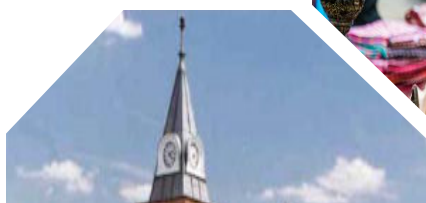




# Statement of Accounts 2019-20





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10 March 2021

# Statement of Responsibilities for the Statement of Accounts

## The Council's Responsibilities

The Council is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this council, that officer is the Director for Corporate Services.
- To manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

## The Director for Corporate Services' Responsibilities

The Director for Corporate Services is responsible for the preparation of the Council'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 Director for Corporate Services has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the local authority Code.

The Director for Corporate Services has also:

- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

## CERTIFICATE

I certify that this Statement of Accounts presents a true and fair view of the financial position of Melton Borough Council at 31<sup>st</sup> March 2020, and its income and expenditure for the period 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020.

.....  
D K Garton CPFA  
Section 151 Officer

Date: 30 June 2020

.....  
D K Garton CPFA  
Deputy Section 151 Officer

Date: 9 March 2021

## APPROVAL BY THE COUNCIL

The audited Statement of Accounts was approved at a meeting of the Audit & Standards Committee held on the 9th of March 2021.

.....  
Councillor J Douglas

Date: 9 March 2021

## Comprehensive Income & Expenditure Statement for the Year Ended 31 March 2020

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

2018-19 As restated				Note	2019-20		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000	
9,012	7,585	1,427	General Expenses - People Priority		8,207	6,470	1,737
6,187	2,959	3,228	General Expenses – Place Priority		5,989	2,259	3,730
4,596	1,424	3,172	General Expenses - Corporate Priority		4,875	2,131	2,744
4,831	7,812	-2,981	Housing Revenue Account		5,278	7,423	-2,145
279	136	143	Special Expenses – Place Priority		288	146	142
<b>24,905</b>	<b>19,916</b>	<b>4,989</b>	<b>Net Cost of Services</b>		<b>24,637</b>	<b>18,429</b>	<b>6,208</b>
		804	Other Operating Expenditure	5			656
		990	Financing & Investment Income & Expenditure	6			1,382
		-6,046	Taxation & Non-specific grant Income	7			-6,877
		<b>737</b>	<b>Deficit/Surplus(-) on Provision of Services</b>				<b>1,369</b>
		-2,937	Deficit/Surplus(-) on revaluation of property, plant & equipment assets				-276
		3,205	Re-measurement of the net defined benefit liability/asset(-)				-3,102
		<b>268</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>-3,378</b>
		<b>1,005</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>-2,009</b>

During 2019-20 the Council's reporting priorities changed to those shown above and the 2018-19 amounts have been restated accordingly to allow comparable figures to be seen in the accounts.

## Movement in Reserves Statement

The Movement in Reserves statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' reserves. The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax or rents for the year. The net Increase/Decrease line shows the statutory General Fund balance and Housing Revenue Account balance movements in the year following those adjustments. The General Fund and Housing Revenue Account balances include an amount of earmarked reserves as per note 16.

2019-20	Usable Reserves						Unusable Reserves	Total Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2019</b>	<b>4,890</b>	<b>6,977</b>	<b>5,313</b>	<b>2,472</b>	<b>0</b>	<b>19,652</b>	<b>73,368</b>	<b>93,020</b>
<b>Movement in Reserves during 2019-20</b>								
Total Comprehensive Income & Expenditure	-2,362	993	0	0	0	-1,369	3,378	2,009
Adjustments between Accounting basis & Funding under regulation	2,666	-1,604	699	137	0	1,898	-1,898	0
<b>Increase/Decrease(-) in year</b>	<b>304</b>	<b>-611</b>	<b>699</b>	<b>137</b>	<b>0</b>	<b>529</b>	<b>1,480</b>	<b>2,009</b>
<b>Balance at 31 March 2020 Carried Forward</b>	<b>5,194</b>	<b>6,366</b>	<b>6,012</b>	<b>2,609</b>	<b>0</b>	<b>20,181</b>	<b>74,848</b>	<b>95,029</b>

2018-19	Usable Reserves						Unusable Reserves	Total Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2018</b>	<b>4,850</b>	<b>6,830</b>	<b>5,126</b>	<b>2,029</b>	<b>0</b>	<b>18,835</b>	<b>75,190</b>	<b>94,025</b>
<b>Movement in Reserves during 2018-19</b>								
Total Comprehensive Income & Expenditure	-2,586	1,849	0	0	0	-737	-268	-1,005
Adjustments between Accounting basis & Funding under regulation	2,626	-1,702	187	443	0	1,554	-1,554	0
<b>Increase/Decrease(-) in year</b>	<b>40</b>	<b>147</b>	<b>187</b>	<b>443</b>	<b>0</b>	<b>817</b>	<b>-1,822</b>	<b>-1,005</b>
<b>Balance at 31 March 2019 Carried Forward</b>	<b>4,890</b>	<b>6,977</b>	<b>5,313</b>	<b>2,472</b>	<b>0</b>	<b>19,652</b>	<b>73,368</b>	<b>93,020</b>

## Balance Sheet

The Balance Sheet shows the value, as at the Balance Sheet date, of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves 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 authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line “adjustments between accounting basis and funding basis under regulations”.

31 March 2019 As Restated		Note	31 March 2020
£'000			£'000
126,243	Property Plant & Equipment	18	126,062
1,664	Investment Property	20	1,657
63	Intangible Assets	21	79
1,966	Long Term Investments	22	1,895
822	Long Term Receivables	22	749
<b>130,758</b>	<b>Long Term Assets</b>		<b>130,442</b>
333	Assets Held for Sale	27	147
9,000	Short Term Investments	22	14,000
2,908	Short Term Receivables	28	2,923
9,876	Cash and Cash Equivalents	30	5,951
<b>22,117</b>	<b>Current Assets</b>		<b>23,021</b>
566	Provisions	32	587
3,804	Short Term Payables	31	3,216
<b>4,370</b>	<b>Current Liabilities</b>		<b>3,803</b>
31,534	Long Term Borrowing	22	31,534
23,639	Other Long Term Liabilities	22/34	21,730
36	Capital Grants Receipts in Advance	8	32
276	Revenue Grants Receipts in Advance	8	1,335
<b>55,485</b>	<b>Long Term Liabilities</b>		<b>54,631</b>
<b>93,020</b>	<b>Net Assets</b>		<b>95,029</b>
19,652	Usable Reserves		20,181
73,368	Unusable Reserves	17	74,848
<b>93,020</b>	<b>Total Reserves</b>		<b>95,029</b>

.....  
D K Garton CPFA  
Section 151

Date: 9 March 2021

## Cash Flow Statement

The cash flow statement shows the changes 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 authority 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.

The adjustments to the net deficit on the provision of service consist of non cash movements for items including depreciation, revaluations and impairments, and use of reserves.

The adjustments for items included in net deficit for investing and financing activities consists of the proceeds received from the sale of property plant and equipment.

2018-19 As restated		Note	2019-20
£'000			£'000
-737	Net deficit(-)/surplus on the provision of services		-1,369
4,422	Adjustments to the net deficit(-)/surplus on the provision of services for non cash movements		5,624
-1,110	Adjustments for items included in the net deficit (-)/surplus on the provision of services that are investing and financing activities		-1,375
<b>2,575</b>	<b>Net cash flows from Operating Activities</b>	35	<b>2,880</b>
5,301	Investing Activities	36	-6,818
-96	Financing Activities	37	13
<b>7,780</b>	<b>Net increase or decrease (-) in cash and cash equivalents</b>		<b>-3,925</b>
<b>2,096</b>	<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>9,876</b>
<b>9,876</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>5,951</b>



## Notes to the Financial Statements

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# 1 Expenditure & Funding Analysis

The Expenditure & Funding Analysis shows how annual expenditure is used and funded from resources (i.e. 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 shows how this expenditure is allocated for decision making purposes between the Council Priority's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income & Expenditure Statement (CIES).

2018-19 As restated				2019-20		
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the CIES		Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the CIES
£'000	£'000	£'000		£'000	£'000	£'000
1,181	246	1,427	General Expenses - People Priority	1,413	324	1,737
3,087	141	3,228	General Expenses – Place Priority	3,324	406	3,730
2,633	539	3,172	General Expenses - Corporate Priority	2,673	71	2,744
-2,458	-523	-2,981	Housing Revenue Account	-1,698	-447	-2,145
75	68	143	Special Expenses - Place Priority	30	112	142
<b>4,518</b>	<b>471</b>	<b>4,989</b>	<b>Net Cost of Services</b>	<b>5,742</b>	<b>466</b>	<b>6,208</b>
-4,705	453	-4,252	Other Income and Expenditure	-5,435	596	-4,839
<b>-187</b>	<b>924</b>	<b>737</b>	<b>Surplus(-)/Deficit</b>	<b>307</b>	<b>1,062</b>	<b>1,369</b>

-11,680		Opening General Fund and HRA Balance	-11,867	
-187		Less Surplus(-)/Deficit on General Fund and HRA Balance in year	307	
<b>-11,867</b>		<b>Closing General Fund and HRA Balance at 31 March 2020*</b>	<b>-11,560</b>	

\*for a split of this balance between the General Fund and the HRA - See the Movement in Reserves Statement

During 2019-20 the Council's reporting priorities changed to those shown above and the 2018-19 amounts have been restated accordingly to allow comparable figures to be seen in the accounts.

## 2 Note to the Expenditure & Funding Analysis

### Adjustments between Funding and Accounting Basis 2019-20

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement Amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Statutory Differences	Total Statutory Adjustments
	£'000	£'000	£'000	£'000
General Expenses - People Priority	125	196	3	324
General Expenses - Place Priority	140	270	-4	406
General Expenses - Corporate Priority	-82	157	-4	71
Housing Revenue Account	-526	79	0	-447
Special Expenses - Place Priority	112	0	0	112
<b>Net Cost of Services</b>	<b>-231</b>	<b>702</b>	<b>-5</b>	<b>466</b>
Other Income & Expenditure from the Expenditure & Funding Analysis	214	543	-161	596
<b>Difference between General Fund Surplus/Deficit and CIES Surplus/Deficit on the Provision of Services</b>	<b>-17</b>	<b>1,245</b>	<b>-166</b>	<b>1,062</b>

### Adjustments between Funding and Accounting Basis 2018-19

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement Amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Statutory Differences	Total Statutory Adjustments
	£'000	£'000	£'000	£'000
General Expenses - People Priority	98	147	1	246
General Expenses - Place Priority	-42	187	-4	141
General Expenses – Corporate Priority	86	460	-7	539
Housing Revenue Account	-575	51	1	-523
Special Expenses - Place Priority	68	0	0	68
<b>Net Cost of Services</b>	<b>-365</b>	<b>845</b>	<b>-9</b>	<b>471</b>
Other Income & Expenditure from the Expenditure & Funding Analysis	206	490	-243	453
<b>Difference between General Fund Surplus/Deficit and CIES Surplus/Deficit on the Provision of Services</b>	<b>-159</b>	<b>1,335</b>	<b>-252</b>	<b>924</b>

During 2019-20 the Council's reporting priorities changed to those shown above and the 2018-19 amounts have been restated accordingly to allow comparable figures to be seen in the accounts.

#### Adjustments for Capital Purposes:

This column adds in depreciation and other impairments as well as revaluation gains and losses in the priority services lines, and for:

Other operating expenditure adjustments for capital disposals, with a transfer of income on disposal of assets and the amounts written off for those assets, and for:

Financing and investment income & expenditure the depreciation, impairment and revaluation gains and losses on

the Council's Trading Accounts.

### Net Change for the Pensions Adjustments:

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits related income and expenditure;

For services this represents the removal of employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.

For financing & investment income and expenditure is the net interest on the defined benefit liability as charged to the Comprehensive income & expenditure statement.

### Other Statutory Differences:

This column recognises adjustments to the general fund for the accrual of compensated absences under the services; and other income & expenditure is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year, and for:

Taxation & non-specific grant income is the charge which 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 differences will be brought forward in future surpluses or deficits on the Collection Fund.

## 3 Segmental Income

Income received on a segmental basis is analysed below:

2018-19 As restated		2019-20
Income from Services	Services	Income from Services
£'000		£'000
486	General Expenses - People Priority	-622
2,936	General Expenses - Place Priority	2,589
283	General Expenses - Corporate Priority	674
7,812	Housing Revenue Account	7,423
145	Special Expenses – Place Priority	155
<b>11,662</b>	<b>Total Income Analysed on a Segmental Basis</b>	<b>11,463</b>

During 2019-20 the Council's reporting priorities changed to those shown above and the 2018-19 amounts have been restated accordingly to allow comparable figures to be seen in the accounts.

## 4 Expenditure and Income Analysed by Nature

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

2018-19		2019-20
£'000		£'000
	<b>Expenditure</b>	
8,254	Employee Benefit Expenses	8,405
14,902	Other Service Expenses	14,542
2,348	Depreciation, Amortisation, Revaluation & Impairment	2,583
1,168	Interest Payments	1,168
638	Precepts & Levies	664
151	Payments to Housing Capital Receipts Pool	151
-107	Gain on the Disposal of Assets	-172
114	De-recognition of Fixed Assets	14
7	Other Expenditure	0
<b>27,475</b>	<b>Total Expenditure</b>	<b>27,355</b>
	<b>Income</b>	
12,437	Fees, Charges & Other Services	11,965
375	Interest and Investment Income	290
5,483	Income from Council Tax and Non-domestic Rates	6,383
8,443	Government Grants & Other Contributions	7,348
<b>26,738</b>	<b>Total Income</b>	<b>25,986</b>
<b>737</b>	<b>Surplus/Deficit on the Provision of Services</b>	<b>1,369</b>

## 5 Other Operating Expenditure

2018-19		2019-20
£'000		£'000
622	Parish Council Precepts	647
151	Payments to Government Housing Capital Receipts Pool	151
17	Drainage Rates Levy	17
7	Gains on the disposal of non-current assets	-172
7	Other Expenditure	13
<b>804</b>	<b>Total</b>	<b>656</b>

## 6 Financing & Investment Income & Expenditure

2018-19		2019-20
£'000		£'000
1,168	Interest payable and similar charges	1,168
490	Net interest on the net defined benefit liability (asset)	543
-375	Interest receivable and similar income	-290
-8	Income & expenditure in relation to investment properties and changes in their fair value	-7
-285	Gains and Losses on Trading Accounts	-32
<b>990</b>	<b>Total</b>	<b>1,382</b>

## 7 Taxation & Non-Specific Grant Income

The council raises Council Tax, Non-Domestic Rates (NDR) and receives grants from central government each year to support revenue expenditure which is not attributable to specific services. The grants, NDR and Council Tax received in the year were:

2018-19		2019-20
£'000		£'000
-4,227	Council Tax Income	-4,419
-1,256	Non-Domestic Rates Income and Expenditure	-1,964
-309	Non-ring fenced government grants	-327
-254	Capital grants and contributions	-167
<b>-6,046</b>	<b>Total</b>	<b>-6,877</b>

## 8 Grant Income

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

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in the year:

2018-19	Credited to Taxation and Non-specific Grant Income	2019-20
£'000		£'000
257	New Homes Bonus	327
254	Disabled Facilities Grants	163
0	S106 Contributions	4
52	Revenue Support Grant	0
<b>563</b>	<b>Total</b>	<b>494</b>

2018-19	Credited to Services	2019-20
£'000		£'000
6,119	Housing Benefit Subsidy	5,315
832	Section 31 Grants	1,076
76	Flexible Homelessness Support	97
89	Housing Benefit Admin Subsidy	83
72	Sport and Physical Activity Commissioning	75
62	Sure Start Children's Centres	55
75	Manufacturing Zone Grant	51
54	New Burdens Grant	50
52	Discretionary Housing Payments	46
41	Council Tax Support Admin Grant	38
0	EU Exit Grant	35
39	Universal Credit Contribution	32
214	Family Intervention Project Funding & Supporting Leics Families	25
0	Covid-19 Grant	24
98	Working Links	0
33	Wheels to Work	0
67	Neighbourhood Planning	0
60	Brownfields Register	0
56	Establishment of Development Company	0
77	Other Small Grants & Contributions Credited to Services	79
<b>8,116</b>	<b>Total</b>	<b>7,081</b>

Grants below £20k have been consolidated throughout this note and all grants received and credited to services below this amount have been moved into the 'Other Small Grants & Contributions Credited to Services' line.

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

31 March 2019	Capital Grant Receipts in Advance	31 March 2020
£'000		£'000
36	Section 106 Monies	32
<b>36</b>	<b>Total</b>	<b>32</b>

31 March 2019	Revenue Grant Receipts in Advance	31 March 2020
£'000		£'000
0	S31 Grants	932
189	Disabled Facilities Grant Funding	330
37	Homelessness	30
50	Other Small Revenue Grants Receipts in Advance	43
<b>276</b>	<b>Total</b>	<b>1,335</b>

## 9 Members Allowances

The Authority paid the following amounts to members of the Council during the year:

2018-19		2019-20
£'000		£'000
187	Allowances	201
5	Expenses	6
<b>192</b>	<b>Total</b>	<b>207</b>

## 10 Officers Remuneration

The remuneration paid to the Council's senior employees is as follows:

		Salary, Fees Allowances	Expenses Allowance	Employer Pension	Total Including Pension
		£	£	£	£
Chief Executive	2018-19	98,940	1,239	20,866	121,045
	2019-20	103,133	1,239	21,751	126,123
Deputy CEO/Director of People & Communities	2018-19	79,560	1,453	16,779	97,792
	2019-20	83,232	1,453	17,554	102,239
Director for Corporate Services	2018-19	68,340	1,239	14,342	83,921
	2019-20	71,788	1,239	15,140	88,167
Director for Governance & Regulatory/Legal Services	2018-19	55,052	929	11,595	67,576
	2019-20	71,888	1,239	15,140	88,267
Director for Growth & Regeneration	2018-19	49,317	903	10,186	60,406
	2019-20	69,707	1,239	14,701	85,647
Assistant Director for Planning & Regulatory Services	2018-19	57,585	963	12,136	70,684
	2019-20	56,696	963	11,949	69,608

Remuneration for these purposes includes all taxable sums paid to or receivable by an employee, sums due by way of expenses allowances, and the money value of any other benefits received other than in cash, albeit the latter does not apply.

In accordance with Regulation 7(3) of the Accounts and Audit Regulations 2015 the Council is also required to disclose the number of other employees whose remuneration is in excess of £50,000 per annum, starting at that level and increasing in multiples of £5,000. There are two other employees in this category as follows.

Remuneration Band	2018-19	2019-20
	Number of Employees	Number of Employees
£50,000 - £54,999	1	1
£55,000 - £59,999	0	1

## 11 Exit Packages

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



Exit Package cost band (including special payments)	Number of redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	£	£
							2018-19	2019-20
£0-£20,000	10	0	0	1	10	1	73,615	2,989
£20,001-£40,000	2	*1	0	0	2	1	51,280	16,133
£40,001-£60,000	2	0	0	2	2	2	103,545	93,798
£60,001-£80,000	0	0	0	0	0	0	0	0
£80,001-£100,000	0	0	0	0	0	0	0	0
£100,000-£150,000	0	0	0	0	0	0	0	0
<b>Total Cost included in bandings and in the CIES</b>	<b>14</b>	<b>1</b>	<b>0</b>	<b>3</b>	<b>14</b>	<b>4</b>	<b>228,440</b>	<b>112,920</b>

\*Redundancy payment was included in 2018-19 Statement of Accounts, but pension make-up excluded. Total amount of redundancy (£6,469) and pension make-up (£16,133) falls into £20,001 – £40,000 category.

## 12 Termination Benefits

Termination benefits 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 in exchange for those benefits and are charged on an accruals basis to the appropriate service at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancements of pensions, 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, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end.

The Authority committed to terminate contracts for 3 employees in 2019-20, so incurring £113k in liabilities (£228k in 2018-19).

## 13 External Audit Costs

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

2018-19		2019-20
£'000		£'000
36	Fees payable to the appointed auditor in respect of external audit services	33
0	Refund from PSAA in relation to prior year audit fee	-4
15	Other Fees payable to the appointed auditor including the certification of grant claims and returns	13
<b>51</b>	<b>Total</b>	<b>42</b>

Other Fees payable for Grant and certification claims & returns include £10k in respect of the 2019-20 Housing Benefit Subsidy Claim and £1k relates to additional audit work in 2018/19 relating to review of the CIES and EFA restatement. Further fees of £2k relate to the audit of the Housing capital receipts return.

## 14 Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

**Central Government** has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg council tax bills, housing benefits). Grants received from government departments are set out in the Expenditure and Income Analysed by Nature in note 4. Grant receipts outstanding at 31 March 2020 are shown in note 8.

**Members** of the Council have direct control over the Council's financial and operating policies. The following Members have declared 'related party transactions' with the Council during the year:

- a) Councillor R de Burle:  
Chair of Asfordby Parish Council which received payments of £124,355 in the year. Of this £123,570 related to the parish precept, £765 was in relation to venue hire. Payments totalling £611.85 were received from Asfordby Parish Council.
- c) Councillor R Child:  
Chairman of Great Dalby Cricket Club, which received no payments during 2019-20. There was a refund of £21 outstanding at the year end relating to a TEN licence refund.
- d) Councillor P Cumbers:  
Trustee at Melton Shopmobility, which received no payments in the year, however did receive a benefit in kind in the form of utilities.
- e) Councillor P Posnett:  
Chair of Melton Learning Hub which received payments of £1,670, £1,500 relating to a shed purchase at Melton Country Park, the remaining relating to venue hire during the year and made payments of £12,000 to the Council.  
A Governor at Brownlow Primary School, which have received £178 during the year for room hire and made payments of £226 to the Council. There were no further transactions outstanding at the year end.
- f) Councillor T Greenow:  
Employee of Gillstream Markets Ltd, which received payments of £12,726.64 during the year relating to a refund of £5,140.31 which was an overpayment of BID, £1,038 for room hire and £6,548.33 relating to a refund of overpayments of income during 2018-19. Melton Borough Council have a lease agreement with Gillstream Markets Limited that relates to the cattle market. Gillstream run the site and pay over a percentage of their commission to the Council. Income streams include Animal Auctions, Trade Stalls, Farmers Market, Tavern, Exhibition Hall, Car Boot and Car Parking. Gillstream pay the Council using a block payment system based on the previous year's income, whilst submitting a remittance showing the actuals. At the year end the difference between the two is paid over to the relevant party. During 2019-20 the payment was less than the remittances submitted, therefore the Gillstream were due to pay over an additional £19,129.61. £243,675.60 of income for this agreement was paid to the Council in the year.

**Officers.** The following officers of the Council have declared 'related party transactions' with the Council during the year:

- a) Keith Aubrey – Deputy Chief Executive:  
Director of Melton Learning Hub which received payments of £1,670, £1,500 relating to a shed purchase at Melton Country Park, the remaining relating to venue hire during the year and made payments of £12,000

to the Council. There were no further transactions outstanding at the year end.

- b) Dawn Garton – Director for Corporate Services:  
Governor at John Ferneley College which received no payments during the year and made payments of £65 relating to room hire. There were no further transactions outstanding at the year end.

Completed forms were not received back from Councillor T Bains, Councillor M Steadman, Councillor J Wyatt and Councillor J Hurrell.

### **Melton Community Lottery**

The Melton Community Lottery is promoted by Melton Borough Council and is a Local Authority Lottery licensed by the Gambling Commission. Frisby, Hoby & Rotherby Cricket Club, Melton Learning Hub, Melton Mencap and Shopmobility Melton Mowbray, under the terms of the Melton Community Lottery, are registered as good causes and therefore receive funding from this source.

## **15 Adjustments Between Accounting Basis and Funding Basis Under Regulations**

This note details the adjustments made to the total Comprehensive Income and Expenditure statement recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against:

### **General Fund Balance**

The General Fund is the statutory fund which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact the General Fund balance, which is not necessarily in accordance with proper accounting practice. The General Fund balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. This balance however is not available to be applied to funding HRA services.

### **Housing Revenue Account Balance**

The Housing Revenue Account balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government & Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

### **Major Repairs Reserve**

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year end.

### **Capital Receipts Reserve**

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

### **Capital Grants Unapplied**

The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure

against which it can be applied and/or the financial year in which this can take place.

2019-20	Usable Reserves				
	General Fund balance	HRA	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000	£'000
<b><u>Adjustments to Revenue Resources</u></b>					
Amounts by which income and expenditure included in the Comprehensive Income & Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements					
- Pensions costs (transferred to/from the Pensions Reserve)	1,166	79	0	0	0
- Council Tax & NDR (transfers to/from the Collection Fund)	6	0	0	0	0
- Holiday Pay (transferred to the Accumulated Absence Reserve)	-5	0	0	0	0
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to Non-Current Assets (Charged to the Capital Adjustment Account)	620	2,969	0	0	0
Surplus(-)/Deficit on financial assets measured at fair value	70	0	0	0	0
Miscellaneous adjustments between funds	1,155	-1,155	0	0	0
<b>Total Adjustments to Revenue Resources</b>	<b>3,012</b>	<b>1,893</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b><u>Adjustments between Revenue &amp; Capital Resources</u></b>					
Transfer of Non-Current Asset sale proceeds from revenue to the Capital Receipts Reserve	-172	-1,014	1,186	0	0
Administrative costs of Non-Current Asset disposals (funded by a contribution to the Capital Receipts Reserve)	0	21	-21	0	0
Payment to the Government's Housing Receipts pool (funded by a contribution to the Capital Receipts Reserve)	0	151	-151	0	0
Posting of HRA resources from revenue to the Major Repairs Reserve	0	-1,742	0	1,742	0
Statutory Provision for the repayment of debt (transfer from the Capital Adjustment Account)	0	0	0	0	0
Revenue Expenditure funded from capital under statute	163	0	0	0	0
Transactions in relation to deferred capital receipts & liabilities	-39	0	0	0	0
Use of Earmarked Reserves to finance capital expenditure	0	-913	0	0	0
Capital Expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	-131	0	0	0	0
<b>Total Adjustments between Revenue &amp; Capital Resources</b>	<b>-179</b>	<b>-3,497</b>	<b>1,014</b>	<b>1,742</b>	<b>0</b>
<b><u>Adjustments to Capital Resources</u></b>					
Use of Capital Receipts Reserve to finance capital expenditure	0	0	-315	0	0
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	-1,605	0
Application of capital grants to finance capital expenditure	-167	0	0	0	0
<b>Total Adjustments to Capital Resources</b>	<b>-167</b>	<b>0</b>	<b>-315</b>	<b>-1,605</b>	<b>0</b>
<b>Total Adjustments</b>	<b>2,666</b>	<b>-1,604</b>	<b>699</b>	<b>137</b>	<b>0</b>

2018-19	Usable Reserves				
	General Fund balance	HRA	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000	£'000
<b><u>Adjustments to Revenue Resources</u></b>					
Amounts by which income and expenditure included in the Comprehensive Income & Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements					
- Pensions costs (transferred to/from the Pensions Reserve)	1,284	51	0	0	0
- Council Tax & NDR (transfers to/from the Collection Fund)	166	0	0	0	0
- Holiday Pay (transferred to the Accumulated Absence Reserve)	-11	1	0	0	0
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to Non-Current Assets (Charged to the Capital Adjustment Account)	302	2,907	0	0	0
Surplus(-)/Deficit on financial assets measured at fair value	-30	0	0	0	0
Miscellaneous adjustments between funds	1,169	-1,169	0	0	0
<b>Total Adjustments to Revenue Resources</b>	<b>2,880</b>	<b>1,790</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b><u>Adjustments between Revenue &amp; Capital Resources</u></b>					
Transfer of Non-Current Asset sale proceeds from revenue to the Capital Receipts Reserve	-107	-729	836	0	0
Administrative costs of Non-Current Asset disposals (funded by a contribution to the Capital Receipts Reserve)	0	14	-14	0	0
Payment to the Government's Housing Receipts pool (funded by a contribution to the Capital Receipts Reserve)	0	151	-151	0	0
Posting of HRA resources from revenue to the Major Repairs Reserve	0	-1,751	0	1,751	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	0	0	0	0	0
Revenue Expenditure funded from capital under statute	258	0	0	0	0
Transactions in relation to deferred capital receipts & liabilities	-39	0	0	0	0
Use of Earmarked Reserves to finance capital expenditure	0	-1,177	0	0	0
Capital Expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	-112	0	0	0	0
<b>Total Adjustments between Revenue &amp; Capital Resources</b>	<b>0</b>	<b>-3,492</b>	<b>671</b>	<b>1,751</b>	<b>0</b>
<b><u>Adjustments to Capital Resources</u></b>					
Use of Capital Receipts Reserve to finance capital expenditure	0	0	-484	0	0
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	-1,308	0
Application of capital grants to finance capital expenditure	-254	0	0	0	0
<b>Total Adjustments to Capital Resources</b>	<b>-254</b>	<b>0</b>	<b>-484</b>	<b>-1,308</b>	<b>0</b>
<b>Total Adjustments</b>	<b>2,626</b>	<b>-1,702</b>	<b>187</b>	<b>443</b>	<b>0</b>

## 16 Earmarked Reserves

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

	Balance 1 April 2018	Transfers In 2018-19	Transfers Out 2018-19	Balance 31 March 2019	Transfers In 2019-20	Transfers Out 2019-20	Balance 31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>General Fund Balances</b>							
Council Property Repairs & Renewals	376	67	6	437	67	24	480
Vehicles & Equipment Repairs & Renewals	589	80	89	580	117	157	540
Melton Local Development Framework	209	21	60	170	142	90	222
Open Spaces	12	30	21	21	32	0	53
New Homes Bonus	0	129	129	0	0	0	0
Business Rates Retention	366	177	0	543	169	0	712
Waste	25	0	25	0	0	0	0
Supporting Leicestershire Families	30	0	30	0	0	0	0
Waterfield Leisure Centre	420	17	50	387	39	17	409
Welland Procurement	0	41	0	41	0	0	41
Melton Leisure Vision	0	74	4	70	21	58	33
Commercial Sites	0	40	0	40	0	40	0
Custom Build	0	20	0	20	15	20	15
Manufacturing Zone Feasibility	0	75	0	75	24	75	24
EU Exit Funding	0	17	0	17	29	0	46
Other Small General Fund Balances	9	68	8	69	7	29	47
<b>Total General Fund Balances</b>	<b>2,036</b>	<b>856</b>	<b>422</b>	<b>2,470</b>	<b>662</b>	<b>510</b>	<b>2,622</b>

<b>General Fund Reserves</b>							
Corporate Priorities Reserve	1,432	71	303	1,200	27	156	1,071
Special Expenses	252	35	0	287	67	6	348
Spending Pressure Reserve	211	0	185	26	0	26	0
Regeneration & Innovation Reserve	0	57	0	57	478	208	327
Carry Forward Reserves	226	156	226	156	135	156	135
<b>Total General Fund Reserves</b>	<b>2,121</b>	<b>319</b>	<b>714</b>	<b>1,726</b>	<b>707</b>	<b>552</b>	<b>1,881</b>
<b>Total General Fund Balances &amp; Reserves</b>	<b>4,157</b>	<b>1,175</b>	<b>1,136</b>	<b>4,196</b>	<b>1,369</b>	<b>1,062</b>	<b>4,503</b>

<b>Housing Revenue Account Balances</b>							
HRA Development & Regeneration	5,129	1,100	1,177	5,052	756	1,181	4,627
Water Arrears Reserve	35	0	6	29	0	11	18
<b>Total Housing Revenue Account Balances</b>	<b>5,164</b>	<b>1,100</b>	<b>1,183</b>	<b>5,081</b>	<b>756</b>	<b>1,192</b>	<b>4,645</b>
<b>Total Fund Balances &amp; Reserves</b>	<b>9,321</b>	<b>2,275</b>	<b>2,319</b>	<b>9,277</b>	<b>2,125</b>	<b>2,254</b>	<b>9,148</b>

### Council Offices Repairs & Renewals

Amounts are set aside from revenue to meet repairs and maintenance expenditure on the Council Offices.

### Vehicles and Equipment Repairs & Renewals

Amounts are set aside from revenue to meet major repairs or replacements for our vehicles and equipment, including Christmas lighting. Also includes amounts set aside from the General Fund for the replacement of the car park machines.

### Melton Local Development Framework

Amounts are set aside from the Local Plans Revenue Budget to fund uneven patterns of spending on the Melton Local Plan.

### Open Spaces - Special Expenses – Repairs & Renewals

Amounts are set aside from revenue to meet repairs or replacement of the play equipment within the Special Expense area of Melton Mowbray.

### New Homes Bonus

Government grant received, part of which is set aside to fund the cost of strategic and local infrastructure in support of growth, the development of new housing and services in support of growth. The reserve was drawn down to a nil balance in the year.

### **Surplus/Deficit on Business Rate Retention (BRR) Scheme Reserve**

This will be utilised to even out surpluses/ deficits created on the revenue account as a result of changes in the levy payments and to mitigate fluctuations created by the surplus/deficit on the collection fund.

### **Waste Consultancy**

Procurement consultancy support and legal support to ensure that the new contract is suitable and fit for purpose. This was drawn down to a nil balance in 2018-19.

### **Supporting Leicestershire Families**

Contribution towards the Supporting Leicestershire Families service until March 2019.

### **Waterfield Leisure Centre Reserves – Repairs & Renewals**

Amounts are set aside from revenue to meet repairs & maintenance spend at Waterfield Leisure Centre. An income smoothing reserve protects the council against large expected changes to the contract income.

### **Welland Procurement**

Amounts are set aside when there are underspends on the Procurement Unit budget to help manage an orderly reduction in costs in the event that clients do not renew their contracts with the Unit.

### **Melton Leisure Vision**

Amounts set aside for the maintenance of the site.

A separate reserve is also set aside to develop the leisure facilities within Melton.

### **Commercial Sites**

Fund to complete feasibility studies in order to develop the commercial sites available within the area. This was drawn down in nil in the year.

### **Custom Build**

Fund to meet the future need to provide custom build areas.

### **Manufacturing Zone Feasibility**

Reserve to support manufacturing growth in the Midlands.

### **EU Exit Funding**

Reserve to help manage the impact of Brexit.

### **Other General Fund Balances**

The earmarked reserves which the Council holds and individually are less than £20k. These reserves include those for the Registrars furniture renewals, Local authority Parks funding, skate park repairs, Homelessness reduction funding, Individual electoral registration funding, phoenix house improvements, business rates new burdens funding and a sinking fund for the cattle market setting aside funds to meet future maintenance costs.

### **Corporate Priorities Reserve**

Amounts are set aside from the General Fund General Expenses Revenue Account to fund capital expenditure or new initiatives which meet the Councils priorities.

### **General Reserve – Special**

Amounts are set aside from the General Fund Special Expenses Revenue Account to fund capital expenditure or new initiatives in the Special Expenses area of Melton Mowbray.

### **Spending Pressure Reserve**

Amounts are set aside to help balance the budget whilst steps are taken to generate the necessary efficiencies required for a longer term sustainable solution. This was drawn down to a nil balance in the year.



### Regeneration & Innovation Reserve

Amounts set aside to progress future developments and support economic growth, commercial returns and support investments.

### General Fund & Special Expenses Carry Forward Reserves

Amounts are set aside from the General Fund and Special Expenses to fund the carry forward amounts – amounts not spent in year which will be needed for a specific purpose in the following year – as approved by the relevant committee in year.

### HRA Development & Regeneration Reserve

Amounts are set aside from the HRA and can be used to fund development and regeneration expenditure on the Council's housing stock.

### Water Arrears Reserve

On the cancellation of the Agency Agreement that the Council had with Severn Trent Water to collect water rates on their behalf, Severn Trent Water agreed to continue to fund future written off amounts of water arrears by a one-off payment. This reserve is therefore to fund any future water write offs from current tenant arrears.

## 17 Unusable Reserves

31 March 2019		31 March 2020
£'000		£'000
16,141	Revaluation Reserve	16,010
-34	Financial Instruments Revaluation Reserve	-105
79,107	Capital Adjustment Account	78,911
0	Financial Instruments Adjustment Account	0
727	Deferred Capital Receipts Reserve	749
-22,258	Pensions Reserve	-20,401
-210	Collection Fund Adjustment Account	-216
-105	Accumulated Absences Account	-100
<b>73,368</b>	<b>Total Unusable Reserves</b>	<b>74,848</b>

### Revaluation Reserve

The revaluation reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment (and intangible assets). The balance is reduced when assets with accumulated gains are:

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

The reserve only contains 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.

2018-19		2019-20
£'000		£'000
<b>13,609</b>	<b>Balance at 1 April</b>	<b>16,141</b>
3,227	Upward revaluation of Assets	1,474
-290	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	-1,198
2,937	Surplus/deficit (-) on revaluation of non-current assets not posted to the Surplus or deficit on the Provision of Services	276
-316	Difference between fair value depreciation & historical cost depreciation	-339
-89	Accumulated gains on assets sold or scrapped	-68
-405	Amount written off to the Capital Adjustment Account	-407
<b>16,141</b>	<b>Balance at 31 March</b>	<b>16,010</b>

## Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Council arising from increases in the value of its investments that are measured at fair value through other operating expenditure. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Disposed of and the gains are realised

2018-19		2019-20
£'000		£'000
0	Balance at 1 April	-34
-64	Transferred from Available for Sale Financial Instruments Reserve on 1 April 2018	0
30	Upward revaluation of investments	0
0	Downward revaluation of investments	-71
-34	<b>Balance at 31 March</b>	<b>-105</b>

## Capital Adjustment Account

The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or addition to those assets under statutory provisions.

The account is debited with cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and subsequent costs.

The account contains accumulated gains and losses on Investment properties and gains recognised on donated assets that have yet to be consumed by the Council.

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

Note 15 provides details of the source of all the transactions posted to the account, apart from those involving the revaluation reserve.

2018-19			2019-20
£'000			£'000
<b>78,814</b>	<b>Balance at 1 April</b>		<b>79,107</b>
<b>Reversal of items relating to capital expenditure on the Comprehensive Income &amp; Expenditure Statement:</b>			
-2,170	Charges for depreciation and impairment of non-current assets	-2,213	
-228	Revaluation gains/losses on Property, Plant and Equipment	-326	
-178	Amortisation of Intangible Assets	-37	
-258	Revenue expenditure funded from capital under statute	-164	
-829	Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the comprehensive income & expenditure statement	-1,006	
-3,663			-3,746
405	Adjusting amounts written out of the Revaluation Reserve	407	
-3,258	Net written out amount of the cost of non-current assets consumed in the year		-3,339
<b>Capital Financing Applied in the year:</b>			
484	Use of the Capital Receipts Reserve to finance new capital expenditure	315	
1,308	Use of the Major Repairs Reserve to finance new capital expenditure	1,605	
1,177	Use of Development & Regeneration Reserve to finance new capital expenditure	913	
254	Capital Grants & Contributions credited to comprehensive income & expenditure statement that have been applied to capital financing	167	
0	Application of Grants to capital financing from Capital Grants Unapplied Account	0	
12	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	12	
100	Capital expenditure charged against the General Fund and HRA balances	119	
39	Deferred Liability – LCC Licence (Parkside)	39	
-20	Change to Deferred Receipt - Nottingham Road Lease	-20	
3,354			3,150
197	Movement in Market Value of Investment Properties	-7	
<b>79,107</b>	<b>Balance at 31 March</b>		<b>78,911</b>

### Financial Instruments Adjustment Account

The Financial Instruments Adjustment 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 benefitting from gains per statutory provisions. The Council uses the account to manage premiums paid and discounts received on the early redemption of loans. Premiums are debited and discounts credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund balance to the Account in the Movement in Reserves statement. Over time the expense/income is posted back to the General Fund balance in accordance with statutory arrangements for spreading the burden on Council Tax. In the Council's case, there are no premiums or discounts outstanding.

### Pensions Reserve

The Pensions 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 & 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 in pension's funds or eventually pays any pension for which it is directly responsible. The debit balance on the pensions reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2018-19		2019-20
£'000		£'000
<b>-17,718</b>	<b>Balance at 1 April</b>	<b>-22,258</b>
-3,205	Re-measurements of the net defined benefit liability/asset	3,102
-2,516	Reversal of items relating to retirement benefits credited to the deficit on provision of Services in the Comprehensive Income and Expenditure statement	-2,412
1,181	Employers pension contributions and direct payments to pensioners payable in the year	1,167
<b>-22,258</b>	<b>Balance at 31 March</b>	<b>-20,401</b>

### Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve 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 usable 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 Capital Receipts Reserve.

2018-19		2019-20
£'000		£'000
<b>707</b>	<b>Balance at 1 April</b>	<b>727</b>
20	Transfer of deferred sale proceeds credited as part of gain/loss on disposal on comprehensive income & expenditure statement	22
0	Transfer to the Capital Receipts Reserve upon receipt of cash	0
<b>727</b>	<b>Balance at 31 March</b>	<b>749</b>

### Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences 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 and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2018-19		2019-20
£'000		£'000
<b>-43</b>	<b>Balance at 1 April</b>	<b>-210</b>
-167	Amount by which Council Tax and Non-Domestic Rates income credited to the Comprehensive Income & Expenditure Statement differs from Council Tax and Non-Domestic Rate income calculated for the year in accordance with statutory requirements	-6
<b>-210</b>	<b>Balance at 31 March</b>	<b>-216</b>

## Accumulated Absences Account

The Accumulated Absences Account absorbs the difference that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the account.

2018-19		2019-20
£'000		£'000
-115	<b>Balance at 1 April</b>	<b>-105</b>
115	Settlement or cancellation of accrual made at the end of the preceding year	105
-105	Amounts accrued at the end of the current year	-100
-10	Amount by which officer remuneration charged to the comprehensive income & expenditure statement on an accruals basis differs from remuneration chargeable in the year in accordance with statutory requirements	-5
<b>-105</b>	<b>Balance at 31 March</b>	<b>-100</b>

## 18 Property, Plant and Equipment

### Movement on Balances

2019-20	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
<b>At 1 April 2019</b>	<b>96,438</b>	<b>28,598</b>	<b>1,407</b>	<b>41</b>	<b>386</b>	<b>0</b>	<b>0</b>	<b>126,870</b>
Additions	2,849	-48	97	0	4	0	0	2,902
Revaluations recognised in revaluation reserve	-1,389	135	-40	0	-15	-15	0	-1,324
Revaluations recognised in surplus/deficit(-) on provision of services	-897	84	-57	0	0	-10	0	-880
Derecognition - Disposals	-700	0	-67	0	0	0	0	-767
Assets reclassified to held for sale	-149	0	0	0	0	0	0	-149
Other reclassifications	-2,764	2,503	173	0	15	114	0	41
Other movements	0	0	0	0	0	0	0	0
<b>At 31 March 2020</b>	<b>93,388</b>	<b>31,272</b>	<b>1,513</b>	<b>41</b>	<b>390</b>	<b>89</b>	<b>0</b>	<b>126,693</b>
<b>Accumulated Depreciation &amp; Impairment</b>								
<b>At 1 April 2019</b>	<b>0</b>	<b>0</b>	<b>-510</b>	<b>-26</b>	<b>-91</b>	<b>0</b>	<b>0</b>	<b>-627</b>
Depreciation Charge	-1,408	-685	-119	-1	0	0	0	-2,213
Depreciation written out to revaluation reserve	984	575	41	0	0	0	0	1,600
Depreciation written out to surplus(-)/Deficit on provision of services	328	184	39	0	0	5	0	556
Impairment losses recognised in revaluation reserve	0	0	0	0	0	0	0	0
Impairment losses recognised surplus(-)/deficit on provision of services	0	0	0	0	0	0	0	0
Derecognition - Disposals	0	0	53	0	0	0	0	53
Other movements	96	-74	-17	0	0	-5	0	0
<b>At 31 March 2020</b>	<b>0</b>	<b>0</b>	<b>-513</b>	<b>-27</b>	<b>-91</b>	<b>0</b>	<b>0</b>	<b>-631</b>
<b>Net Book Value</b>								
<b>At 31 March 2020</b>	<b>93,388</b>	<b>31,272</b>	<b>1,000</b>	<b>14</b>	<b>299</b>	<b>89</b>	<b>0</b>	<b>126,062</b>
<b>At 31 March 2019</b>	<b>96,438</b>	<b>28,598</b>	<b>897</b>	<b>15</b>	<b>295</b>	<b>0</b>	<b>0</b>	<b>126,243</b>

2018-19	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
<b>At 1 April 2018</b>	<b>94,521</b>	<b>27,691</b>	<b>1,583</b>	<b>41</b>	<b>397</b>	<b>0</b>	<b>23</b>	<b>124,256</b>
Additions	2,485	477	89	0	0	0	0	3,051
Revaluations recognised in revaluation reserve	1,119	352	-52	0	-11	0	0	1,408
Revaluations recognised in surplus/deficit(-) on provision of services	-1,024	256	-31	0	0	0	0	-799
Derecognition - Disposals	-503	-116	-182	0	0	0	0	-801
Assets reclassified to held for sale	-160	0	0	0	0	0	0	-160
Other reclassifications	0	-62	0	0	0	0	-23	-85
Other movements	0	0	0	0	0	0	0	0
<b>At 31 March 2019</b>	<b>96,438</b>	<b>28,598</b>	<b>1,407</b>	<b>41</b>	<b>386</b>	<b>0</b>	<b>0</b>	<b>126,870</b>
<b>Accumulated Depreciation &amp; Impairment</b>								
<b>At 1 April 2018</b>	<b>-1</b>	<b>0</b>	<b>-640</b>	<b>-25</b>	<b>-91</b>	<b>0</b>	<b>0</b>	<b>-757</b>
Depreciation Charge	-1,379	-672	-118	-1	0	0	0	-2,170
Depreciation written out to revaluation reserve	1,168	317	44	0	0	0	0	1,529
Depreciation written out to surplus(-)/Deficit on provision of services	212	350	26	0	0	0	0	588
Impairment losses recognised in revaluation reserve	0	0	0	0	0	0	0	0
Impairment losses recognised surplus(-)/deficit on provision of services	0	0	0	0	0	0	0	0
Derecognition - Disposals	0	5	178	0	0	0	0	183
Other movements	0	0	0	0	0	0	0	0
<b>At 31 March 2019</b>	<b>0</b>	<b>0</b>	<b>-510</b>	<b>-26</b>	<b>-91</b>	<b>0</b>	<b>0</b>	<b>-627</b>
<b>Net Book Value</b>								
<b>At 31 March 2019</b>	<b>96,438</b>	<b>28,598</b>	<b>897</b>	<b>15</b>	<b>295</b>	<b>0</b>	<b>0</b>	<b>126,243</b>
<b>At 31 March 2018</b>	<b>94,520</b>	<b>27,691</b>	<b>943</b>	<b>16</b>	<b>306</b>	<b>0</b>	<b>23</b>	<b>123,499</b>

## Depreciation

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

- Council Dwellings – 50 years
- Other Land and buildings - 1-50 years
- Vehicles, Plant, Furniture and Equipment – 1-27 years
- Infrastructure – 5-56 years

## Capital Commitments

At 31 March 2020 the council has entered into three contracts for the construction or enhancement of Property, Plant and Equipment budgeted to cost £297k. The outstanding commitments are Fire safety £98k, Fire Damage Drummond Walk £35k and Scooter Pods £9k. There were no new commitments at March 2019.

## Effects of changes in Estimates

There were no material changes to the basis of estimating useful lives for Property, Plant and Equipment during the year.

## Revaluations

The Council carries out an annual revaluation programme that ensures that all Property, Plant and Equipment required is measured at current value. Valuations were carried out through an external party. Valuations of land and buildings were carried out in accordance with methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. Valuation for play areas are based on fair value while all other valuations of vehicles, plant, furniture and equipment are based on historic cost.

The significant assumptions applied in estimating the current values are:

- Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date
- Depreciated replacement cost (DRC) is used where properties are rarely sold and there is no active market. This applies to specialised properties such as Public Conveniences, some Cattle Market buildings and Waterfield Leisure Centre.

One week before the valuation date, 31<sup>st</sup> March 2020, the period of “lockdown” commenced as a result of COVID-19. The ongoing impact of the pandemic is still unfolding and was too soon to determine any impact on property values at the reporting date.

The external valuers, Innes England, confirmed again in May 2020 that it is still too early to try and discern any meaningful amended values. It is therefore noted that there is uncertainty in the asset valuations.

## Surplus Assets

The Council has two material surplus assets which have been re-classified from Other Land and Buildings and Assets Held for Sale during 2019-20.

## Fair Value Measurement of Surplus Assets

### Fair Value Hierarchy

Details of the Council’s surplus assets and information about the fair value hierarchy as at 31 March 2020 are as follows:



	Quoted Prices in active markets for identical assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Recurring Fair Value as at 31 March 2020
	£'000	£'000	£'000	£'000
Wilton Road Old Public Conveniences	0	47	0	0
Park Lane Public Conveniences	0	42	0	0
<b>Total</b>	<b>0</b>	<b>89</b>	<b>0</b>	<b>0</b>

### Transfers between levels of the Fair Value Hierarchy

There were no transfers between levels during the year.

### Valuation techniques used to determine Level 2 values

The fair value for the public conveniences has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

### Property, Plant & Equipment Valuation Information

The freehold and leasehold properties which comprise the Council's property portfolio were valued as at 31 March 2020 by Mr Steven Holland of Innes England, who is a qualified member of the Royal Institute of Chartered Surveyors (RICS) and a registered valuer. The valuations have been made in accordance with the RICS Appraisal and Valuation Standards Manual ('The Red Book') for all assets in the portfolio above the de-minimis threshold of £10k. In relation to the Councils Housing Portfolio the market value for each property has been determined.

Properties regarded by the Council as operational were valued on the basis of Market Value Existing Use. There are two notable exceptions to this valuation method.

The first relates to the Council's housing portfolio which has been valued on the basis of existing use for social housing. This is an accepted valuation method for stock held for this purpose and represents 42% of the open market value of the stock. For the purposes of determining the position as at 31 March 2020 in respect of HRA properties the valuer has provided a value as at 1 April 2019 which has then been assessed as to any increases in value depending on property type and location based on the latest information available on market movements in the year.

The second exception relates to specialised property which is rarely, if ever, sold on the open market. As such an open market value cannot be determined. For this type of property, which includes the Councils Children's & Community Centres, Waterfield Leisure Centre, Melton Sports Village, Cemetery Chapel, some Cattle Market buildings and Public Conveniences, the Depreciated Replacement Cost method of valuation has been used.

Community Assets have been valued on the basis of market value, except where an open market value is not determinable, in which case historic cost has been used.

For determining the value of all Non HRA assets a valuation was also provided for all operational assets as at 31 March 2020 taking into account all the available evidence of movements in the year.

Vehicles and general plant and equipment not associated with buildings and with no active second hand market identified are valued on the basis of historic cost.

Plant and machinery is included in the valuation of the buildings.

## Fixed Asset Depreciation – IAS 16

In order to comply with IAS 16 the Council has obtained useful lives for all of the assets included in the balance sheet as part of the valuation process. The bases used to calculate depreciation for individual assets are disclosed in the Statement of Accounting Policies.

## 19 Heritage Assets

The Council has one asset which meets the criteria of a heritage asset to be included in the balance sheet. This is a grade II listed medieval timber framed building with an Edwardian shop front located at 7 King Street, Melton Mowbray. The building was the subject of a major restoration project completed in 2004 and substantially funded by the Heritage Lottery Fund. However, as the asset is currently being used for letting purposes it is classified as an operational asset under the land & buildings section of the Property, Plant and Equipment for the purpose of these accounts. In 2019-20 this property was re-valued at £156k, on an existing use value as an operational, non-specialised asset.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

- **Civic Regalia** – the Council owns chains of office for the mayor, the mayor's consort and the young mayor but as the value of these chains are less than £10k these are considered to be de-minimis and are not reported on the Balance Sheet.
- **Art Collection** – the Council owns a miniature painting in an antique frame of a hunting scene by the artist Dora Webb, who lived in Melton Mowbray between 1921 and 1933, but as the value of the painting is less than £10k this is again considered to be de-minimis and not reported on the Balance Sheet.

## 20 Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are valued at highest and best use. Properties are not depreciated but are re-valued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

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.

	2018-19	2019-20
	£'000	£'000
Rental Income from Investment Property	140	143
Direct Operating Expense arising from Investment Property	(9)	(20)
Total fair value adjustments	197	(7)
<b>Total</b>	<b>328</b>	<b>116</b>

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 carry out internal repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	2018-19	2019-20
	£'000	£'000
<b>Balance at year start</b>	<b>1,382</b>	<b>1,664</b>
Additions:		
Purchase	0	0
Construction	0	0
Subsequent Expenditure	0	0
Disposals	0	0
Net gains/ losses from fair value adjustments	197	-7
Transfers:		
to/from inventories	0	0
to/from property, plant and equipment	85	0
Other Changes	0	0
<b>Balance at Year End</b>	<b>1,664</b>	<b>1,657</b>

## Fair Value Measurement of Investment Property

### Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2020 and 2019 are as follows:

	Quoted Prices in active markets for identical assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Recurring Fair Value as at 31 March 2020
	£'000	£'000	£'000	£'000
Residential (Market Rental) Properties	123	0	0	123
Industrial Units	1,534	0	0	1,534
<b>Total</b>	<b>1,657</b>	<b>0</b>	<b>0</b>	<b>1,657</b>

	Quoted Prices in active markets for identical assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Recurring Fair Value as at 31 March 2019
	£'000	£'000	£'000	£'000
Residential (Market Rental) Properties	123	0	0	123
Industrial Units	1,541	0	0	1,541
<b>Total</b>	<b>1,664</b>	<b>0</b>	<b>0</b>	<b>1,664</b>

## **Transfers between levels of the Fair Value Hierarchy**

There were no transfers between levels during the year.

## **Highest and Best Use of Investment Properties**

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

## **Valuation Techniques**

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

## **Valuation Process for Investment Properties**

The fair value of the Council's investment property is measured annually at each reporting date. All valuations have been carried out externally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts work closely with finance officers reporting directly to the Chief Financial Officer on a regular basis regarding all valuation matters.

## **21 Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council. This is subject to a de-minimis level of £10k.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and it is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost.

The depreciable amount of an intangible asset is amortised over its useful life to relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

The Council accounts for its software 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 & Equipment. The intangible asset is purchased licences. Intangible assets are given a finite useful life based on assessments of the period the software or licence is expected to be of use to the Council. The useful lives assigned to the intangible assets are 5 years.

The movement on Intangible Assets in the year is as follows:

	2018-19			2019-20		
	Internally Generated Assets	Other Assets	Total	Internally Generated Assets	Other Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at year start:						
Gross carrying amounts	0	1,166	1,166	0	1,180	1,180
Accumulated amortisation	0	-939	-939	0	-1,117	-1,117
<b>Net carrying amount at year start</b>	<b>0</b>	<b>227</b>	<b>227</b>	<b>0</b>	<b>63</b>	<b>63</b>
Additions:						
Internal development	0	0	0	0	0	0
Purchases	0	14	14	0	53	53
Disposals	0	0	0	0	-9	-9
Revaluations increases or decreases	0	0	0	0	0	0
Impairment losses recognised or reversed directly in Revaluation Reserve	0	0	0	0	0	0
Impairment losses recognised in Surplus/Deficit on the Provision of Services	0	0	0	0	0	0
Reversals of past impairment losses written back to the Surplus/Deficit on Provision of Services	0	0	0	0	0	0
Amortisation in period	0	-178	-178	0	-37	-37
Amortisation De-recognition- Disposals	0	0	0	0	9	9
Amortisation movement from property, plant and equipment on re-classification	0	0	0	0	0	0
<b>Net Carrying Amount at year end</b>	<b>0</b>	<b>63</b>	<b>63</b>	<b>0</b>	<b>79</b>	<b>79</b>
Comprising:						
Gross Carrying Amounts	0	1,180	1,180	0	1,224	1,224
Accumulated amortisation	0	-1,117	-1,117	0	-1,145	-1,145
	<b>0</b>	<b>63</b>	<b>63</b>	<b>0</b>	<b>79</b>	<b>79</b>

There are no items of capitalised software that are material to the financial statements.

The Council would revalue its software assets acquired under licence where comparable licences are currently commercially available for purchase. Revaluations would be made at every year end based on the market price of the comparable licences at that date. The Council does not have any intangible assets where a revaluation can be obtained as described above.

The intangible assets of the Council consist of items of software which are valued at amortised historic costs. There are intangible assets included with an original value of £1.107m which are still in use but have been fully amortised.

## 22 Financial Instruments

### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated

future cash payments over the life of the instrument to the amount at which it was originally recognised.

For the borrowings that the Council currently has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

## **Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The Council holds financial assets measured at:

- amortised cost, and
- fair value through profit or loss (FVPL)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified at amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

### **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective interest rate for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains or losses that arise on the de-recognition of an asset are credited or debited to the financing and investment income line in the comprehensive income & expenditure statement.

### **Expected Credit Loss Model**

The Council recognises any material expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

The Council's financial assets have been assessed for any expected credit losses however it has been determined that there is no material adjustment needed to the Council's accounts.

## **Financial Assets Measured at Fair Value through Profit or Loss**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the provision of Services.

### **Fair Value Measurements of Financial Assets**

Fair value of an asset is price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly
- Level 3 inputs – unobservable inputs for the asset

Any gains or losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

The Council holds an investment in a property fund which is measured at FVPL using quoted prices (Level 1 input). The potential impact of Covid-19 on the valuation of the fund has been considered. The fund was valued at 31 March 2020 and the portfolio managers made the following statement:

“Dealing volumes, already depressed, fell further, leaving valuers short of data at a time when valuations were clearly changing. The result was that the fund valuations they provided were ‘qualified’; that is issued but without the expected confidence in their accuracy.”

Given the fact that the asset is currently held at below historic cost the Council did not feel that any alternative valuation technique could be used.

### **Interest**

All external interest received is credited to the General Fund. The amount credited to the Housing Revenue Account is determined in accordance with the Local Government & Housing Act 1989 and is offset against the amount credited to the General Fund.

## Categories of financial assets and financial liabilities

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

	Non-Current		Current	
	31 March 2019	31 March 2020	31 March 2019	31 March 2020
	£'000	£'000	£'000	£'000
<b>Investments</b>				
At Amortised Cost	0	0	18,711	18,500
At Fair Value through profit and loss	1,966	1,895	0	0
<b>Total Investments</b>	<b>1,966</b>	<b>1,895</b>	<b>18,711</b>	<b>18,500</b>
<b>Receivables</b>				
At Amortised Cost	822	749	2,332	2,285
<b>Total Included in Receivables</b>	<b>822</b>	<b>749</b>	<b>2,332</b>	<b>2,285</b>
<b>Borrowings</b>				
At Amortised Cost	31,413	31,413	0	0
<b>Total Included in Borrowings</b>	<b>31,413</b>	<b>31,413</b>	<b>0</b>	<b>0</b>
<b>Other Long Term Liabilities</b>				
At Fair value through profit and loss	1,381	1,329	0	0
<b>Total Other Long Term Liabilities</b>	<b>1,381</b>	<b>1,329</b>	<b>0</b>	<b>0</b>
<b>Payables</b>				
At Amortised Cost	121	121	2,695	1,679
<b>Total Payables</b>	<b>121</b>	<b>121</b>	<b>2,695</b>	<b>1,679</b>

## Income, Expense, Gains and Losses

	2018-19	2019-20
	Surplus or Deficit on the Provision of Services	Surplus or Deficit on the Provision of Services
	£'000	£'000
<b>Net gains/losses on:</b>		
Financial Assets at fair value through Profit and Loss	-115	-16
<b>Total net gains/losses</b>	<b>-115</b>	<b>-16</b>
<b>Interest revenue:</b>		
Financial Assets at amortised cost	-260	-275
<b>Total interest revenue</b>	<b>-260</b>	<b>-275</b>
<b>Total interest expense</b>	<b>1,168</b>	<b>1,168</b>
<b>Total for the year</b>	<b>793</b>	<b>877</b>

Available for sale assets – the Council holds an investment in the Churches Charities and Local Authorities (CCLA) pooled property fund, which is classed as Available for Sale and is held in the balance sheet at fair value. On the balance sheet date the fair value was £105k lower than the purchase price due to changes in market conditions; this is held in the Financial Instruments Revaluation Reserve

## The Fair Values of Financial Assets and Financial Liabilities

One of the Council's financial assets is measured at fair value through Profit and Loss on a recurring basis and is



described in the following table, including the valuation techniques used to measure it.

In 2017-18 the Council invested £2m in the CCLA pooled property fund. The valuation as at 31 March 2020 is based on the published bid price.

Recurring fair value measurements: Available for sale.	Input level in fair value hierarchy	Valuation Technique used to measure fair value	31 Mar 2019	31 Mar 2020
			£'000	£'000
Not later than 1 year	Level 1	Unadjusted quoted prices in active market	1,966	1,895

### The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. An additional note to the tables sets out the alternative fair value measurement applying the new borrowing rates, highlighting the impact of the alternative valuation;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount;
- The fair value for financial liabilities are arrived at under Level 2 of the Fair Value Hierarchy using a discounted cash flow analysis with the most significant inputs being the net present value of cash flows that are expected to take place over the remaining life of the instruments.

The fair values calculated are as follows:

Financial Liabilities	31 March 2019		31 March 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial Liabilities- PWLB Loans	31,413	47,982	31,413	55,719

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

The fair value of the Public Works Loans Board (PWLB) loans of £55.719m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available

from the PWLB. If a value is calculated on this basis the carrying amount of £31.413m is valued at £38.013m. But if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption. Should the Council wish to repay its loans the exit price payable to the PWLB would be £24.185m.

Financial Assets	31 March 2019		31 March 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Other loans & receivables- fixed rate investments and money market funds	18,711	18,806	18,500	18,605

### Fair Value Hierarchy for financial assets and financial liabilities that are not measured at fair value

2019-20	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurements using:	£'000	£'000	£'000	£'000
<b>Financial Liabilities</b>				
<i>Financial Liabilities held at amortised cost</i>				
PWLB loans	0	55,719	0	55,719
<b>Total</b>	<b>0</b>	<b>55,719</b>	<b>0</b>	<b>55,719</b>
<b>Financial Assets</b>				
Other loans & receivables- fixed rate investments and money market funds	0	18,605	0	18,605
<b>Total</b>	<b>0</b>	<b>18,605</b>	<b>0</b>	<b>18,605</b>

2018-19	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurements using:	£'000	£'000	£'000	£'000
<b>Financial Liabilities</b>				
<i>Financial Liabilities held at amortised cost</i>				
PWLB loans	0	47,982	0	47,982
<b>Total</b>	<b>0</b>	<b>47,982</b>	<b>0</b>	<b>47,982</b>
<b>Financial Assets</b>				
Other loans & receivables- fixed rate investments and money market funds	0	18,806	0	18,806
<b>Total</b>	<b>0</b>	<b>18,806</b>	<b>0</b>	<b>18,806</b>

## 23 Nature and Extent of Risks Arising from Financial Instruments

### Key risks

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 requiring 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 or stock market movements.

### **Overall procedures for managing risk**

The Council's overall risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the resources available to fund services.

The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services 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 CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures to the maturity structure of its debt;
  - Its 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 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 management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 13 February 2019 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2019-20 was set at £46m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £36.502m. This is the expected level of debt and other long term liabilities during the year.
- The maximum and minimum exposures to the maturity structure of debt are detailed in the strategy.

Risk management is carried out by the treasury manager, under policies approved by the Council in the annual treasury management strategy. The Council provides 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).

### **Credit risk**

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution.

The credit criteria in respect of financial assets held by the Council are detailed below:

This Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

The full Investment Strategy for 2019-20 was approved by Full Council on 13 February 2019 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council. Current collection rates do not suggest that there is any evidence to suggest that the risk of recoverability from customers has increased significantly since the onset of Covid-19.

The Authority's maximum exposure to credit risk in relation to its investments in financial institutions of £20.5m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at 31 March 2020 that this was likely to crystallise or that the impact of Covid-19 would have a significant impact on recoverability.

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions

	Amount £'000	Historical experience of default %	Adjustment for market conditions %	Estimated maximum exposure to default £'000	Estimated maximum exposure to default £'000
Deposits with bank and other institutions:	31 March 2020	31 March 2020	31 March 2020	31 March 2020	31 March 2019
AAA	3,000	0.04%	0.04%	1	2
AA	11,500	0.02%	0.02%	2	0
A	4,000	0.05%	0.05%	2	7
Property Fund	2,000	Not rated	Not rated	0	0
Customers excl. statutory debtors (e.g. Council Tax/NNDR)	1,742	46.09%	46.09%	803	900
<b>Total</b>	<b>22,242</b>	<b>N/A</b>	<b>N/A</b>	<b>808</b>	<b>909</b>

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 and bonds.

The Council does not generally allow credit for its customers, such that £1,495k of the £1,742k balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2019 £'000	31 March 2020 £'000
Less than two months	102	66
Two to four months	137	98
Four months to eight months	289	91
More than eight months	1,125	1,240
<b>Total</b>	<b>1,653</b>	<b>1,495</b>

A continuing provision is made for writing off bad debts, the balance as at 31 March 2020 on the General Fund sundry debt provision is £429k and the balance on the sundry debt HRA provision is £44k. The HRA rent arrears are included in the above table for comparable results.

Collateral – During the reporting period the council held no collateral as security.

### 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 and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. 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.

The maturity analysis of financial assets, excluding sums due from customers, is as follows:

	31 March 2019 £'000	31 March 2020 £'000
Less than 1 year	18,711	18,500
Between 1 and 2 years	2,000	2,000
Between 2 and 3 years	0	0
More than 3 years	0	0
<b>Total</b>	<b>20,711</b>	<b>20,500</b>

Amounts shown above as due greater than one year represent principal sums invested with the CCLA Property Fund.

### 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 treasury 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 treasury and investment strategies address the main risks and the treasury team address 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 provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period as approved by the Council in the Treasury Management Strategy:

	Approved minimum limits %	Approved maximum limits %	Actual 31 March 2019 £'000	Actual 31 March 2020 £'000
Less than 1 year	0	100	0	0
Between 1 and 2 years	0	100	0	0
Between 2 and 5 years	0	100	0	98
Between 5 and 10 years	0	100	4,098	4,300
More than 10 years	0	100	27,315	27,015
<b>Total</b>	<b>n/a</b>	<b>100</b>	<b>31,413</b>	<b>31,413</b>

## Market risk

**Interest rate risk** - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed 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 borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The treasury manager will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

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

	£'000
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Increase in interest receivable on variable rate investments	-50
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>-50</b>
Decrease in fair value of fixed rate investment assets	65
<b>Impact on Other Comprehensive Income and Expenditure</b>	<b>65</b>
<b>Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)</b>	<b>10,384</b>

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost

**Price risk** - The Council holds £1.895m in property/multi-asset funds, and their price varies. However, any movements in price will not impact on the General Fund Balance as regulations are in force to ameliorate the impact of fair value movements.

**Foreign exchange risk**- the Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to losses arising from movements in exchange rates

## 24 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenues as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

2018-19		2019-20
£'000		£'000
<b>31,598</b>	<b>Opening Capital Financing Requirement</b>	<b>31,586</b>
<b>Capital Investment:</b>		
3,051	Property, Plant and Equipment	2,902
14	Intangible Assets	53
258	Revenue Expenditure funded from Capital under statute	164
<b>Sources of Finance</b>		
-484	Capital Receipts	-315
-254	Government Grants and other contributions	-167
<b>Sums set aside from revenue:</b>		
-2,585	Direct revenue contributions	-2,637
-12	(MRP/loans fund principal)	-12
<b>31,586</b>	<b>Closing Capital Financing Requirement</b>	<b>31,574</b>
<b>Explanation of Movements in Year</b>		
0	Increase in underlying need to borrow (supported by Government financial assistance)	0
-12	Increase in underlying need to borrow (un-supported by Government financial assistance)	-12

## 25 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

### Authority as Lessee

#### Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied in writing down the lease liability. Contingent rents are charged as expenses in the period in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The authority holds no finance leases.

#### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The authority holds a number of operating leases for the provision of services including car parking arrangements, land at the skate park and MFD photocopiers.

The future minimum lease payments due under non-cancellable leases in future years are:

	31 Mar 2019	31 Mar 2020
	£'000	£'000



Not later than 1 year	31	22
Later than one year and not later than five year	33	20
Later than five years	56	58
	<b>120</b>	<b>100</b>

The expenditure charged to the General Expenses lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	31 Mar 2019	31 Mar 2020
	£'000	£'000
Minimum Lease Payments	35	26
Contingent Rents	0	0
Sublease payments receivable	0	0
	<b>35</b>	<b>26</b>

## Authority as Lessor

### Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also 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), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

The Council holds one finance lease in respect of land at Nottingham Road which is being written down over the 125 years of the lease in accordance with proper accounting practice. The current value of the lease is £748,648 as at 31 March 2020.

The gross investment in the lease and the minimum lease payments receivable under this non-cancellable lease in future years are:

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2019	31 March 2020	31 March 2019	31 March 2020
	£'000	£'000	£'000	£'000
Not later than 1 year	29	29	29	29
Later than one year and not later than five years	126	131	126	131
Later than five years	26,357	26,323	26,357	26,323
	<b>26,512</b>	<b>26,483</b>	<b>26,512</b>	<b>26,483</b>

## Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income

The authority leases out property for the provision of services including Snow Hill Units, Phoenix House, 7 King Street, Parkside and Cattle Market.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 Mar 2019	31 Mar 2020
	£'000	£'000
Not later than 1 year	298	293
Later than one year and not later than five year	856	714
Later than five years	1,470	1,373
	<b>2,624</b>	<b>2,380</b>

## 26 Impairment Loss

During 2019-20 there were no impairment losses recognised.

## 27 Assets Held for Sale

31 March 2019		31 March 2020
£'000		£'000
<b>401</b>	<b>Balance outstanding at start of year</b>	<b>333</b>
	<b>Assets newly classified as held for sale:</b>	
235	Property, Plant & Equipment	149
-17	Revaluation Gains/Losses	-2
	<b>Assets declassified as held for sale:</b>	
-74	Property, Plant & Equipment	-41
-212	Assets Sold	-292
<b>333</b>	<b>Balance outstanding at year end</b>	<b>147</b>

## 28 Receivables

31 March 2019		31 March 2020
£'000		£'000

0	Central Government Bodies	0
821	Other Local Authorities	757
645	Housing rent	604
2,429	Other Entities and Individuals	2,451
-987	Provision for doubtful debts	-889
<b>2,908</b>		<b>2,923</b>

## 29 Debtors for Local Taxation

As we do not impair individual debts an analysis cannot be provided for this note.

In respect of the total local taxation debt outstanding as at 31 March 2020, this value is £1,824k (31 March 2019 £1,827k).

The basis that has been used for the level of impairment required is on actual evidence of collection rates achieved in prior years and this is then applied to the debt outstanding.

The total level of impairment for the period to 31 March 2020 is £495k (31 March 19 £496k) which results in a level of debt not subject to impairment as at 31 March 2020 of £1,329k (31 March 2019 £1,330k).

## 30 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of the bank overdraft that is repayable on demand and forms an integral part of the Council's cash management.

31 March 2019 As restated		31 March 2020
£'000		£'000
165	Bank Current Accounts	1,451
5,001	Short-term deposits with Banks/Building Societies	1,500
4,710	Money Market Funds	3,000
<b>9,876</b>	<b>Total cash &amp; cash equivalents</b>	<b>5,951</b>

## 31 Payables

31 March 2019		31 March 2020
£'000		£'000
82	Central Government Bodies	159
932	Other Local Authorities	953
2,790	Other Entities and Individuals	2,104
<b>3,804</b>	<b>Total</b>	<b>3,216</b>

## 32 Provisions

	Other Provisions	Total
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	£'000	£'000
<b>Balance at 1 April 2019</b>	<b>566</b>	<b>566</b>
Actual Provisions made	229	229
Amounts used	208	208
Unused amounts reversed	0	0
Unwinding of discounting	0	0
<b>Balance at 31 March 2020</b>	<b>587</b>	<b>587</b>

## Other Provisions

The Council has two provisions within its accounts:

- One represents the Council's proportion of the difference between the provision for losses due to appeals in respect of the Collection Fund at 31 March 2020, compared to that at 31 March 2019. This amounts to £493k at 31 March 2020 (£507k at March 2019).
- The second represents the amount of termination benefits to employees which at the balance sheet date has been approved by the Council. This amounts to £94k at 31 March 2020 (£59k at March 2019).

## 33 Contingent Assets and Liabilities

Two disrepair cases have been issued for legal proceedings at an estimated cost of £35k plus legal costs, together with a further 8 cases where legal proceedings have yet to be issued. Altogether these could constitute a material sum that is dependent on the outcome of the proceedings

## 34 Defined Benefit Pension Schemes

### Participation in Pensions Scheme

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

### The Council participates in the following:

The Local Government Pension Scheme administered by Leicestershire County Council – this is a funded defined benefit on an average of earnings, revalued for inflation scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

### The Local Government Pension Scheme

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

- The liabilities of the pension fund attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, as well as projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.3% (based on the indicative rate of return on high quality corporate bonds).
- The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value based upon the following:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value.

The change in the net pension’s liability is analysed into the following components:

**Service Cost Comprising:**

- **Current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- **Past service cost** – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- **Net Interest on the net defined benefit liability (asset)** – i.e. net interest expense for the Council - the change during the period in the net defined pension liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

**Re-measurements Comprising:**

- **The return on plan assets** – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the pensions reserve as Other Comprehensive Income and Expenditure.
- **Actuarial gains and losses** – changes in the net pension’s liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

**Contributions paid to the pension fund** – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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 or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers 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 such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

**Discretionary Benefits**

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.

**Transactions Relating to Retirement Benefits**

The Council recognises 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 charge the Council is 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 via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Comprehensive Income and Expenditure Statement	2018-19	2019-20
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	£'000	£'000
<b>Cost of Services:</b>		
Current Service Cost	1,491	1,833
Past Service Costs	535	36
Gain(-)/Loss from Settlements	0	0
<b>Financing &amp; Investment Income and Expenditure:</b>		
Net Interest Expense	490	543
<b>Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services</b>	<b>2,516</b>	<b>2,412</b>
<b>Other post-employment benefits charged to the Comprehensive Income &amp; Expenditure Statement:</b>		
Re-measurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	1,014	-4,185
Actuarial gains & losses arising on changes in demographic assumptions	0	1,903
Actuarial gains & losses arising on changes in financial assumptions	-4,188	5,484
Other	-31	-100
<b>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>-3,205</b>	<b>3,102</b>
<b>Movement in Reserves Statement:</b>		
Reversal of Net Charges made to the deficit on the provision of services for post-employment benefits in accordance with the code	2,516	2,412
<b>Actual amount charged against the General Fund Balance for the pensions in the year:</b>		
Employers contribution payable to the scheme	1,108	1,094
Retirement benefits payable to pensioners	73	73
	<b>1,181</b>	<b>1,167</b>

### 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 plans is as follows:

	2018-19	2019-20
	£'000	£'000
Present Value of the defined benefit obligation	-58,294	-53,034
Fair Value of plan assets	37,157	33,614
<b>Sub Total</b>	<b>-21,137</b>	<b>-19,420</b>
Other movements in the liability/asset(-)	-1,121	-981
<b>Net liability arising from defined benefit obligation</b>	<b>-22,258</b>	<b>-20,401</b>

### Reconciliation of the Movements in the Fair Value of the Scheme Assets:

	2018-19	2019-20
	£'000	£'000

<b>Opening fair value of scheme assets</b>	<b>35,254</b>	<b>37,157</b>
Interest Income	950	891
Re-measurement gain/ loss(-):		
The return on plan assets, excluding the amount included in the Net Interest Expense	1,014	-4,185
Other:		
Contributions from employer	1,181	1,167
Contributions from employees into the scheme	260	282
Benefits paid	-1,502	-1,698
<b>Closing fair value of scheme assets</b>	<b>37,157</b>	<b>33,614</b>

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

	2018-19	2019-20
	£'000	£'000
<b>Opening balance at 1 April</b>	<b>52,972</b>	<b>59,415</b>
Current Service Cost	1,491	1,833
Interest Cost	1,440	1,434
Contributions from scheme participants	260	282
Re-measurement gain(-)/ loss:		
Actuarial gains/losses arising from changes in demographic assumptions	0	-1,903
Actuarial gains/losses arising from changes in financial assumptions	4,188	-5,484
Other	31	100
Past Service Cost	535	36
Losses/gains(-) on curtailments	0	0
Benefits paid	-1,502	-1,698
<b>Closing balance at 31 March</b>	<b>59,415</b>	<b>54,015</b>

### Local Government Pension Scheme assets comprised:

	2018-19	2019-20
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	Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total	Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Equity Securities</b>						
Consumer	95	0	95	86	0	86
Manufacturing	28	0	28	25	0	25
Energy & Utilities	78	0	78	71	0	71
Financial Institutions	118	0	118	107	0	107
Health & Care	27	0	27	25	0	25
Information Technology	32	0	32	28	0	28
Other	269	0	269	244	0	244
<b>Debt Securities</b>						
UK Government	3,140	6	3,146	2,841	5	2,846
Other	481	0	481	435	0	435
<b>Private Equity</b>						
All	0	1,713	1,713	0	1,550	1,550
<b>Real Estate</b>						
UK Property	0	2,777	2,777	0	2,513	2,513
Overseas Property	0	0	0	0	0	0
<b>Investment Funds and Unit Trusts</b>						
Equities	14,924	0	14,924	13,500	0	13,500
Bonds	1,570	0	1,570	1,420	0	1,420
Hedge Funds	3	0	3	3	0	3
Commodities	0	1,314	1,314	0	1,189	1,189
Infrastructure	0	1,954	1,954	0	1,768	1,768
Other	3,720	3,842	7,562	3,365	3,475	6,840
<b>Derivatives</b>						
Interest Rate	0	0	0	0	0	0
Foreign Exchange	-47	0	-47	-43	0	-43
<b>Cash and Cash Equivalents:</b>						
All	1,113	0	1,113	1,007	0	1,007
<b>Total Assets</b>	<b>25,551</b>	<b>11,606</b>	<b>37,157</b>	<b>23,114</b>	<b>10,500</b>	<b>33,614</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 dependent on assumptions about mortality rates, salary levels etc. The liabilities have been assessed by Hymans Robertson, an independent firm of actuaries. The last formal actuarial valuation in respect of the Leicestershire County Council Pension Fund was carried out as at 31 March 2019. The actuary has projected the results of this valuation to 31 March 2020 based on a roll forward from the 2019 formal valuation.

The significant assumptions used by the actuary have been:

	2018-19	2019-20
<b>Mortality assumptions:</b>		
Longevity at 65 for current pensioners:		



Men	22.1	21.5
Women	24.3	23.8
Longevity at 65 for future pensioners:		
Men	23.8	22.2
Women	26.2	25.2
Rate of inflation		
	2.50%	1.9%
Rate of increase in salaries		
	3.50%	2.4%
Rate of increase in pensions		
	2.50%	1.9%
Rate of discounting scheme liabilities		
	2.40%	2.3%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

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

	Increase in assumption	Decrease in assumption
	£'000	£'000
Rate of increase in salaries (increase by 1%)	490	
Rate of increase in pensions (increase by 8%)	4,391	
Rate for discounting scheme liabilities (decrease by 9%)		4,923

### Impact on the Authorities Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Leicestershire County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 3 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2022.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or for service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council anticipate to pay £1,121k in expected contributions to the scheme in 2020/21.

As at the most recent valuation the duration of the scheme members funded liability is 19 years.

### Impact of recent Court Judgements

#### McCloud Judgement:

When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government requested leave to appeal to the Supreme Court but this was denied on 27 June 2019. LGPS benefits accrued from 2014 may therefore need to be enhanced so that all members, regardless of age, will benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections. There will therefore be a retrospective increase to members' benefits, which in turn will give rise to a past service cost for the Fund employers.

Quantifying the impact of the judgement at this stage remains very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.

For the 2018-19 accounts, the Fund's actuary adjusted GAD's estimate to better reflect the Leicestershire Pension Fund's local assumptions, particularly salary increases and withdrawal rates. The revised estimate as it applies to Melton Borough Council is that total liabilities (i.e. the increase in active members' liabilities expressed in terms of the employer's total membership) could be 0.71% higher as at 31 March 2019, an increase of approximately £409k. These numbers are high level estimates based on scheme level calculations and depend on several key assumptions. There has been no significant new information for 2019-20 to justify any further changes and costs to the scheme so the roll-forward position continues to include the estimated McCloud element.

The impact on employers' funding arrangements will likely be dampened by the funding arrangements they have in place. However, if the judgement is upheld then there will be unavoidable upward pressure on contributions in future years.

### **Guaranteed Minimum Pensions:**

Guaranteed minimum pension (GMP) was accrued by members of the Local Government Pension Scheme (LGPS) between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number of reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the State Second Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men and women's benefits.

As an interim solution to avoid this problem, GMP rules were changed so that the responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. This new responsibility leads to increased costs for schemes (including the LGPS) and hence scheme employers.

The fund's actuary has carried out calculations in order to estimate the impact that the GMP indexation changes will have on the liabilities of Melton Borough Council for financial reporting purposes. The estimate assumes that the permanent solution eventually agreed will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards.

For the 2018-19 accounts, the estimate as it applies to Melton Borough Council is that total liabilities could be 0.06% higher as at 31 March 2019, an increase of approximately £35k. The roll-forward position at 31 March 2020 continues to include this element, with no further adjustments required.

### Goodwin Judgement

The Goodwin case concluded on 30 June 2020 that a female member in an opposite sex marriage is treated less favourably than a female in a same sex marriage or civil partnership, and that treatments amounts to direct discrimination on grounds of sexual orientation. Where schemes contain provisions deemed discriminatory, then those provisions must be dis-applied as being contrary to the non-discrimination rule set out in Section 61 of the Equality Act 2010.

The Chief Secretary to the Treasury issued a statement on 20 July 2020 that in light of the Goodwin case, amendments would be made to the Teachers pension scheme and other public service pension schemes so that "surviving male same-sex and female same-sex spouses and civil partners will, in certain cases, receive benefits equivalent to those received by widows of opposite sex marriages".

It is expected that consultations will take place on proposed to changes to public service pension schemes which could affect some members benefit entitlement as far back as 5 December 2005.

## 35 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2018-19		2019-20
£'000		£'000
-345	Interest Received	-360
1,169	Interest Paid	1,168

The surplus/deficit on the provision of services has been adjusted for the following non-cash movements:

2018-19		2019-20
£'000		£'000
2,170	Depreciation	2,213
228	Impairment and downward valuations	326
178	Amortisation	37
0	Increase/(decrease) in bad debt provision	0
-78	Increase/(decrease) in creditors	778
-226	(Increase)/decrease in debtors	-79
1,335	Movement of pension liability	1,245
829	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	1,006
-14	Other non-cash items charged to the net surplus or deficit on the provision of services	98
<b>4,422</b>		<b>5,624</b>

The surplus/deficit on the provision of services has been adjusted for the following items that are investing and financing activities

2018-19		2019-20
£'000		£'000
-856	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-1,208
-254	Other items for which the cash effects are investing or financing activities	-167
<b>-1,110</b>		<b>-1,375</b>

### 36 Cash Flow Statement – Investing Activities

2018-19 As restated		2019-20
£'000		£'000
-2,785	Purchase of Property, Plant & Equipment, investment property and intangible assets	-3,262
-9,000	Purchase of short term and long term investments	-14,000
-21	Other payments for investing activities	95
836	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	1,186
16,000	Proceeds from short and long term investments	9,000
271	Other receipts from investing activities	163
<b>5,301</b>	<b>Net cash-flows from investing activities</b>	<b>-6,818</b>

### 37 Cash Flow Statement – Financing Activities

2018-19		2019-20
£'000		£'000
0	Cash receipts of short and long term borrowing	0
-51	Repayments of short and long term borrowing	-51
-45	Other payments for financing activities	64
<b>-96</b>	<b>Net cash-flows from financing activities</b>	<b>13</b>

### 38 Reconciliation of Liabilities Arising from Financing Activities

	1 April 2019	Financing cash flows	Non-Cash changes		31 March 2020
			Acquisition	Other non-cash changes	
	£'000	£'000	£'000	£'000	£'000
Long-term borrowings	0	0	0	0	0
Short-term borrowings	-51	0	0	0	-51
Lease Liabilities	-45	109	0	0	64
<b>Total Liabilities from Financing Activities</b>	<b>-96</b>	<b>109</b>	<b>0</b>	<b>0</b>	<b>13</b>

	1 April 2018	Financing cash flows	Non-Cash changes	31 March 2019
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			Acquisition	Other non-cash changes	
	£'000	£'000	£'000	£'000	£'000
Long-term borrowings	0	0	0	0	0
Short-term borrowings	347	-392	0	0	-45
Lease Liabilities	-52	1	0	0	-51
<b>Total Liabilities from Financing Activities</b>	<b>295</b>	<b>-391</b>	<b>0</b>	<b>0</b>	<b>-96</b>

## 39 Accounting Policies

### a) Basis of Preparation

The Statement of Accounts has been prepared with reference to:

- The objective of providing information about the financial position, performance and cash flows in a way that meets the 'common needs of most users'.
- The objective of showing the results of the stewardship and accountability of elected members and management of the resources entrusted to them.

The following underlying assumption:

#### Going concern basis:

The concept of a going concern assumes that the functions of the Council will continue in operational existence for the foreseeable future. The provisions in the Code (Code Of Practice On Local Authority Accounting In The United Kingdom 2019-20) in respect of going concern reporting requirements reflect the economic and statutory environment in which the Council operates. As a result of this, it would not therefore be appropriate for the financial statements to be provided on anything other than a going concern basis.

The COVID 19 pandemic has had an unprecedented impact on the UK economy with substantial falls in Gross Domestic Product. The length and extent of the economic impact remains uncertain however the finances of all local authorities have been adversely affected and these effects are likely to continue post 2020/21. At the time of writing there is still some uncertainty regarding the impact of COVID 19 on the council's finances and the amount of support which will be provided by central government. Grants to help with expenditure pressures totalling £675k plus a further £291k of funding through various specific grants for identified activities such as business grant administration and community hubs have been received. A further amount of £758k is anticipated to help with the mitigate some of the income losses through the income cover scheme.

The pandemic has already put severe strain on the council's 2020-21 budget in terms of both lost income and increased expenditure. The latter relates to both the increased cost of maintaining the council's own services and the cost of responding to government initiatives aimed at alleviating the economic consequences of the pandemic. The reduction in income relates principally to the decline in fees and charges for services although it is anticipated that reduced collection rates for business rates and council tax will also have a negative impact on the council's finances.

It is also clear that the pandemic will have an adverse impact on the council's finances post 2020-21. Work to establish the overall impact on the council is continuing and a Revised Financial Forecast was presented to Cabinet in October assessing the position at the end of Quarter 2. This set out the impact on the 2020-21 budget and it shows that the estimated additional pressures outweigh the additional government funding by an estimated £338k. However, the Council has also undertaken a review of existing budgets to identify a number of in year savings totalling £449k to help mitigate this and therefore the latest forecast is an underspend of £102k.

The MTFS is currently being reviewed as part of the budget setting process for 2021-22 with the current position showing a deficit of £87k for next year. The impact of COVID 19 will need to be taken into account and modelled through but it is likely this budget deficit is likely to increase and therefore further management intervention and savings will be required to balance the budget. If there were to be significant financial pressures linked to COVID 19 there would be some assumptions made around continued grant support from the Government as national issue rather than just local isolated funding pressures.

The mitigating factor underpinning the going concern assessment is that the authority continues to have available general fund balances above the current recommended minimum working balance. At the end of 2021-22 it is budgeted to be £1.568m which is £928k above the minimum level taking into account the balance on the Corporate Priorities Reserve and Working Balance. Additionally, the Council's cash flow forecasts anticipate that cash balances will remain in a positive position for at least 12 months following approval of these financials statements and do not forecast a need to borrow. The Council has undertaken cash flow modelling through to March 2022 which demonstrates the Council's ability to work within its Capital Financing Requirement and Cash management framework, with a cash balance of £15m forecast at the end of the period.

The Statement of Accounts summarises the Council's transactions for the 2019-20 financial year and its position at the year end of 31 March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which, those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non-current assets i.e. community assets, assets held for sale and certain elements of land and buildings where an appropriate valuation method is selected to best reflect the realisable value of the asset, and financial instruments.

The following qualitative characteristics:

- Understandability
- Relevance
- Materiality
- Reliability
- Comparability

The accounting policies have been applied consistently.

## **b) 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:

- a. Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- b. Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet. An exception to this principle relates to energy supplies and similar quarterly payments which are charged at the date of meter reading rather than apportioned between financial years. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.
- c. Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- d. Interest receivable on investments and payable on borrowings is accounted for respectively as income and

expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- e. Where revenue and expenditure have 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 debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### **c) Exceptional Items**

When items of income and expenditure are material, their nature and amount is disclosed separately, on the face of the Comprehensive Income and Expenditure Statement and in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

### **d) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the 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 (unless stated otherwise) 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 periods are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### **e) Council Tax and Non-Domestic Rates**

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund, ie the Collection Fund, for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

### **f) Charges to Revenue for Non-Current Assets**

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

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### **g) Employee Benefits**

#### **Benefits Payable during Employment**

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include

such benefits as wages & salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement via the Accumulated Absences Account so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

#### **h) Events After the Reporting Period**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

#### **i) Business Improvement District**

A Business Improvement District (BID) scheme applies across the whole of the Council. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Council acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement).

#### **j) Inventories and Long Term Contracts**

Purchasing stocks have been completely recharged to services in 2019-20.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

#### **k) Overheads and Support Services**

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

#### **l) Property, Plant and Equipment**

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

##### **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

A de-minimus level of £10k has been set for capitalisation (i.e. no expenditure below this level will generally be



capitalised). This is also applied to the Council's asset register.

There are some notable exceptions to this rule:

- Where the cost attracts a specific capital grant or government supported borrowing approval.
- Where individual items of furniture, IT equipment and other equipment costing less than £10k are being bulk purchased; the cost can be capitalised.
- Feasibility costs in preparation for a larger scheme, where the costs are certain to result in a specific capital project.
- Where the purchase is a new constituent part of an existing asset within the Council's asset register.

## **Measurement**

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets, where applicable, are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in a Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- Infrastructure, some community assets and assets under construction – depreciated historical cost
- Dwellings –current value, determined using the basis of existing use value for social housing (EUV-SH)
- Surplus Assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), with the valuer using nominal values for some community assets.

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end but as a minimum 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 Surplus or Deficit on Provision of Services where they arise from the reversal of a loss previously charged to a service.

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where 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 lines(s) in the Comprehensive Income and Expenditure Statement.

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

### **Impairment**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where it is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where 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.

### **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their remaining useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the remaining useful life of the property as estimated by the valuer (see table below).
- Vehicles, plant, furniture and equipment – straight line allocation over the remaining useful life of the asset, as advised by a suitably qualified valuer where appropriate (see table below).
- Infrastructure – straight line allocation over the remaining useful life of the asset.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item (i.e. exceeding 25%), the components are depreciated separately. Only assets exceeding the value of £250,000 are considered material for componentisation and housing dwellings are excluded on the grounds of materiality.

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.

Depreciation is provided in the year of disposal rather than the year of acquisition. In determining depreciation for specific asset groups the following bases have been applied based on information provided by the appointed

Valuer:-

Asset	Depreciated	Basis
Council Dwellings	Yes	Depreciation provided for on the basis of valuation of dwellings and useful life of 50 years.
Other Land and Buildings:		
Garages	Yes	Depreciation charge based on estimated useful life of 15 years.
Waterfield Leisure Centre	Yes	Depreciation charge based on estimated useful life of 13 years.
Car Parks	No	Assets in this category consist mainly of non-depreciable land.
Phoenix House	Yes	Depreciation charge based on estimated useful life of 36 years.
Parkside	Yes	Depreciation charge based on estimated useful life of 43 years.
Cattle Market	Yes	Depreciation charge based on estimated useful life of 8-49 years.
Children's Centres	Yes	Depreciation charge based on estimated useful lives of 38 years.
Public Conveniences	Yes	Depreciation charge based on estimated useful lives of 13-50 years.
Melton Sports Village	Yes	Depreciation charge based on estimated useful life of 12 years.
Other Assets	Yes	Depreciation charge based on estimated useful lives of 13-37 years.
Vehicles, Plant Furniture and Equipment	Yes	Depreciation provided on basis of estimated useful life of between 1-27 years.

Asset	Depreciated	Basis
Community Assets	No	Assets in this category consist mainly of non depreciable land.
Infrastructure Assets:		
Cemetery – Land Drainage	Yes	Depreciation charge based on estimated useful life of 56 years.
Bus Shelters	Yes	Depreciation provided on basis of estimated useful life of 5 years.
Investment Assets:		
Industrial Estates	No	
Cemetery Lodge	No	
Assets Under Construction	No	Assets held in this category are not yet available for use.
Assets Held For Sale	No	Assets held in this category are outside the scope for depreciation in accordance with the Code.

### Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also 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 accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10k are categorised as capital receipts. A proportion of receipts relating to housing (Right to Buy) disposals (net of statutory deductions and allowances) is payable to the Government. The balance of receipts remains within the Capital Receipts Reserve, and can then 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 General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## **m) Provisions, Contingent Liabilities and Contingent Assets**

### **Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council has an obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

The main provisions held by the Council are:-

- Provision for Appeals (Business Rate Retention Scheme – Collection Fund).
- Provision for Employee termination Benefits (General Fund).

Where payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### **Contingent Assets**

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

### **n) Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to count against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies. Other reserves are maintained for specific purposes – these reserves are explained under the Earmarked Reserves note.

The following other reserves are maintained:-

- **HRA Working Balance** – amounts are set aside from the Housing Revenue Account (HRA) and can be used to fund expenditure of a revenue and capital nature on the Council's housing stock.
- **General Expenses and Special Expenses (Melton Mowbray) Working Balances** – these represent reserves held as a working balance for contingency purposes (e.g. for emergencies) and the appropriate level is reviewed annually as part of the budget setting process.
- **Capital Receipts Reserve** – income received from the sale of assets and may be used to repay loan debt or to finance new capital expenditure.
- **Capital Contributions Unapplied** – this represents amounts received from third parties for the financing of capital expenditure but not yet applied.
- **Major Repairs Reserve** – this represents amounts set aside as depreciation from the HRA to finance capital expenditure to alleviate housing repairs problems.
- **Pensions Reserve** – reflects the net assets/liabilities of the Pension Fund.
- **S106 Projects** – Funds received from developers contributing towards various schemes.

### **o) Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

### **p) Value Added Tax (VAT)**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

#### **q) Special Expenses**

This statement of accounts refers at times to Special Expenses. Section 35(1) of the Local Government Finance Act 1992 defines special expenses as any expenses incurred by a billing authority in performing in a part of its area a function performed elsewhere in its area by a parish or community council or the chairman of a parish meeting unless a resolution of the authority to the contrary effect is in force.

#### **r) Fair Value Measurement on Non-Financial Assets**

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the council's financial statements are categorised within the fair value hierarchy as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the council can access at the measurement date,
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly,
- Level 3 – unobservable inputs for the asset or liability.

### **40 Critical Judgements In Applying Accounting Policies**

In applying the accounting policies set out in note 39, 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 Council's assets might be further impaired as a result of a need to close facilities and reduce levels of service provision.
- All material contractual arrangements have been reviewed using the Council's contracts register in order to determine whether they have the substance of a lease or need to be accounted for as service concessions. None have been identified on further reference to the actual contractual agreements.

## 41 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that actual outcomes could be materially different from the assumptions and estimates.

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

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant & Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs & maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs & maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings on the General Fund would increase by £30k for every year that useful lives had to be reduced.</p>
	<p>One week before the valuation date, 31<sup>st</sup> March 2020, the period of "lockdown" commenced as a result of COVID-19. The ongoing impact of the pandemic is still unfolding and it was too soon to determine any impact on property values at the valuation date.</p> <p>The external valuers, Innes England, confirmed again in May 2020 that it is still too early to try and discern any meaningful amended values. It is therefore noted that there is uncertainty in the asset valuations.</p>	Given the comments from the valuer, the effect can not currently be determined.
Pensions Liability	Estimation of the net liability to pay pensions depend 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. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions applied.	The effect on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in a decrease in the pension liability of £4.9m.
Arrears	At 31 March 2020 the Council had a balance of sundry Receivables of £1,091k. A review of significant balances suggested that an impairment of doubtful debts of 27.41% (£428k) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate and, for example, the level of remaining sundry debtors owing (after write offs and settlements) were to double, this could result in a £363k increase in the allowance for the impairment of doubtful debts.

<p>Fair Value Measurements</p>	<p>When the fair values of financial assets and liabilities cannot be measured based on quoted prices in active markets (ie level 1 inputs), their fair value is measured using valuation techniques (eg quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities.</p> <p>Where level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties and surplus assets, the Council's valuer and external valuer).</p> <p>Information about the valuation techniques and inputs used in determining fair value of the Council's assets and liabilities is disclosed in notes 18, 20 &amp; 22 above.</p>	<p>The Council used the discounted cash flow (DCF) model to measure the fair value of some of its fixed term deposits and PWLB loans.</p> <p>The significant observable inputs used in the fair value measurement include discount rate.</p>
<p>NNDR Appeals Provision</p>	<p>Within Provisions in Note 32, £400k is provided in respect of the Council's assessment of the potential loss of Business Rates income resulting from live claims against the 2010 and 2017 Ratings Listings, plus the Council's assessment of the level and success of any future claims against the 2017 listing and any resulting income loss up to the end of the current year. The second element of the provision, is by its nature, difficult to predict accurately and therefore more uncertain.</p>	<p>In increase of 10% in settlements would require an increase of £92k in the level of provision.</p>

## 42 Accounting Standards that have been issued but not yet adopted

### IFRS16 Leases

Implementation of this standard has been deferred to the 2021-22 financial year, with the transition date of 1 April 2021. It introduces a single lessee accounting model that recognises a lessee's assets and liabilities and requires enhanced disclosures in order to provide greater transparency of financial leverage and capital employed. At this stage the impact on the Council is un-quantified.



### 43 Prior Year Reclassifications

Previous to the 2019-20 Statement of Accounts all investments of less than 1 year were treated as cash and cash equivalents. The treatment of these investments has been reconsidered for the 2019-20 Statement of Accounts. In line with the accounting practice identified in note 30, any investments that have a maturity period of greater than 3 months upon inception are now treated as Short Term Investments.

The following table identifies the relevant changes to the Council's Balance Sheet at 31 March 2019:

Item	As Previously Stated 31 March 2019 £'000	Restatement £'000	As Restated 31 March 2019 £'000	Restated Opening Balance 1 April 2018 £'000
Short Term Investments	0	9,000	9,000	16,000
Cash and Cash Equivalents	18,876	-9,000	9,876	2,096

The following table identifies the relevant changes to the Council's Cashflow Statement at 31 March 2019:

Item	As Previously Stated 31 March 2019 £'000	Restatement £'000	As Restated 31 March 2019 £'000
Cashflows from Investing Activities	-1,699	7,000	5,301
Net increase in cash & cash equivalents	780	7,000	7,780
Cash & cash equivalents at the beginning of the reporting period	18,096	-16,000	2,096
Cash & cash equivalents at the end of the reporting period	18,876	-9,000	9,876

### Housing Revenue Account (HRA) Income and Expenditure Statement

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

2018-19			2019-20
£'000		£'000	£'000
	<b>Expenditure</b>		
2,085	Repairs and Maintenance	2,525	
1,462	Supervision and Management	1,612	
89	Rent, rates, taxes and other charges	138	
2,201	Depreciation, impairment & revaluation losses of non-current assets	1,978	
29	Debt Management Costs	28	
-77	Movement in the allowance for bad debts	45	
<b>5,789</b>	<b>Total Expenditure</b>		<b>6,326</b>
	<b>Income</b>		
6,969	Dwelling Rents	6,820	
83	Non-dwelling Rents	88	
810	Charges for services and facilities	638	
<b>7,862</b>	<b>Total Income</b>		<b>7,546</b>
<b>-2,073</b>	<b>Net expenditure/ income (-) of HRA services as included in the whole authority Comprehensive Income &amp; Expenditure Statement</b>		<b>-1,220</b>
209	HRA services share of Corporate & Democratic core	214	
8	HRA services share of Non-Distributed Costs	14	
<b>-1,856</b>	<b>Net expenditure/ income (-) of HRA Services</b>		<b>-992</b>
	<b>HRA Share of the operating income &amp; expenditure included in the whole authority Comprehensive Income &amp; Expenditure Statement:</b>		
-107	Gain on sale of HRA non-current assets	-172	
1,169	Interest Payable and similar charges	1,168	
-151	Interest & Investment Income	-165	
58	Net interest on the Net Defined Benefit Asset/Liability(-)	84	
<b>-887</b>	<b>Deficit/ Surplus(-) for the year on HRA Services</b>		<b>-77</b>

## Statement of Movement on the HRA Balance

2018-19		2019-20
£'000		£'000
<b>-1,667</b>	Balance on HRA at end of previous year	<b>-1,897</b>
-887	Deficit/ surplus (-) for the year on the HRA Income and Expenditure Statement	-77
-3	Adjustments between accounting basis and funding basis under statute	9
<b>-890</b>	<b>Net decrease/increase (-) before transfers to/from reserves</b>	<b>-68</b>
660	Transfers from(-)/to earmarked reserves	244
<b>-230</b>	<b>Increase in the year on the HRA</b>	<b>176</b>
<b>-1,897</b>	<b>Balance on the HRA at end of current year</b>	<b>-1,721</b>

## Note to the Movement on the HRA Statement

2018-19		2019-20
£'000		£'000
	<b>Adjustments between Accounting basis and funding basis under statute</b>	
-1	Accumulated Absences accrual	0
107	Gain/Loss (-) on sale of non-current assets	172

-109	HRA Share of contributions to/from the Pensions Reserve	-163
<b>-3</b>		<b>9</b>
	<b>Transfers to/from (-) Reserves</b>	
372	Transfer to Major Repairs Reserve	334
-812	Transfer from Capital Adjustment Account	-568
1,100	Transfers to other Reserves	478
<b>660</b>		<b>244</b>

## Notes to the HRA Financial Statements

The Housing Revenue Account reflects a statutory obligation to maintain a revenue account for local authority housing provision in accordance with part 6 of the Local Government and Housing Act 1989. The Act sets the framework for “ring fencing” the Housing Revenue Account (HRA). The account has to be self financing and there is a legal prohibition on cross subsidy to or from the General Fund.

### 1 Number of Dwellings

2018-19		2019-20
Dwellings		Dwellings
<b>1,821</b>	<b>At 1 April</b>	<b>1,811</b>
11	Sold during year	16
0	Converted in year	0
1	Purchased/Built in year	6
<b>1,811</b>	<b>At 31 March</b>	<b>1,801</b>

### 2 Type of Dwelling

2018-19		2019-20
Dwellings	At 31 March	Dwellings
815	Houses	803
284	Bungalows	286
712	Flats and maisonettes	712
<b>1,811</b>		<b>1,801</b>

### 3 Movement in Fixed Assets

	Operational assets					Non-Operational Assets	Total
	Dwellings	Other land & buildings	Vehicles, Plant, Furniture	Community	Surplus assets not held for	Other land & buildings	

			& Equipment	Assets	sale		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Net book value 31 March 2019</b>	<b>93,728</b>	<b>2,710</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>96,438</b>
Revaluation Adjustment	0	0	0	0	0	0	0
<b>Net Book Value 1 April 2019</b>	<b>93,728</b>	<b>2,710</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>96,438</b>
<b>Movement in 2019-20</b>							
Spending in Year	2,795	54	0	0	0	0	2,849
Disposals	-700	0	0	0	0	0	-700
Reclassification	-149	-171	156	15	0	0	-149
Transfers	0	0	0	0	0	0	0
Revaluation increase/decrease recognised in the Revaluation Reserve	-405	93	0	0	0	0	-312
Revaluation increase/decrease recognised in the surplus/deficit on the provision of services	-569	1	0	0	0	0	-568
Depreciation / Amortisation	-1,312	-96	0	0	0	0	-1,408
<b>Net book value at 31 March 2020</b>	<b>93,388</b>	<b>2,591</b>	<b>156</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>96,150</b>

Housing properties were valued on the basis of 'Existing use value – Social Housing'. Depreciation for operational and non operational assets has been calculated using estimated useful lives following assessment by the valuer. During 2019-20 the valuer has altered the property values in the HRA reflecting the current condition of the housing market.

16 properties were sold in the year under Right to Buy. In the Right to Buy situation the Council is constrained by law from selling the dwellings at their market value, the fair comparison is between the sale proceeds and the value subject to the statutory constraint, which results in no gains or losses.

#### 4 Assets Held For Sale

	Current		Non-Current	
	2018-19	2019-20	2018-19	2019-20
	£'000	£'000	£'000	£'000
<b>Balance outstanding at start of year</b>	<b>0</b>	<b>0</b>	<b>353</b>	<b>292</b>
Assets newly classified as held for sale	0	0	235	149
Revaluation Gains	0	0	-10	-2
Assets declassified as held for sale	0	0	-74	0
Assets Sold	0	0	-212	-292
<b>Balance outstanding at year end</b>	<b>0</b>	<b>0</b>	<b>292</b>	<b>147</b>

At 31 March 2020 it was considered by the Council's legal team that there were 2 dwellings which were virtually certain to complete on Right to Buy terms during the following year. These properties have therefore been reclassified in the accounts as assets held for sale and valued at the lower of their carrying value and their value less costs to sell. The carrying value in 1 case was the lower, so revaluation losses have been identified for the remaining 1.

## 5 Vacant Possession Value of Dwellings

The vacant possession value of dwellings within the HRA at 1 April 2019 was £224m and at 31 March 2020 had reduced to £223m.

## 6 Economic Cost of Providing Council Housing

The valuation at 1 April 2019 of £94m and at 31 March 2020 of £96m is lower than the vacant possession value on the open market of £224m and £223m respectively.

The difference between the vacant possession value of dwellings and the opening balance sheet value within the HRA represents the economic cost to the Council of providing council housing at less than open market rents.

The adjustment factor for the economic cost of providing Council Housing for the East Midlands of 42% has been used as noted in the latest Department of Communities & Local Government's Guidance on Stock Valuations as available at the time the accounts were closed.

## 7 Impairments

An impairment is a reduction in the value of a non-current asset due to revaluation, deterioration or any reduction in the carrying value of the non-current asset. No impairment losses were identified in 2019-20.

## 8 Capital Expenditure:

### Financing of Capital Expenditure

2018-19		2019-20
£'000		£'000
2,485	Dwellings	2,795
0	Other Land & Buildings	54
<b>2,485</b>		<b>2,849</b>
0	Capital Receipts Reserve	331
0	HRA Working Balance	0
1,308	Major Repairs Reserve	1,605
1,177	Development & Regeneration Reserve	913
0	Contribution from Third Party	0
<b>2,485</b>		<b>2,849</b>

### Summary of Capital Expenditure

2018-19		2019-20
£'000		£'000
203	Aids and Adaptations	274
108	Major Void Repairs	120

1,094	Communal Refurbishment	232
168	Replacement Heating Systems	257
268	Re-roofing	8
54	Windows and Doors replacement	72
95	New Kitchens & Bathrooms	23
270	Rewiring	528
85	New Build/Affordable Housing Projects	1,086
5	Fire Safety & Health & Safety related Works	82
113	Capitalisation of salaries	162
0	Fire damaged property	5
22	IT Systems	0
<b>2,485</b>		<b>2,849</b>

## 9 Total Capital Receipts from Disposal of HRA Assets

The total capital receipts before pooling of capital receipts to the Ministry for Housing, Communities and Local Government (MHCLG) is as follows:

2018-19		2019-20
£'000		£'000
836	Dwellings	1,186
0	Land	0
0	Discount Repaid	0
<b>836</b>		<b>1,186</b>

## 10 Depreciation

Depreciation is referred to in detail in note 40 (I) of the accounting policies section and in note 3 to the HRA. In 2019-20 £1,408k depreciation has been charged to the HRA (£1,379k 2018-19).

## 11 HRA Reserves

### Major Repairs Reserve

2018-19		2019-20
£'000		£'000
<b>2,029</b>	<b>Balance brought forward 1 April</b>	<b>2,472</b>
1,379	Cash backed Depreciation from the HRA	1,408
0	Decent Homes Funding	0
-1,308	Capital Expenditure – Dwellings	-1,605
0	Contribution to previous year Capital Expenditure	0
0	Repayment of Borrowing Principal	0
372	Transfer from the HRA	334
<b>2,472</b>	<b>Balance carried forward 31 March</b>	<b>2,609</b>

### Development & Regeneration Reserve

The Development & Regeneration Reserve was set up as a result of the HRA self Financing.

2018-19		2019-20
£'000		£'000
<b>5,129</b>	<b>Balance brought forward 1 April</b>	<b>5,052</b>

1,100	Transfer from the HRA	755
0	Transfer to the HRA	-267
-1,177	Capital Expenditure – Development & Regeneration	-913
<b>5,052</b>	<b>Balance carried forward 31 March</b>	<b>4,627</b>

## 12 Retirement Benefits

The Council recognises the cost of retirement benefits in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the HRA balance during the year:

Income & Expenditure Account	2018-19	2019-20
	£'000	£'000
Service Cost:		
Current Service Cost	140	182
Net Interest:		
Interest Cost on defined benefit obligation	171	223
Interest Income on plan assets	-140	-182
<b>Total Defined Benefit Cost recognised in Income &amp; Expenditure Account</b>	<b>171</b>	<b>223</b>
Statement of Movement on the HRA Balance:		
Reversal of Net Charges made for retirement benefits in accordance with IAS 19	-171	-223
Actual amount charged against the HRA for the pensions in the year:		
Employers Contributions Payable to the Scheme	89	103

## 13 Rent Arrears

At 31 March 2020 rent arrears (including ancillary services) as a proportion of gross rent debit were 7.98% (31 March 2019 – 8.47%). The arrears figures excluding amounts collectable on behalf of other agencies are as follows:-

2018-19		2019-20
£'000		£'000
<b>Arrears at 31 March:</b>		
347	Current Tenants	324
297	Former Tenants	280
<b>644</b>		<b>604</b>

At 31 March 2020, the total arrears (including amounts collectable on behalf of other agencies) are £604k (31 March 2019 £645k which was the basis of the disclosure in the 2018-19 financial statements).

## 14 Doubtful Debts Provision of Uncollectable Debts

2018-19		2019-20
£'000		£'000
379	Housing Rents, Fees and Charges	330
43	Sundry Receivables	44

During the year £93k (2018-19 £61k) was written off against the provision for doubtful debts.

## Collection Fund Statement

The Collection Fund is an Agents statement that reflects the statutory obligation for billing authorities to maintain a separate collection fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-domestic rates.

2018-19	2018-19	2018-19	2019-20	2019-20	2019-20
---------	---------	---------	---------	---------	---------



Council Tax	Non-Domestic Rates	Total		Council Tax	Non-Domestic Rates	Total
£'000	£'000	£'000		£'000	£'000	£'000
<b>Amounts Required by statute to be credited to the Collection Fund:</b>						
32,041		32,041	Council Tax	34,002		34,002
-4		-4	Transfers from the General Fund - Council Tax Benefits	-4		-4
	14,557	14,557	Non-domestic rates		14,850	14,850
	452	452	Transitional protection payments - non-domestic rates		282	282
			Contribution towards previous year's collection fund deficit	113	118	231
<b>Amounts Required by statute to be debited to the Collection Fund:</b>						
Precepts & demands from major preceptors - Council Tax:						
22,838		22,838	Leicestershire County Council	24,124		24,124
3,605		3,605	Melton Borough Council	3,774		3,774
3,662		3,662	Police & Crime Commissioner for Leicestershire	4,168		4,168
1,189		1,189	Combined Fire Authority	1,244		1,244
628		628	Parish Councils	656		656
Shares of Non-domestic rating income to major preceptors:						
	1,286	1,286	Leicestershire County Council		5,473	5,473
	5,716	5,716	Melton Borough Council		5,623	5,623
	143	143	Combined Fire Authority		150	150
	7,146	7,146	Payment with respect to central share		3,749	3,749
	0	0	Transitional protection payments receivable			
125	354	479	Distribution of previous year's estimate surplus			
Disregarded Amounts:						
	139	139	Renewable Energy		136	136
Impairments of Debts/appeals:						
164	7	171	Write-offs or uncollectable amounts	124		124
-4	83	79	Allowance for impairment	-9	58	49
	62	62	Charge to General Fund for allowable collection costs for non-domestic rates		60	60
	429	429	Other transfers to collection fund in accordance with non-domestic rates regulations		47	47
<b>170</b>	<b>356</b>	<b>526</b>	<b>Movement on Fund Balance</b>	<b>-30</b>	<b>46</b>	<b>16</b>
<b>31</b>	<b>86</b>	<b>117</b>	<b>Opening Fund Balance</b>	<b>201</b>	<b>442</b>	<b>643</b>
<b>201</b>	<b>442</b>	<b>643</b>	<b>Closing Fund Balance</b>	<b>171</b>	<b>488</b>	<b>659</b>

### Bad Debt Provision – Summary (Memorandum)

	Balance 31 March 2019	Write-offs	Increased Provision	Reduced Provision	Balance 31 March 2020
	£'000	£'000	£'000	£'000	£'000
Business Rates	83	49	58	0	92
Council Tax	412	123	114	0	403

## Notes to Collection Fund Statement

### 1 Council Tax Base

Band	Range of Values	Number of Properties (Valuation List March 2019)	Council Tax Base Band D Equivalents*
<A	Adapted for disabled use		4
A	Up to £40,000	3,602	1,684
B	Over £40,000 and up to £52,000	7,183	4,541
C	Over £52,000 and up to £68,000	3,773	2,932
D	Over £68,000 and up to £88,000	3,555	3,266
E	Over £88,000 and up to £120,000	2,373	2,672
F	Over £120,000 and up to £160,000	1,417	1,913
G	Over £160,000 and up to £320,000	959	1,489
H	Over £320,000	91	169
<b>Total</b>		<b>22,953</b>	<b>18,670</b>

\* Used for the purpose of setting the Council Tax for 2019-20

### 2 Non Domestic Rates

Non Domestic Rateable Value as at	31 March 2019	31 March 2020
	£39,175,319	£39,504,284
Rate Multiplier for	2018-19	2019-20
Small business Non –domestic rating multiplier	48.0	49.1
Non-Domestic rating multiplier	49.3	50.4

### 3 Collection Fund Arrears

2018-19			2019-20	
£'000	£'000		£'000	£'000
374		Business Ratepayers	476	
-83		Provision for Bad Debts	-92	
	291			384
1,767		Council Taxpayers	1,757	
-412		Provision for Bad Debts	-403	
	1,355			1,354
	<b>1,646</b>			<b>1,738</b>

### 4 Collection Rate

The assumed collection rate for the calculation of the Council Tax Base in 2019-20 was 99.1% (2018-19 99.1%).

## Glossary of Financial Terms

This section explains the technical terms that have been used throughout this document.

### Accumulated Absences Account

This account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

### **Accruals**

The concept that income and expenditure is recognised as it is earned or incurred, not as money is received or paid.

### **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

### **Actuary**

An expert on rates of death and insurance statistics, who assesses whether our pension fund is adequate.

### **Amortisation**

A reduction in the value of an intangible asset over time, due to wear and tear.

### **Balance Sheet**

A statement of all our assets, liabilities and balances at the end date of the financial year.

### **Business Rates Retention Scheme**

Whereby the Council retains a proportion of the business rates it collects, allowing an incentive to Councils to encourage growth.

### **Capital Adjustment Account**

This 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.

### **Capital Expenditure**

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

### **Capital Receipt**

Income from selling assets that have a long-term value and may be used to repay loan debt or to finance new capital expenditure.

### **Cash Equivalents**

These 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.

### **Cash-Flow Statement**

This is a statement which shows the changes in our cash and bank balances since we prepared the previous year's accounts. It also shows the changes in our other assets, liabilities and other accounts in our balance sheet.

### **Collection Fund**

A fund we use to show what happens to council tax and business rate retention scheme income.

### **Collection Fund Adjustment Account**

This account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

### **Community Assets**

Assets we do not plan to sell and which have no definite useful life. Examples of community assets are parks and historic buildings which do not qualify as heritage assets.

### **Comprehensive Income and Expenditure Statement**

The account which reports the income and spending on our services.

### **Contingency**

A condition which exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

### **Contingent Asset**

Money that may be owed to us, but we cannot be certain of the exact amount.

### **Contingent Liability**

Money that we may owe, but we cannot be certain of the exact amount.

### **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 activities. There is therefore no logical basis for apportioning these costs to services.

### **Current Assets**

These are the short-term assets we have at the date of our Balance Sheet, which we can use in the following year.

### **Current Liabilities**

These are the short-term liabilities we owe at the date of our Balance Sheet, which we will pay in the following year.

### **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.

### **Curtailement**

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, e.g. as a result of discontinuing a service.
- 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..

### **Deferred Contributions**

Amounts paid to us for future activities.

### **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 investment of the scheme. The scheme may be funded or unfunded (including notionally funded).

**De Minimis**

This term relates to items not recognised on the Balance Sheet in accordance with the concept of materiality.

**Depreciation**

The measure of the wearing out, consumption, or other reduction in the useful life of a non-current asset, whether arising from use, passage of time or obsolescence through technological or other changes.

**Discretionary benefits**

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

**Earmarked Reserves**

Money we set aside for a specific purpose.

**Expected Rate of Return on Pension 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.

**Expenditure and Funding Analysis**

Statement showing expenditure is used and funded from resources in comparison to that used in accordance with generally accepted accounting practices.

**Fair Value**

This is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**Financial Instruments**

These can be defined as contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**Financial Instruments Adjustment Account**

This account absorbs the timing differences arising from different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

**Financial Instruments Revaluation Reserve**

The Financial Instruments Revaluation Reserve contains the gains made by the Council arising from increases in the value of its investments, that are measured at fair value through other operating expenditure.

**General Fund**

This is the main revenue fund of the Council. Precept income, NNDR income and government grants are paid into the fund, from which the cost of providing services is met.

**Gross Spending**

The total cost of providing a service.

**Heritage Assets**

A tangible heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

**Impairment**

A loss in the value of a non-current asset, arising from physical damage such as a major fire or a significant reduction in market value.

**Infrastructure Assets**

These are assets that only have a nominal value as we cannot sell them, e.g. roads, bridges, lighting, etc.

**Intangible Asset**

Non-current assets that do not have physical substance but are identifiable and are controlled by the Authority through custody or legal rights (e.g. purchased software licences).

**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.

**Investment Properties**

Interest in land/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.

**IFRS (International Financial Reporting Standards)**

These are accounting standards adopted by the European Union and the basis on which these accounts are prepared.

**Leasing**

A method of financing the acquisition of assets, notably equipment, vehicles, plant, etc.

There are two forms of lease:

- a) a finance lease involves payment by the lessee (the user) of the full cost of the asset together with a return on the finance provided by the lessor, usually payable over the anticipated life of the asset.
- b) an operating lease involves the payment of a rental by a lessee for a period, which is normally less than the useful economic life of the asset.

**LGPS (Local Government Pension Scheme)**

This is the fund that pays and manages the pensions of our staff.

**Liabilities**

These are our debts and responsibilities.

**Long Term Borrowing**

This relates to loans raised to finance capital spending which have still to be repaid.

**Minimum Revenue Provision (MRP)**

This is the amount we have to set aside, out of our revenue, to repay loans.

**Movement in Reserves Statement**

A reconciliation showing how the balance of resources generated/consumed in the year links in with statutory requirements for raising Council Tax.

**National Non-Domestic Rates (NNDR)**

This is a charge, which all businesses must pay for their premises. It is worked out by multiplying a property's rateable value by a nationally set multiplier. National Non-Domestic Rates are now partially retained by the Council under the new business rates retention scheme.

#### **Net Book Value**

The amount at which non-current 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 Realisable Value**

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

#### **Net Spending**

The cost of providing a service after we have taken into account income from government grants and fees and charges.

#### **Nominal Value**

Where an asset cannot be sold, it is given a very low value in the Balance Sheet to recognise that it has no resale value.

#### **Non-Current Assets**

Property, plant and equipment assets which are carried on the Balance Sheet.

#### **Non-Distributed Costs**

We must make an extra payment to Leicestershire County Council to maintain the value of the pension fund. Under the accounting rules, we do not get this cost back from our services.

#### **Non-Operational Assets**

Assets held by the Authority but not directly used for the provision of services, e.g. assets surplus to requirements, commercial properties and assets under construction.

#### **Operational Assets**

Assets that we use in our day-to-day activities for delivering our services to the public, e.g. the Council offices.

#### **Parish Council**

An organisation delivering some services within the parish boundary, rather than across the borough as a whole.

#### **Past Service Cost**

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

#### **Post Balance Sheet Events**

Those events, both favourable and unfavourable, which occur between the Balance Sheet date and the date on which the Statement of Accounts is authorised, by the responsible financial officer, for issue.

#### **Payables**

Money we owe for work, goods or services, which have not been paid for by the end of the financial year.

#### **Precept**

A demand made by Leicestershire County Council, Leicestershire Police Authority, Leicestershire Combined Fire and Rescue Authority and Parish Councils for money they want us to collect for them from the Council Tax.

### **Prior Year Adjustment**

If we make an important change to the accounts for earlier years we call this a 'prior year adjustment'. We must show the reasons for any prior year adjustments in the year we make them.

### **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.

### **Provision**

An amount set aside for any liabilities or losses of uncertain timing or amounts that have been incurred.

### **Public Works Loan Board (PWLB)**

A government body from which local authorities may raise long term loans, usually at advantageous interest rates.

### **Receivables**

Money that is owed to us, but it is not paid by the end of the financial year.

### **Recharge**

The transfer of costs from one service to another.

### **Reserve**

An amount set aside for purposes falling outside the definition of a provision.

### **Restated**

We normally show the amounts that were in last year's accounts as the same figure, but where there is a change in the accountancy rules, we have to change last year's figure to meet the current rules.

### **Revaluation Reserve**

This reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment.

### **Revenue Expenditure**

Expenditure that the Council incurs on the day to day running costs of its services including salaries, running expenses of premises and vehicles as well as the annual payment of depreciation. The expenditure is financed from charges for services, government grants and income from council tax and the business rates retention scheme.

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

Spending on assets that have a lasting value which we do not own e.g. grants to the community.

### **Revenue Funding of Capital Expenditure**

The financing of capital expenditure by a direct contribution from the revenue budget.

### **Revenue Support Grant**



The main grant received by the Council from Central Government incorporating a number of non-specific grants. The calculation for our funding baseline includes the figures within the business rates retention scheme.

### **Settlement (Pensions)**

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 pension 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.

### **Specific Grants**

Grants paid by the government for a particular service e.g. Warm Homes Grant and Disabled Facilities Grant.

### **Surplus**

At the end of the year, if an account such as the Comprehensive Income & Expenditure Statement shows that we have received more income than we have spent, that account is known as being 'in surplus'.

### **Tangible Assets**

Assets we plan to own or use for more than one year.

### **Tax base**

The number of houses that we can charge our Council Tax on.

### **Termination Benefits**

These are payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits. They are often lump-sum payments, but also include enhancement of retirement benefits; and salary until the end of a specified notice period if the employee renders no further service that provides economic benefits to the Council.

### **The Code**

The Code of Practice on Local Authority Accounting in the United Kingdom, which defines proper accounting practices for local authorities in the UK.

### **Trading Undertakings**

Part of our activities where the service could also be provided by others outside the Council.

### **Useful Life**

The period over which the Council will derive benefits from the use of a non current asset.

## **Independent Auditor's Report to the Members of Melton Borough Council**

