, elected members, the Chief Executive, Monitoring Officer and Section 151 Officer are set out in the Council's constitution scheme of delegation.

These three officers are responsible for ensuring that the Council acts within the law and in accordance with established policies and procedures. No report can be presented to Council or a committee for approval without first being reviewed by these officers or their delegated representative(s). These officers are also responsible for ensuring that legislation and policy relating to health and safety are implemented in practice.

The constitution includes the Contract Procedure Rules and Financial Regulations which detail the processes and improvements required for various levels of purchase and the internal control procedures required for managing the risk across the Council.

The Council adopted a revised Constitution on 16 April 2019 which came into force on 13 May 2019. The Constitution remains under continuous review and a further amendment was made to the Constitution on 30 July 2019.

### **Code of Conduct**

The standards of behaviour expected from members and officers are set out in the Member/Officer Codes of Conduct. A register of members' interests is maintained and the records of interest are declared at Council and committee meetings. All members are required to complete Related Party Declarations at the end of the financial year in support of the statutory financial statements. Members' allowances are examined on an annual basis and a review of the allowance scheme was undertaken in 2018/19 by an independent remuneration panel and came into force on 13 May 2019 for the 2019/20 municipal year. Following the Borough Elections in May 2019

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The Monitoring Officer received 1 complaint in 2020/21 which was resolved informally without the need to conduct an investigation.

### **6. Significant Governance Issues**

During the 2020/21 financial year, no significant governance issues were identified that would lead to internal control issues. The introduction of a Risk Management Strategy in 2020/21 has significantly improved risk management arrangements within the Council and helps identify potential governance issues.

**A number of minor weaknesses in control limited assurance in the following areas:**

- Debtors
- Contract Register
- Website Management
- Payroll and Expenses
- Agency Workers

Recommendations received to resolve these minor weakness in control have been implemented now or are in the process of being implemented.

### **7. Further updates at the publishing date**

Since the draft annual accounts were published (in August 2021) to the time of preparing this final version of the 2020/21 Annual Governance Statement (June 2022), the Council has continued to deliver its services within a sound governance and internal control framework.

In early 2022, a new Strategic Director and Section 151 Officer joined the authority. This new appointment has bolstered the Council's financial expertise and resource further, in turn strengthening the control environment. The postholder complies with the requirements of CIPFA Statement on the Role of the Chief Financial Officer in Local Government, as does the Deputy Section 151 Officer.

The Council participated in an Local Government Association Corporate Peer Challenge in January 2022. The review focused on five key areas including our understanding of the local place and priority setting, our place leadership role, organisational leadership and governance, financial planning and viability and our capacity to deliver. The feedback report is available here: [Corporate Peer Challenge - Feedback Report](#) and the Council welcomed the feedback, producing an action plan to address the recommendations which is now in play.

Acknowledging the cross-cutting nature of some of the recommendations made by the Corporate Peer Review, it is anticipated that several areas will be identified in the assurance review for the 2021/22 year as part of the development of the 2021/22

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## ANNUAL GOVERNANCE STATEMENT

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Annual Governance Statement. The most significant of these is in respect of the recommendation to “align and maintain the medium-term financial plan to the Corporate Plan and projects to ensure resources are in place to deliver them” and work to review not only the plan but also develop a new Medium Term Financial Strategy is now underway. A copy of the action plan can be viewed here: [Corporate Peer Review Action Plan - May 2022](#).

### **Conclusion and Statement from the Leader of the Council and Chief Executive**

This statement is intended to provide reasonable assurance. We propose that we continue to maintain the level of governance at the authority, whilst striving to improve wherever we can. Where issues have been identified in preparation of this report, we will ensure that they are effectively addressed and we will monitor their improvement as part of the next annual review.



**Cllr John Boyce**

**Anne Court**

**Leader of the Council**

**Chief Executive**

**Date: 9 June 2022**

**Date: 9 June 2022**