



Subject to Audit



Statement of Accounts 2020-2021 – Melton Borough Council

Contents

Contents	Page Number
Statement of Responsibilities for the Statement of Accounts	4
Comprehensive Income and Expenditure Statement	5
Movement in Reserves Statement	6
Balance Sheet	7
Cash Flow Statement	8
Notes to the Financial Statements	9
Housing Revenue Account (HRA) Income and Expenditure Statement	73
Statement of Movement on the HRA Balance	73
Note to the Movement on the HRA statement	74
Notes to the HRA Financial Statements	74
Collection Fund Statement	80
Notes to Collection Fund Statement	81
Glossary of Financial Terms	82
Independent Auditors' Report	89

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30 July 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 31st March 2021, and its income and expenditure for the period 1st April 2020 to 31st March 2021.



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

Date: 30 July 2021

Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2021

The Comprehensive Income and 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 and Funding Analysis and the Movement in Reserves Statement.

2019-20				Note	2020-21		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
8,207	6,470	1,737	General Expenses - People Priority		7,537	5,739	1,798
5,989	2,259	3,730	General Expenses - Place Priority		6,108	2,056	4,052
4,875	2,131	2,744	General Expenses - Corporate Priority		6,491	7,970	-1,479
5,278	7,423	-2,145	Housing Revenue Account		5,759	7,591	-1,832
288	146	142	Special Expenses - Place Priority		369	105	264
24,637	18,429	6,208	Net Cost of Services		26,264	23,461	2,803
		656	Other Operating Expenditure	5			806
		1,382	Financing and Investment Income and Expenditure	6			1,042
		-6,877	Taxation and Non-specific grant Income	7			-3,753
		1,369	Deficit/Surplus(-) on Provision of Services				898
		-1,603	Deficit/Surplus(-) on revaluation of property, plant and equipment assets				-
		-3,102	Re-measurement of the net defined benefit liability/asset(-)				11,083
		-4,705	Other Comprehensive Income(-) and Expenditure				7,417
		-3,336	Total Comprehensive Income(-) and Expenditure				-3,666
							-2,768

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' (for example, 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.

2020-21	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
Balance at 31 March 2020	5,194	6,366	6,012	2,609	0	20,181	74,981	95,162
Movement in Reserves during 2020-21								
Total Comprehensive Income and Expenditure	-1,608	710	0	0	0	-898	3,666	2,768
Adjustments between Accounting basis and Funding under regulation (note 15)	5,111	-704	-862	263	0	3,808	-3,808	0
Increase/Decrease(-) in year	3,503	6	-862	263	0	2,910	-142	2,768
Balance at 31 March 2021 Carried Forward	8,697	6,372	5,150	2,872	0	23,091	74,839	97,930

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
Balance at 31 March 2019	4,890	6,977	5,313	2,472	0	19,652	72,174	91,826
Movement in Reserves during 2019-20								
Total Comprehensive Income and Expenditure	-2,362	993	0	0	0	-1,369	4,705	3,336
Adjustments between Accounting basis and Funding under regulation (note 15)	2,666	-1,604	699	137	0	1,898	-1,898	0
Increase/Decrease(-) in year	304	-611	699	137	0	529	2,807	3,336
Balance at 31 March 2020 Carried Forward	5,194	6,366	6,012	2,609	0	20,181	74,981	95,162

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, for example, 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 2020		Note	31 March 2021
£'000			£'000
126,195	Property Plant and Equipment	18	136,516
1,657	Investment Property	20	1,992
79	Intangible Assets	21	242
1,895	Long Term Investments	22	1,882
749	Long Term Receivables	22	772
130,575	Long Term Assets		141,404
147	Assets Held for Sale	27	125
14,000	Short Term Investments	22	17,000
2,923	Short Term Receivables	28	7,562
5,951	Cash and Cash Equivalents	30	3,601
23,021	Current Assets		28,288
587	Provisions	32	595
3,216	Short Term Payables	31	8,013
3,803	Current Liabilities		8,608
31,534	Long Term Borrowing	22	31,534
21,730	Other Long Term Liabilities	22/34	29,831
32	Capital Grants Receipts in Advance	8	372
1,335	Revenue Grants Receipts in Advance	8	1,417
54,631	Long Term Liabilities		63,154
95,162	Net Assets		97,930
20,181	Usable Reserves		23,091
74,981	Unusable Reserves	17	74,839
95,162	Total Reserves		97,930

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 (for example, 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.

2019-20		Note	2020-21
£'000			£'000
-1,369	Net deficit(-)/surplus on the provision of services		-898
5,624	Adjustments to the net deficit(-)/surplus on the provision of services for non cash movements		4,047
-1,375	Adjustments for items included in the net deficit (-)/surplus on the provision of services that are investing and financing activities		-651
2,880	Net cash flows from Operating Activities	35	2,498
-6,818	Investing Activities	36	-4,553
13	Financing Activities	37	-295
-3,925	Net increase or decrease (-) in cash and cash equivalents		-2,350
9,876	Cash and cash equivalents at the beginning of the reporting period		5,951
5,951	Cash and cash equivalents at the end of the reporting period		3,601

Notes to the Financial Statements

Note No	Note	Page
1	Expenditure and Funding Analysis	10
2	Note to the Expenditure and Funding Analysis	11
3	Segmental Income	12
4	Expenditure and Income Analysed by Nature	12
5	Other Operating Expenditure	13
6	Financing and Investment Income and Expenditure	13
7	Taxation and Non-Specific Grant Income	13
8	Grant Income	13
9	Members Allowances	15
10	Officers Remuneration	15
11	Exit Packages	16
12	Termination Benefits	17
13	External Audit Costs	17
14	Related Parties	18
15	Adjustments between Accounting Basis and Funding Basis Under Regulations	19
16	Earmarked Reserves	22
17	Unusable Reserves	25
18	Property, Plant and Equipment	30
19	Heritage Assets	34
20	Investment Properties	34
21	Intangible Assets	36
22	Financial Instruments	38
23	Nature and Extent of Risks Arising from Financial Instruments	42
24	Capital Expenditure and Capital Financing	47
25	Leases	48
26	Impairment Losses	50
27	Assets Held for Sale	50
28	Receivables	51
29	Debtors for Local Taxation	51
30	Cash and Cash Equivalents	51
31	Payables	51
32	Provisions	52
33	Contingent Assets and Liabilities	52
34	Defined Benefit Pension Schemes	52
35	Cashflow Statement - Operating Activities	59
36	Cashflow Statement - Investing Activities	60
37	Cashflow Statement - Financing Activities	60
38	Reconciliation of Liabilities Arising from Financing Activities	61
39	Accounting Policies	61
40	Critical Judgements in Applying Accounting Policies	71
41	Assumptions made about the Future and Other Major Sources of Estimation Uncertainty	71

1 Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (for example, 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 and Expenditure Statement (CIES).

2019-20				2020-21		
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
1,413	324	1,737	General Expenses - People Priority	1,775	23	1,798
3,324	406	3,730	General Expenses - Place Priority	3,221	831	4,052
2,673	71	2,744	General Expenses - Corporate Priority	-1,517	38	-1,479
-1,698	-447	2,145	Housing Revenue Account	-2,321	489	-1,832
30	112	142	Special Expenses - Place Priority	49	215	264
5,742	466	6,208	Net Cost of Services	1,207	1,596	2,803
-5,435	596	4,839	Other Income and Expenditure	-4,716	2,811	-1,905
307	1,062	1,369	Surplus(-)/Deficit	-3,509	4,407	898
-11,867			Opening General Fund and HRA Balance	-11,560		
307			Less Surplus(-)/Deficit on General Fund and HRA Balance in year	-3,509		
-11,560			Closing General Fund and HRA Balance at 31 March 2021*	-15,069		

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

2 Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2020-21

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Statutory Differences	Total Statutory Adjustments
	£'000	£'000	£'000	£'000
General Expenses - People Priority	-112	98	37	23
General Expenses - Place Priority	682	122	27	831
General Expenses - Corporate Priority	5	-4	37	38
Housing Revenue Account	413	46	30	489
Special Expenses - Place Priority	214	1	0	215
Net Cost of Services	1,202	263	131	1,596
Other Income and Expenditure from the Expenditure and Funding Analysis	-12	472	2,351	2,811
Difference between General Fund Surplus/Deficit and CIES Surplus/Deficit on the Provision of Services	1,190	735	2,482	4,407

Adjustments between Funding and Accounting Basis 2019-20

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other 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
Net Cost of Services	-231	702	-5	466
Other Income and Expenditure from the Expenditure and Funding Analysis	214	543	-161	596
Difference between General Fund Surplus/Deficit and CIES Surplus/Deficit on the Provision of Services	-17	1,245	-166	1,062

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 and 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 and investment income and expenditure is the net interest on the defined benefit liability as charged to the Comprehensive income and 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 and expenditure is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year, and for:

Taxation and 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:

2019-20		2020-21
Income from Services	Services	Income from Services
£'000		£'000
622	General Expenses - People Priority	117
2,589	General Expenses - Place Priority	2,312
674	General Expenses - Corporate Priority	272
7,423	Housing Revenue Account	7,591
155	Special Expenses - Place Priority	110
11,463	Total Income Analysed on a Segmental Basis	10,402

4 Expenditure and Income Analysed by Nature

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

2019-20		2020-21
£'000		£'000
	Expenditure	
8,405	Employee Benefit Expenses	8,391
14,542	Other Service Expenses	15,672
2,583	Depreciation, Amortisation, Revaluation and Impairment	2,698
1,168	Interest Payments	1,168
664	Precepts and Levies	690
151	Payments to Housing Capital Receipts Pool	130
-172	Gain on the Disposal of Assets	-18
14	De-recognition of Fixed Assets	3
0	Other Expenditure	0
27,355	Total Expenditure	28,734
	Income	
11,965	Fees, Charges and Other Services	10,402
290	Interest and Investment Income	270
6,383	Income from Council Tax and Non-domestic Rates	3,106
7,348	Government Grants and Other Contributions	14,058
25,986	Total Income	27,836
1,369	Surplus/Deficit on the Provision of Services	898

5 Other Operating Expenditure

2019-20		2020-21
£'000		£'000
647	Parish Council Precepts	671
151	Payments to Government Housing Capital Receipts Pool	130
17	Drainage Rates Levy	19
-172	Gains on the disposal of non-current assets	-18
13	Other Expenditure	4
656	Total	806

6 Financing and Investment Income and Expenditure

2019-20		2020-21
£'000		£'000
1,168	Interest payable and similar charges	1,168
543	Net interest on the net defined benefit liability (asset)	472
-290	Interest receivable and similar income	-271
-7	Income and expenditure in relation to investment properties and changes in their fair value	-6
-32	Gains and Losses on Trading Accounts	-321
1,382	Total	1,042

7 Taxation and 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:

2019-20		2020-21
£'000		£'000
-4,419	Council Tax Income	-4,559
-1,964	Non-Domestic Rates Income and Expenditure	1,453
-327	Non-ring fenced government grants	-305
-167	Capital grants and contributions	-342
-6,877	Total	-3,753

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:

2019-20	Credited to Taxation and Non-specific Grant Income	2020-21
£'000		£'000
327	New Homes Bonus	305
163	Disabled Facilities Grants	238
4	S106 Contributions	0
0	Tennis Club Grants	104
494	Total	647

2019-20	Credited to Services	2020-21
£'000		£'000
5,315	Housing Benefit Subsidy	5,155
1,076	Section 31 Grants	3,736
97	Flexible Homelessness Support	71
83	Housing Benefit Admin Subsidy	85
75	Sport and Physical Activity Commissioning	64
55	Sure Start Children's Centres	20
51	Manufacturing Zone Grant	24
50	New Burdens Grant	248
46	Discretionary Housing Payments	43
38	Council Tax Support Admin Grant	40
35	EU Exit Grant	34
32	Universal Credit Contribution	4
25	Family Intervention Project Funding and Supporting Leics Families	25
24	Covid-19 Grant	2,184
0	Neighbourhood Planning	40
79	Other Small Grants and Contributions Credited to Services	28
7,081	Total	11,801

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 and 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 2020	Capital Grant Receipts in Advance	31 March 2021
£'000		£'000
32	Section 106 Monies	32
0	Green Home Grant	340
32	Total	372

31 March 2020	Revenue Grant Receipts in Advance	31 March 2021
£'000		£'000
932	S31 Grants	0
330	Disabled Facilities Grant Funding	391
30	Homelessness	30
10	Sports Contributions	24
0	Health and Well-Being Grant	100
0	Food Enterprise Grant	100
0	COVID Grant	740
33	Other Small Revenue Grants Receipts in Advance	32
1,335	Total	1,417

9 Members Allowances

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

2019-20		2020-21
£'000		£'000
201	Allowances	227
6	Expenses	1
207	Total	228

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	2019-20	103,133	1,239	21,751	126,123
	2020-21	107,970	1,239	19,435	128,644
Deputy CEO/Director of People and Communities	2019-20	83,232	1,453	17,554	102,239
	2020-21	6,936	121	1,248	8,305
Director for Corporate Services	2019-20	71,788	1,239	15,140	88,167
	2020-21	75,900	1,239	13,662	90,801
Director for Governance and Regulatory/Legal Services	2019-20	71,888	1,239	15,140	88,267
	2020-21	50,389	823	9,070	60,282
Director for Growth and Regeneration	2019-20	69,707	1,239	14,701	85,647
	2020-21	73,762	1,239	13,277	88,278
Assistant Director for Planning and Regulatory Services	2019-20	56,696	963	11,949	69,608
	2020-21	58,214	846	10,479	69,539
New Officers in 2020-21 with no 2019-20 Comparables					
Director for Housing and Communities	2020-21	74,826	1,239	13,475	89,540
Assistant Director for Governance and Democracy	2020-21	24,392	0	4,391	28,783
Assistant Director for Housing Management	2020-21	2,563	57	461	3,081

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 four other employees in this category as follows.

Remuneration Band	2019-20	2020-21
	Number of Employees	Number of Employees
£50,000 - £54,999	1	4
£55,000 - £59,999	1	0

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	
	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	£	£
							2019-20	2020-21
£0-£20,000	0	1	1	0	1	1	2,989	11,677
£20,001-£40,000	*1	0	0	0	1	0	16,133	0
£40,001-£60,000	0	0	2	0	2	0	93,798	0
£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
Total Cost included in bandings and in the CIES	1	1	3	0	4	1	112,920	11,677

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 1 employee in 2020-21, so incurring £12k in liabilities (£113k in 2019-20).

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:

2019-20		2020-21
£'000		£'000
33	Fees payable to the appointed auditor in respect of external audit services	33
-4	Refund from PSAA in relation to prior year audit fee	0
13	Other Fees payable to the appointed auditor including the certification of grant claims and returns	39
42	Total	72

Other Fees payable for Grant and certification claims and returns include £10k in respect of the 2020-21 Housing Benefit Subsidy Claim and £24k relates to additional audit work in 2019/20 due to valuations and COVID-19 additional works. Further fees of £5k 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 2021 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 £123,570 in the year, all of this related to the parish precept. Payments totalling £180 were received from Asfordby Parish Council.
- b) Councillor R Child:
Chairman of Great Dalby Cricket Club, which received £9,594.21 of payments during 2020-21. There was a refund of £21 relating to a TEN licence refund. The remaining £9,573.21 related to Covid 19 grants.
- c) Councillor R Browne:
Secretary of Frisby, Hoby and Rotherby Cricket Club, which received £13,853.21 payments in the year, which all relate to Covid 19 grants. There was also a credit note applied to an invoice of £70.
- d) Councillor P Posnett:
Chair of Melton Learning Hub which received nil payments during the year and made payments of £12,000 to the Council.
Chair of Melton Mencap which received payments of £3,000.
Trustee of Melton Young Singles Trust (MYST) which didn't make or receive any payments during the year.
Member of Melton Young Enterprise which didn't make or receive any payments during the year.
Trustee of Wyggeston Hospital which didn't make or receive any payments during the year.
- e) Councillor R Bindloss:
Works at Melton Learning Hub which received nil payments during the year and made payments of £12,000 to the Council.

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

- a) Dawn Garton – Director for Corporate Services:
Governor at John Ferneley College which didn't make or receive any payments during the year.

Completed forms were not received back from Councillor T Bains and Councillor R Smith.

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 and Rotherby Cricket Club, Melton Learning Hub and Melton Mencap 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 into 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 and 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.

	Usable Reserves				
	General Fund Balance	HRA	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£,000	£,000	£,000	£,000	£,000
<u>Adjustments to Revenue Resources</u>					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements					
- Pensions costs (transferred to/from the Pensions Reserve)	689	46	0	0	0
- Council Tax and NDR (transfers to/from the Collection Fund)	2693	0	0	0	0
- Holiday Pay (transferred to the Accumulated Absence Reserve)	102	30	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)	538	2,382	0	0	0
Surplus(-)/Deficit on financial assets measured at fair value	13	0	0	0	0
Miscellaneous adjustments between funds	1,192	-1,192	0	0	0
Total Adjustments to Revenue Resources	5,272	1,266	0	0	0
<u>Adjustments between Revenue and Capital Resources</u>					
Transfer of Non-Current Asset sale proceeds from revenue to the Capital Receipts Reserve	-18	-267	285	0	0
Administrative costs of Non-Current Asset disposals (funded by a contribution to the Capital Receipts Reserve)	0	5	-5	0	0
Payment to the Government's Housing Receipts pool (funded by a contribution to the Capital Receipts Reserve)	0	130	-130	0	0
Posting of HRA resources from revenue to the Major Repairs Reserve	0	-1,733	0	1,733	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	238	0	0	0	0
Transactions in relation to deferred capital receipts and liabilities	-39	0	0	0	0
Use of Earmarked Reserves to finance capital expenditure	0	-105	0	0	0
Capital Expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	0	0	0	0	0
Total Adjustments between Revenue and Capital Resources	181	-1,970	150	1,733	0
<u>Adjustments to Capital Resources</u>					
Use of Capital Receipts Reserve to finance capital expenditure	0	0	-1,202	0	0
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	-1,470	0
Application of capital grants to finance capital expenditure	-342	0	0	0	0
Total Adjustments to Capital Resources	-342	0	-1,012	-1,470	0
Total Adjustments	5,111	-704	-862	263	0

	Usable Reserves				
	General Fund Balance	HRA	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£,000	£,000	£,000	£,000	£,000
<u>Adjustments to Revenue Resources</u>					
Amounts by which income and expenditure included in the Comprehensive Income and 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 and 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
Total Adjustments to Revenue Resources	3,012	1,893	0	0	0
<u>Adjustments between Revenue and Capital Resources</u>					
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 and 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
Total Adjustments between Revenue and Capital Resources	179	-3,497	1,014	1,742	0
<u>Adjustments to Capital Resources</u>					
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
Total Adjustments to Capital Resources	-167	0	-315	-1,605	0
Total Adjustments	2,666	-1,604	699	137	0

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 2020-21.

	Balance 1 April 2019	Transfers In 2019-20	Transfers Out 2019-20	Balance 31 March 2020	Transfers In 2020-21	Transfers Out 2020-21	Balance 31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund Balances							
Council Property Repairs and Renewals	437	67	24	480	67	60	487
Vehicles and Equipment Repairs and Renewals	580	117	157	540	243	172	611
Melton Local Development Framework	170	142	90	222	20	0	242
Open Spaces	21	32	0	53	31	3	81
COVID Funding Reserve	0	0	0	0	167	0	167
Business Rates Retention	543	169	0	712	2,779	76	3,415
Property Fund Reserve	0	0	0	0	60	0	60
Council Tax Compensation Reserve	0	0	0	0	35	0	35
Waterfield Leisure Centre	387	39	17	409	28	17	420
Welland Procurement	41	0	0	41	7	0	48
Melton Leisure Vision	70	21	58	33	21	4	50
Commercial Sites	40	0	40	0	0	0	0
Manufacturing Zone Feasibility	75	24	75	24	0	24	0
EU Exit Funding	17	29	0	46	0	34	12
Other Small General Fund Balances	89	22	49	62	32	26	68
Total General Fund Balances	2,470	662	510	2,622	3,490	416	5,696

	Balance 1 April 2019	Transfers In 2019-20	Transfers Out 2019-20	Balance 31 March 2020	Transfers In 2020-21	Transfers Out 2020-21	Balance 31 March 2021
General Fund Reserves							
Corporate Priorities Reserve	1,200	27	156	1,071	430	430	1,071
Special Expenses	287	67	6	348	36	4	380
Spending Pressure Reserve	26	0	26	0	0	0	0
Regeneration and Innovation Reserve	57	478	208	327	52	97	282
Carry Forward Reserves	156	135	156	135	569	135	569
Total General Fund Reserves	1,726	707	552	1,881	1,087	666	2,302
Total General Fund Balances and Reserves	4,196	1,369	1,062	4,503	4,577	1,082	7,998
Housing Revenue Account Balances							
HRA Development and Regeneration	5,052	756	1,181	4,627	1,276	298	5,605
Water Arrears Reserve	29	0	11	18	0	1	17
Total Housing Revenue Account Balances	5,081	756	1,192	4,645	1,276	299	5,622
Total Fund Balances and Reserves	9,277	2,125	2,254	9,148	5,853	1,381	13,620

Council Offices Repairs and Renewals

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

Vehicles and Equipment Repairs and Renewals

Amounts are set aside from revenue to meet major repairs or replacements for our vehicles and equipment. 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 and Renewals

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

COVID Funding Reserve

Throughout the Covid pandemic the government have provided new burdens funding in recognition for the additional work Councils have had to undertake. Funding was received in 2020-21 to cover the additional costs resulting from the delivery of various Local business Support Grant schemes. Existing resources were used to deliver these schemes which has created a backlog of work in other areas that needs to be addressed in 2021-22.

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. In addition in 2020-21 the government granted business rates relief to retail, hospitality and leisure services and compensated Councils for these reliefs with a Section 31 Grant. These reliefs must be shown as a deficit on the Council's share of income within the Collection Fund Adjustment Account (see note 17), while the grant income must be shown within the Council's General Fund. In 2021-22 £2.8m is expected to be transferred from the Collection Fund Adjustment Account to the General Fund and this will be funded from the S31 grant in this reserve.

Property Fund Reserve

The implementation of IFRS9 has resulted in a change in the treatment of the Council's £2m investment in the CCLA property fund, such that fluctuations in the value of the fund will impact on Surplus/Deficit on the provision of Services. Following consultation MHCLG have introduced a statutory over-ride to mitigate any effect on the General Fund, however, this over-ride is limited to 5 years. This reserve has been set up to help mitigate any impact on the General Fund once the over-ride expires.

Council Tax Compensation Reserve

This reserve has been set up following the government's announcement to compensate Councils for lost income on their Council Tax due to the COVID out-break, and will be used as the losses make their way through the Council's collection fund and ultimately into the CIES.

Waterfield Leisure Centre Reserves

Amounts are set aside from revenue to meet repairs and 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

This fund was used to complete feasibility studies in order to develop the commercial sites available within the area.

Manufacturing Zone Feasibility

Reserve to support manufacturing growth in the Midlands.

EU Exit Funding

Reserve to help manage the impact of Brexit. A specific area of spend has been identified and the amount in this fund represents the residual costs relating to the completion of this work.

Other Small 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.

Special Expenses Reserve

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 were set aside to help balance the budget whilst steps were taken to generate the necessary efficiencies required for a longer term sustainable solution. This fund has now been fully spent.

Regeneration and Innovation Reserve

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

General Fund and 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 portfolio holder in the year.

HRA Development and 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 tenant arrears.

17 Unusable Reserves

31 March 2020		31 March 2021
£'000		£'000
16,143	Revaluation Reserve	26,846
-105	Financial Instruments Revaluation Reserve	-118
78,911	Capital Adjustment Account	79,033
0	Financial Instruments Adjustment Account	0
749	Deferred Capital Receipts Reserve	772
-20,401	Pensions Reserve	-28,553
-216	Collection Fund Adjustment Account	-2,909
-100	Accumulated Absences Account	-232
74,981	Total Unusable Reserves	74,839

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.

2019-20		2020-21
£'000		£'000
14,947	Balance at 1 April	16,143
2,850	Upward revaluation of Assets	14,165
-1,247	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	-3,082
1,603	Surplus/deficit (-) on revaluation of non-current assets not posted to the Surplus or deficit on the Provision of Services	11,083
-339	Difference between fair value depreciation and historical cost depreciation	-355
-68	Accumulated gains on assets sold or scrapped	-25
-407	Amount written off to the Capital Adjustment Account	-380
16,143	Balance at 31 March	26,846

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

2019-20		2020-21
£'000		£'000
-34	Balance at 1 April	-105
0	Upward revaluation of investments	0
-71	Downward revaluation of investments	-13
-105	Balance at 31 March	-118

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.

2019-20		2020-21
£'000		£'000
79,107	Balance at 1 April	78,911
	Reversal of items relating to capital expenditure on the Comprehensive Income and Expenditure Statement:	
-2,213	Charges for depreciation and impairment of non-current assets	-2,240
-326	Revaluation gains/losses on Property, Plant and Equipment	-98
-37	Amortisation of Intangible Assets	-26
-164	Revenue expenditure funded from capital under statute	-238
-1,006	Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the comprehensive income and expenditure statement	-266
-3,746		-2,868
407	Adjusting amounts written out of the Revaluation Reserve	380
-3,339	Net written out amount of the cost of non-current assets consumed in the year	-2,488
	Capital Financing Applied in the year:	
315	Use of the Capital Receipts Reserve to finance new capital expenditure	1,012
1,605	Use of the Major Repairs Reserve to finance new capital expenditure	1,470
913	Use of Development and Regeneration Reserve to finance new capital expenditure	105
167	Capital Grants and Contributions credited to comprehensive income and expenditure statement that have been applied to capital financing	238
0	Application of Grants to capital financing from Capital Grants Unapplied Account	104
12	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	12
119	Capital expenditure charged against the General Fund and HRA balances	-12
39	Deferred Liability – LCC Licence (Parkside)	39
-20	Change to Deferred Receipt - Nottingham Road Lease	-23
3,150		2,945
-7	Movement in Market Value of Investment Properties	-335
78,911	Balance at 31 March	79,033

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 and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However statutory arrangements require benefits earned to be financed as the Council makes employers contributions 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.

2019-20		2020-21
£'000		£'000
-22,258	Balance at 1 April	-20,401
3,102	Re-measurements of the net defined benefit liability/asset	-7,417
-2,412	Reversal of items relating to retirement benefits credited to the deficit on provision of Services in the Comprehensive Income and Expenditure statement	-1,993
1,167	Employers pension contributions and direct payments to pensioners payable in the year	1,258
-20,401	Balance at 31 March	-28,553

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.

2019-20		2020-21
£'000		£'000
727	Balance at 1 April	749
22	Transfer of deferred sale proceeds credited as part of gain/loss on disposal on comprehensive income and expenditure statement	23
0	Transfer to the Capital Receipts Reserve upon receipt of cash	0
749	Balance at 31 March	772

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.

2019-20		2020-21
£'000		£'000
-210	Balance at 1 April	-216
-6	Amount by which Council Tax and Non-Domestic Rates income credited to the Comprehensive Income and Expenditure Statement differs from Council Tax and Non-Domestic Rate income calculated for the year in accordance with statutory requirements	-2,693
-216	Balance at 31 March	-2,909

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.

2019-20		2020-21
£'000		£'000
-105	Balance at 1 April	-100
105	Settlement or cancellation of accrual made at the end of the preceding year	100
-100	Amounts accrued at the end of the current year	-232
-5	Amount by which officer remuneration charged to the comprehensive income and expenditure statement on an accruals basis differs from remuneration chargeable in the year in accordance with statutory requirements	-132
-100	Balance at 31 March	-232

18 Property, Plant and Equipment

Movement on Balances

2020-21	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2020	93,388	31,405	1,513	41	390	89	0	126,826
Additions	2,343	-2	148	0	0	0	0	2,489
Revaluations recognised in revaluation reserve	3,176	6,203	-71	0	-38	12	0	9,282
Revaluations recognised in surplus/deficit(-) on provision of services	-939	-41	-149	0	0	-17	0	-1,146
Derecognition - Disposals	-115	0	-7	0	0	0	0	-122
Assets reclassified to held for sale	-126	0	0	0	0	0	0	-126
Other reclassifications	41	-51	0	0	0	10	0	0
Other movements	0	0	0	0	0	0	0	0
At 31 March 2021	97,768	37,514	1,434	41	352	94	0	137,203
Accumulated Depreciation and Impairment								
At 1 April 2020	0	0	-513	-27	-91	0	0	-631
Depreciation Charge	-1,308	-792	-133	-1	0	-6	0	-2,240
Depreciation written out to revaluation reserve	998	764	39	0	0	0	0	1,801
Depreciation written out to surplus(-)/Deficit on provision of services	311	27	36	0	0	6	0	380
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	3	0	0	0	0	3
Other movements	-1	1	0	0	0	0	0	0
At 31 March 2021	0	0	-568	-28	-91	0	0	-687
Net Book Value								
At 31 March 2021	97,768	37,514	866	13	261	94	0	136,516
At 31 March 2020	93,388	31,405	1,000	14	299	89	0	126,195

2019-20	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2019	96,438	27,404	1,407	41	386	0	0	125,676
Additions	2,849	-48	97	0	4	0	0	2,902
Revaluations recognised in revaluation reserve	-1,389	1,462	-40	0	-15	-15	0	3
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
At 31 March 2020	93,388	31,405	1,513	41	390	89	0	126,826
Accumulated Depreciation and Impairment								
At 1 April 2019	0	0	-510	-26	-91	0	0	-627
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
At 31 March 2020	0	0	-513	-27	-91	0	0	-631
Net Book Value								
At 31 March 2020	93,388	31,405	1,000	14	299	89	0	126,195
At 31 March 2019	96,438	27,404	897	15	295	0	0	125,049

Depreciation

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

- Council Dwellings – 50 years
- Garages – 15 years
- Other Land and buildings - 7-48 years
- Vehicles, Plant, Furniture and Equipment – 1-26 years

- Infrastructure – 4-55 years

Capital Commitments

- At 31 March 2021 the council has entered into three contracts for the construction or enhancement of Property, Plant and Equipment budgeted to cost £1,030k. The contracts are Eon LAD2 energy efficiency project £690k, Stock Condition survey contract with M Dyson £260k and provision and installation of AV Equipment £80k. No commitment was made against these projects in the year. At March 2020 the outstanding commitments were Fire safety £98k, Fire Damage Drummond Walk £35k and Scooter Pods £9k.

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.

The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, the external valuers Wilks Head and Eve, have confirmed that as at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value.

Surplus Assets

The Council has three material surplus assets. Two were re-classified from Other Land and Buildings and Assets Held for Sale during 2019-20 and one was re-classified from Other Land and Buildings in 2020-21.

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 2021 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 2021
	£'000	£'000	£'000	£'000
Wilton Road Old Public Conveniences	0	48	0	48
Park Lane Public Conveniences	0	44	0	44
Land at Barker Crescent	0	2	0	2
Total	0	94	0	94

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 and land 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 and Equipment Valuation Information

The freehold and leasehold properties which comprise the Council's property portfolio were valued as at 31 March 2021 by Mr Phillip C. Smith of Wilks Head and Eve, 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 UK VPGA6 and UK VGPA4 of the RICS Valuation – Global Standards 2017: UK National Supplement 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 2021 in respect of HRA properties the valuer has provided a value as at 1 April 2020 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 and 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 2021 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 and buildings section of the Property, Plant and Equipment for the purpose of these accounts. In 2020-21 this property was re-valued at £150k, 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.

	2019-20	2020-21
	£'000	£'000
Rental Income from Investment Property	143	145
Direct Operating Expense arising from Investment Property	-20	-19
Total fair value adjustments	-7	335
Total	116	461

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:

	2019-20	2020-21
	£'000	£'000
Balance at year start	1,664	1,657
Additions:		
Purchase	0	0
Construction	0	0
Subsequent Expenditure	0	0
Disposals	0	0
Net gains/ losses from fair value adjustments	-7	335
Transfers:		
to/from inventories	0	0
to/from property, plant and equipment	0	0
Other Changes	0	0
Balance at Year End	1,657	1,992

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 2021 and 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 2021
	£'000	£'000	£'000	£'000
Residential (Market Rental) Properties	0	139	0	139
Industrial Units	0	1,853	0	1,853
Total	0	1,992	0	1,992

	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
Total	1,657	0	0	1,657

Transfers between levels of the Fair Value Hierarchy

Both the cemetery lodge and industrial units have transferred from level 1 to level 2. The levels are decided by the external valuer opinion and therefore with a change in external valuers there is a change in judgement. The valuer has deemed that the properties are best suited to level 2 within the hierarchy due to the lack of 'identical' comparable assets although there is an active market.

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 and 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:

	2019-20			2020-21		
	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	1,180	1,180	0	1,224	1,224
Accumulated amortisation	0	-1,117	-1,117	0	-1,145	-1,145
Net carrying amount at year start	0	63	63	0	79	79
Additions:						
Internal development	0	0	0	0	0	0
Purchases	0	53	53	0	189	189
Disposals	0	-9	-9	0	0	0
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	-37	-37	0	-26	-26
Amortisation De-recognition- Disposals	0	9	9	0	0	0
Amortisation movement from property, plant and equipment on re-classification	0	0	0	0	0	0
Net Carrying Amount at year end	0	79	79	0	242	242
Comprising:						
Gross Carrying Amounts	0	1,224	1,224	0	1,413	1,413
Accumulated amortisation	0	-1,145	-1,145	0	-1,171	-1,171
	0	79	79	0	242	242

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 £1.133m 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 (for example, 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 and 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 de-recognition 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 fund was valued at 31 March 2021. 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 and 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 2020	31 March 2021	31 March 2020	31 March 2021
	£'000	£'000	£'000	£'000
Investments				
At Amortised Cost	0	0	18,500	20,890
At Fair Value through profit and loss	1,895	1,882	0	0
Total Investments	1,895	1,882	18,500	20,890
Receivables				
At Amortised Cost	749	772	2,285	3,088
Total Included in Receivables	749	772	2,285	3,088
Borrowings				
At Amortised Cost	31,413	31,413	0	0
Total Included in Borrowings	31,413	31,413	0	0
Other Long Term Liabilities				
At Fair value through profit and loss	1,329	1,278	0	0
Total Other Long Term Liabilities	1,329	1,278	0	0
Payables				
At Amortised Cost	121	121	1,679	3,078
Total Payables	121	121	1,679	3,078

Income, Expense, Gains and Losses

	2019-20	2020-21
	Surplus or Deficit on the Provision of Services	Surplus or Deficit on the Provision of Services
	£'000	£'000
Net gains/losses on:		
Financial Assets at fair value through Profit and Loss	-16	-68
Total net gains/losses	-16	-68
Interest revenue:		
Financial Assets at amortised cost	-275	-202
Total interest revenue	-275	-202
Total interest expense	1,168	1,168
Total for the year	877	898

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 £118k 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 2021 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 2020	31 Mar 2021
			£'000	£'000
Not later than 1 year	Level 1	Unadjusted quoted prices in active market	1,895	1,882

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 2020		31 March 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial Liabilities- PWLB Loans	31,413	55,719	31,413	48,673

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 £48.673m 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 £40.760m. 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 £17.139m.

Financial Assets	31 March 2020	31 March 2020	31 March 2021	31 March 2021
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Other loans and receivables- fixed rate investments and money market funds	18,500	18,605	20,890	20,967

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

2020-21	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
Financial Liabilities				
<i>Financial Liabilities held at amortised cost</i>				
PWLB loans	0	48,673	0	48,673
Total	0	48,673	0	48,673
Financial Assets				
Other loans and receivables- fixed rate investments and money market funds	0	20,967	0	20,967
Total	0	20,967	0	20,967

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
Financial Liabilities				
<i>Financial Liabilities held at amortised cost</i>				
PWLB loans	0	55,719	0	55,719
Total	0	55,719	0	55,719
Financial Assets				
Other loans and receivables- fixed rate investments and money market funds	0	18,605	0	18,605
Total	0	18,605	0	18,605

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 26 February 2020 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2020-21 was set at £46m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £36.490m. 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 and 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 2020-21 was approved by Full Council on 26 February 2020 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 £22.9m 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 2021 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 2021	31 March 2021	31 March 2021	31 March 2021	31 March 2020
AAA	2,390	0.00%	0.00%	0	1
AA	4,000	0.01%	0.01%	0	2
A	14,500	0.01%	0.01%	2	2
Property Fund	2,000	Not rated	Not rated	0	0
Customers excl. statutory debtors (e.g. Council Tax/NNDR)	1,817	40.51%	40.51%	736	803
Total	24,707	N/A	N/A	738	808

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 £1,582k of the £1,817k balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2020 £'000	31 March 2021 £'000
Less than two months	155	67
Two to four months	98	124
Four months to eight months	91	142
More than eight months	1,240	1,249
Total	1,584	1,582

A continuing provision is made for writing off bad debts, the balance as at 31 March 2021 on the General Fund sundry debt provision is £400k and the balance on the sundry debt HRA provision is £35k. 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 2020 £'000	31 March 2021 £'000
Less than 1 year	18,500	20,890
Between 1 and 2 years	2,000	2,000
Between 2 and 3 years	0	0
More than 3 years	0	0
Total	20,500	22,890

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 2020 £'000	Actual 31 March 2021 £'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	98	2,098
Between 5 and 10 years	0	100	4,300	2,600
More than 10 years	0	100	27,015	26,715
Total	n/a	100	31,413	31,413

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

	£'000
Increase in interest receivable on variable rate investments	-89
Impact on Surplus or Deficit on the Provision of Services	-89
Decrease in fair value of fixed rate investment assets	46
Impact on Other Comprehensive Income and Expenditure	46
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)	8,461

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 £1.882m 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.

2019-20		2020-21
£'000		£'000
31,586	Opening Capital Financing Requirement	31,574
Capital Investment:		
2,902	Property, Plant and Equipment	2,489
53	Intangible Assets	189
164	Revenue Expenditure funded from Capital under statute	238
Sources of Finance		
-315	Capital Receipts	-1,012
-167	Government Grants and other contributions	-342
Sums set aside from revenue:		
-2,637	Direct revenue contributions	-1,562
-12	(MRP/loans fund principal)	-12
31,574	Closing Capital Financing Requirement	31,562
Explanation of Movements in Year		
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
-12	Increase/ decrease (-) in Capital Financing Requirement	-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 2020	31 Mar 2021
	£'000	£'000
Not later than 1 year	22	9
Later than one year and not later than five year	20	14
Later than five years	58	55
	100	78

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 2020	31 Mar 2021
	£'000	£'000
Minimum Lease Payments	26	23
Contingent Rents	0	0
Sublease payments receivable	0	0
	26	23

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 (for example, 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 £771,677 as at 31 March 2021.

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 2020	31 March 2021	31 March 2020	31 March 2021
	£'000	£'000	£'000	£'000
Not later than 1 year	29	30	29	30
Later than one year and not later than five years	131	134	131	134
Later than five years	26,323	26,290	26,323	26,290
	26,483	26,454	26,483	26,454

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 2020	31 Mar 2021
	£'000	£'000
Not later than 1 year	293	247
Later than one year and not later than five year	714	603
Later than five years	1,373	1,236
	2,380	2,086

26 Impairment Loss

During 2020-21 there were no impairment losses recognised.

27 Assets Held for Sale

31 March 2020		31 March 2021
£'000		£'000
333	Balance outstanding at start of year	147
	Assets newly classified as held for sale:	
149	Property, Plant and Equipment	126
-2	Revaluation Gains/Losses	-1
	Assets declassified as held for sale:	
-41	Property, Plant and Equipment	0
-292	Assets Sold	-147
147	Balance outstanding at year end	125

28 Receivables

31 March 2020		31 March 2021
£'000		£'000
0	Central Government Bodies	2,721
757	Other Local Authorities	1,695
604	Housing rent	594
2,451	Other Entities and Individuals	3,395
-889	Provision for doubtful debts	-843
2,923		7,562

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 2021, this value is £1,870k (31 March 2020 £1,824k).

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 2021 is £631k (31 March 2020 £495k) which results in a level of debt not subject to impairment as at 31 March 2021 of £1,239k (31 March 2020 £1,329k).

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 2020		31 March 2021
£'000		£'000
1,451	Bank Current Accounts	-289
1,500	Short-term deposits with Banks/Building Societies	1,500
3,000	Money Market Funds	2,390
5,951	Total cash and cash equivalents	3,601

31 Payables

31 March 2020		31 March 2021
£'000		£'000
159	Central Government Bodies	5,107
953	Other Local Authorities	459
2,104	Other Entities and Individuals	2,447
3,216	Total	8,013

32 Provisions

	Other Provisions	Total
	£'000	£'000
Balance at 1 April 2020	587	587
Actual Provisions made	559	559
Amounts used	551	551
Unused amounts reversed	0	0
Unwinding of discounting	0	0
Balance at 31 March 2021	595	595

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 2021, compared to that at 31 March 2020. This amounts to £583k at 31 March 2021 (£493k at March 2020).
- 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 £12k at 31 March 2021 (£94k at March 2020).

33 Contingent Assets and Liabilities

Three disrepair cases have been issued for legal proceedings. In total settlement offers of £3,550 have been made with legal costs to be negotiated or determined. 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 – for example, 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% (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)** – for example, 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	2019-20	2020-21
	£'000	£'000
Cost of Services:		
Current Service Cost	1,833	1,521
Past Service Costs	36	0
Gain(-)/Loss from Settlements	0	0
Financing and Investment Income and Expenditure:		
Net Interest Expense	543	472
Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services	2,412	1,993
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement:		
Re-measurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	-4,185	6,729
Actuarial gains and losses arising on changes in demographic assumptions	1,903	-801
Actuarial gains and losses arising on changes in financial assumptions	5,484	-13,882
Other	-100	537
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	3,102	-7,417
Movement in Reserves Statement:		
Reversal of Net Charges made to the deficit on the provision of services for post-employment benefits in accordance with the code	2,412	1,993
Actual amount charged against the General Fund Balance for the pensions in the year:		
Employers contribution payable to the scheme	1,094	1,188
Retirement benefits payable to pensioners	73	70
	1,167	1,258

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:

	2019-20	2020-21
	£'000	£'000
Present Value of the defined benefit obligation	-53,034	-68,428
Fair Value of plan assets	33,614	40,929
Sub Total	-19,420	-27,499
Other movements in the liability/asset(-)	-981	-1,054
Net liability arising from defined benefit obligation	-20,401	-28,553

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

	2019-20	2020-21
	£'000	£'000
Opening fair value of scheme assets	37,157	33,614
Interest Income	891	770
Re-measurement gain/ loss(-):		
The return on plan assets, excluding the amount included in the Net Interest Expense	-4,185	6,729
Other:		
Contributions from employer	1,167	1,258
Contributions from employees into the scheme	282	308
Benefits paid	-1,698	-1,750
Closing fair value of scheme assets	33,614	40,929

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

	2019-20	2020-21
	£'000	£'000
Opening balance at 1 April	59,415	54,015
Current Service Cost	1,833	1,521
Interest Cost	1,434	1,242
Contributions from scheme participants	282	308
Re-measurement gain(-)/ loss:		
Actuarial gains/losses arising from changes in demographic assumptions	-1,903	801
Actuarial gains/losses arising from changes in financial assumptions	-5,484	13,882
Other	100	-537
Past Service Cost	36	0
Losses/gains(-) on curtailments	0	0
Benefits paid	-1,698	-1,750
Closing balance at 31 March	54,015	69,482

Local Government Pension Scheme assets comprised:

	2019-20			2020-21		
	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
Equity Securities						
Consumer	86	0	86	105	0	105
Manufacturing	25	0	25	31	0	31
Energy and Utilities	71	0	71	86	0	86
Financial Institutions	107	0	107	130	0	130
Health and Care	25	0	25	30	0	30
Information Technology	28	0	28	34	0	34
Other	244	0	244	297	0	297
Debt Securities						
UK Government	2,841	5	2,846	3,459	7	3,466
Other	435	0	435	530	0	530
Private Equity						
All	0	1,550	1,550	0	1,887	1,887
Real Estate						
UK Property	0	2,513	2,513	0	3,059	3,059
Overseas Property	0	0	0	0	0	0
Investment Funds and Unit Trusts						
Equities	13,500	0	13,500	16,438	0	16,438
Bonds	1,420	0	1,420	1,730	0	1,730
Hedge Funds	3	0	3	3	0	3
Commodities	0	1,189	1,189	0	1,448	1,448
Infrastructure	0	1,768	1,768	0	2,153	2,153
Other	3,365	3,475	6,840	4,097	4,231	8,328
Derivatives						
Interest Rate	0	0	0	0	0	0
Foreign Exchange	-43	0	-43	-52	0	-52
Cash and Cash Equivalents:						
All	1,007	0	1,007	1,226	0	1,226
Total Assets	23,114	10,500	33,614	28,144	12,785	40,929

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 2021 based on a roll forward from the 2019 formal valuation.

The significant assumptions used by the actuary have been:

	2019-20	2020-21
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.5	21.7
Women	23.8	24.2
Longevity at 65 for future pensioners:		
Men	22.2	22.6
Women	25.2	25.9
Rate of inflation		
	1.9%	2.85%
Rate of increase in salaries		
	2.4%	3.35%
Rate of increase in pensions		
	1.9%	2.85%
Rate of discounting scheme liabilities		
	2.3%	2.00%

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, for example, 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%)	644	
Rate of increase in pensions (increase by 9%)	6,004	
Rate for discounting scheme liabilities (decrease by 10%)		6,788

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 £1,242k in expected contributions to the scheme in 2021-22.

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 (for example, 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 or for 2020-21 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 positions at 31 March 2020 and 31 March 2021 continue 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. However, the actuary’s approximate analysis expects a very small impact on the fund and so no adjustments have been made as at 31 March 2021.

35 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2019-20		2020-21
£’000		£’000
-360	Interest Received	-284
1,168	Interest Paid	1,168

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

2019-20		2020-21
£'000		£'000
2,213	Depreciation	2,240
326	Impairment and downward valuations	97
37	Amortisation	26
0	Increase/(decrease) in bad debt provision	0
778	Increase/(decrease) in creditors	4,721
-79	(Increase)/decrease in debtors	-4,395
1,245	Movement of pension liability	735
1,006	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	266
98	Other non-cash items charged to the net surplus or deficit on the provision of services	357
5,624		4,047

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

2019-20		2020-21
£'000		£'000
-1,208	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-308
-167	Other items for which the cash effects are investing or financing activities	-343
-1,375		-651

36 Cash Flow Statement – Investing Activities

2019-20		2020-21
£'000		£'000
-3,262	Purchase of Property, Plant and Equipment, investment property and intangible assets	-2,520
-14,000	Purchase of short term and long term investments	-17,000
95	Other payments for investing activities	0
1,186	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	285
9,000	Proceeds from short and long term investments	14,000
163	Other receipts from investing activities	682
-6,818	Net cash-flows from investing activities	-4,553

37 Cash Flow Statement – Financing Activities

2019-20		2020-21
£'000		£'000
0	Cash receipts of short and long term borrowing	0
-51	Repayments of short and long term borrowing	-51
64	Other payments for financing activities	-244
13	Net cash-flows from financing activities	-295

38 Reconciliation of Liabilities Arising from Financing Activities

	1 April 2020	Financing cash flows	Non-Cash changes		31 March 2021
			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	64	-308	0	0	-244
Total Liabilities from Financing Activities	13	-308	0	0	-295

	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
Total Liabilities from Financing Activities	-96	109	0	0	13

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 2020-21) 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.

At the initial outbreak of the pandemic there was great uncertainty around the Covid response regarding the financial support that would be provided by the government. Indeed, allocation of certain funding such as new burdens funding was very late to be received and some way after the work was accommodated within additional resources.

Despite the pressure the Council rose to the challenge and managed to end the year in a more financially healthy position with regard to reserve levels than when we set the budget and when the implications of covid started to

emerge. However, in order to achieve this we had to strip over £450k of savings from the budget and until government support was known our financial resilience was tested to its limit. We are still in very uncertain times in relation to our main revenue streams and we don't know how smaller businesses are going to fare and specifically how individuals will cope when the central government support network currently being phased out starts to bite later in the year

The savings identified due to this uncertainty which has contributed to the large underspend puts the council in an improved financial position with regard to its reserve levels and will help not just with future financial resilience but also the financial implications that are likely to arise as the council deals with the backlog of work which has been which will need to be addressed moving forward.

Whilst the council ended the financial year in a stable and somewhat improved position the continued impact of Covid-19 and local government funding review will continue to provide great uncertainty and there is a need to continue closely monitoring and managing this if the Council future financial sustainability is to be secured. The risks that have been identified by the Council will need to be managed through Melton's robust risk management processes

The current economic climate continues to prove challenging for the Council in terms of financial management and is currently in a period of great uncertainty due to the ongoing funding review and even more pressing, the continued impact of Covid. The council has been monitoring closely the financial impact of Covid in terms of both additional expenditure being incurred and income shortfalls, liaising with Government to access funding on offer through specific grants and direct support through the expenditure support grants and income guarantee scheme. As the Council progresses with its recovery work, the impact of providing certain demand-led services such as homelessness in the future will need to be assessed as such services may incur additional costs moving forward. Without sufficient revenue reserves the Council will have no contingencies for any unforeseen events as well as having no resources to invest in efficiency and transformation projects. The Council is currently working up a sustainability plan to consider any savings options available to mitigate these risks.

The MTFs was reviewed as part of the budget setting process for 2021-22 which resulted in a balanced budget for 2021-22.

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 £1.071m which is £431k 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 July 2022 which demonstrates the Council's ability to work within its Capital Financing Requirement and Cash management framework, with a cash balance of £19m forecast at the end of the period. We are therefore confident that the going concern basis of accounting will continue to be applicable for a period of 12 months from the date of approval of these financial statements.

The Statement of Accounts summarises the Council's transactions for the 2020-21 financial year and its position at the year end of 31 March 2021. 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 2020-21, 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 for example, 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:

- 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.
- 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.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- 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, for example, 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 and 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 2020-21.

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 (for example, repairs and maintenance) is charged as an expense when it is incurred.

A de-minimus level of £10k has been set for capitalisation (for example, 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 (for example, 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 (for example, freehold land and certain Community Assets) and assets that are not yet available for use (for example, 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 (for example, 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 14 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 35 years.
Parkside	Yes	Depreciation charge based on estimated useful life of 42 years.
Cattle Market	Yes	Depreciation charge based on estimated useful life of 7-48 years.
Children's Centres	Yes	Depreciation charge based on estimated useful lives of 37 years.
Public Conveniences	Yes	Depreciation charge based on estimated useful lives of 12-49 years.
Melton Sports Village	Yes	Depreciation charge based on estimated useful life of 11 years.
Other Assets	Yes	Depreciation charge based on estimated useful lives of 12-36 years.
Vehicles, Plant Furniture and Equipment	Yes	Depreciation provided on basis of estimated useful life of between 1-26 years.
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 (for example, 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 2021 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and 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 and 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 £42k for every year that useful lives had to be reduced.</p>
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 £6.8m.
Arrears	At 31 March 2021 the Council had a balance of sundry Receivables of £1,205K. A review of significant balances suggested that an impairment of doubtful debts of 27.43% (£330K) 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 £385k increase in the allowance for the impairment of doubtful debts.

Item	Uncertainties	Effect if actual results differ from assumptions
Fair Value Measurements	<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).</p> <p>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 and 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>
NNDR Appeals Provision	<p>Within Provisions in Note 32, £572K 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 £58K in the level of provision.</p>

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.

2019-20			2020-21
£'000		£'000	£'000
	Expenditure		
2,525	Repairs and Maintenance	2,802	
1,612	Supervision and Management	1,604	
138	Rent, rates, taxes and other charges	128	
1,978	Depreciation, impairment and revaluation losses of non-current assets	2,121	
28	Debt Management Costs	28	
45	Movement in the allowance for bad debts	-13	
6,326	Total Expenditure		6,670
	Income		
6,820	Dwelling Rents	6,939	
88	Non-dwelling Rents	80	
638	Charges for services and facilities	572	
7,546	Total Income		7,591
-1,220	Net expenditure/ income (-) of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement		-921
214	HRA services share of Corporate and Democratic core	200	
14	HRA services share of Non-Distributed Costs	12	
-992	Net expenditure/ income (-) of HRA Services		-709
	HRA Share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:		
-172	Gain on sale of HRA non-current assets	-18	
1,168	Interest Payable and similar charges	1,169	
-165	Interest and Investment Income	-108	
84	Net interest on the Net Defined Benefit Asset/Liability(-)	70	
-77	Deficit/ Surplus(-) for the year on HRA Services		404

Statement of Movement on the HRA Balance

2019-20		2020-21
£'000		£'000
-1,897	Balance on HRA at end of previous year	-1,721
-77	Deficit/ surplus (-) for the year on the HRA Income and Expenditure Statement	404
9	Adjustments between accounting basis and funding basis under statute	-128
-68	Net decrease/increase (-) before transfers to/from reserves	276
244	Transfers from(-)/to earmarked reserves	695
176	Increase(-)/Decrease in the year on the HRA	971
-1,721	Balance on the HRA at end of current year	-750

Note to the Movement on the HRA Statement

2019-20		2020-21
£'000		£'000
	Adjustments between Accounting basis and funding basis under statute	
0	Accumulated Absences accrual	-30
172	Gain/Loss (-) on sale of non-current assets	18
-163	HRA Share of contributions to/from the Pensions Reserve	-116
9		-128
	Transfers to/from (-) Reserves	
334	Transfer to Major Repairs Reserve	329
-568	Transfer from Capital Adjustment Account	-716
478	Transfers to other Reserves	1,082
244		695

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

2019-20		2020-21
Dwellings		Dwellings
1,811	At 1 April	1,801
16	Sold during year	4
0	Converted in year	1
6	Purchased/Built in year	4
1,801	At 31 March	1,802

2 Type of Dwelling

2019-20		2020-21
Dwellings	At 31 March	Dwellings
803	Houses	802
286	Bungalows	287
712	Flats and maisonettes	713
1,801		1,802

3 Movement in Fixed Assets

	Operational assets					Non-Operational Assets	Total
	Dwellings	Other land and buildings	Vehicles, Plant, Furniture and Equipment	Community Assets	Surplus assets not held for sale	Other land and buildings	
	£'000	£'000	£'000	£'000	£'000	£'000	
Net book value 31 March 2020	93,388	2,591	156	15	0	0	96,150
Revaluation Adjustment	0	0	0	0	0	0	0
Net Book Value 1 April 2020	93,388	2,591	156	15	0	0	96,150
Movement in 2020-21							
Spending in Year	2,343	0	6	0	0	0	2,349
Disposals	-115	0	0	0	0	0	-115
Reclassification	-85	-51	0	0	10	0	-126
Transfers	0	0	0	0	0	0	0
Revaluation increase/decrease recognised in the Revaluation Reserve	4,174	-483	0	0	0	0	3,691
Revaluation increase/decrease recognised in the surplus/deficit on the provision of services	-629	-57	-22	0	-8	0	-716
Depreciation / Amortisation	-1,308	-79	-17	0	0	0	-1,404
Net book value at 31 March 2021	97,768	1,921	123	15	2	0	99,829

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 2020-21 the valuer has altered the property values in the HRA reflecting the current condition of the housing market.

4 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	
	2019-20	2020-21	2019-20	2020-21
	£'000	£'000	£'000	£'000
Balance outstanding at start of year	0	0	292	147
Assets newly classified as held for sale	0	0	149	126
Revaluation Gains	0	0	-2	-1
Assets declassified as held for sale	0	0	0	0
Assets Sold	0	0	-292	-147
Balance outstanding at year end	0	0	147	125

At 31 March 2021 it was considered 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 re-classified 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 Intangible Asses

	2019-20	2020-21
	£'000	£'000
Net carrying amount at year start	0	0
Additions:		
Purchases	0	105
Disposals	0	0
Amortisation in period	0	0
Amortisation De-recognition- Disposals	0	0
Net Carrying Amount at year end	0	105

6 Vacant Possession Value of Dwellings

The vacant possession value of dwellings within the HRA at 1 April 2020 was £223m and at 31 March 2021 had increased to £233m.

7 Economic Cost of Providing Council Housing

The valuation at 1 April 2020 of £94m and at 31 March 2021 of £98m is lower than the vacant possession value on the open market of £223m and £233m 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 and Local Government's Guidance on Stock Valuations as available at the time the accounts were closed.

8 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 2020-21.

9 Capital Expenditure:

Financing of Capital Expenditure

2019-20		2020-21
£'000		£'000
2,795	Dwellings	2,343
54	Other Land and Buildings	0
0	Vehicles, Plant and Equipment	6
0	IT Software	105
2,849		2,454
331	Capital Receipts Reserve	879
0	HRA Working Balance	0
1,605	Major Repairs Reserve	1,470
913	Development and Regeneration Reserve	105
0	Contribution from Third Party	0
2,849		2,454

Summary of Capital Expenditure

2019-20		2020-21
£'000		£'000
274	Aids and Adaptations	133
120	Major Void Repairs	99
232	Communal Refurbishment	9
257	Replacement Heating Systems	252
8	Re-roofing	6
72	Windows and Doors replacement	84
23	New Kitchens and Bathrooms	0
528	Rewiring	112
1,086	New Build/Affordable Housing Projects	864
82	Fire Safety and Health and Safety related Works	614
162	Capitalisation of salaries	176
5	Fire damaged property	0
0	IT Systems	105
2,849		2,454

10 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:

2019-20		2020-21
£'000		£'000
1,186	Dwellings	285
0	Land	0
0	Discount Repaid	0
1,186		285

11 Depreciation

Depreciation is referred to in detail in note 39 (I) of the accounting policies section and in note 3 to the HRA. In 2020-21 £1,404k depreciation has been charged to the HRA (£1,408k 2019-20).

12 HRA Reserves

Major Repairs Reserve

2019-20		2020-21
£'000		£'000
2,472	Balance brought forward 1 April	2,609
1,408	Cash backed Depreciation from the HRA	1,404
0	Decent Homes Funding	0
-1,605	Capital Expenditure – Dwellings	-1,470
0	Contribution to previous year Capital Expenditure	0
0	Repayment of Borrowing Principal	0
334	Transfer from the HRA	329
2,609	Balance carried forward 31 March	2,872

Development and Regeneration Reserve

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

2019-20		2020-21
£'000		£'000
5,052	Balance brought forward 1 April	4,627
755	Transfer from the HRA	1,276
-267	Transfer to the HRA	-193
-913	Capital Expenditure – Development and Regeneration	-105
4,627	Balance carried forward 31 March	5,605

13 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 and Expenditure Account	2019-20	2020-21
	£'000	£'000
Service Cost:		
Current Service Cost	182	208
Net Interest:		
Interest Cost on defined benefit obligation	223	184
Interest Income on plan assets	-182	-208
Total Defined Benefit Cost recognised in Income and Expenditure Account	223	184
Statement of Movement on the HRA Balance:		
Reversal of Net Charges made for retirement benefits in accordance with IAS 19	-223	-184
Actual amount charged against the HRA for the pensions in the year:		
Employers Contributions Payable to the Scheme	103	162

14 Rent Arrears

At 31 March 2021 rent arrears (including ancillary services) as a proportion of gross rent debit were 7.85% (31 March 2020 – 7.98%). The total arrears figures are as follows:-

2019-20		2020-21
£'000		£'000
Arrears at 31 March:		
324	Current Tenants	297
280	Former Tenants	296
604		593

The HRA no longer collects any amounts from other agencies from 2019-20.

15 Doubtful Debts Provision of Uncollectable Debts

2019-20		2020-21
£'000		£'000
330	Housing Rents, Fees and Charges	301
44	Sundry Receivables	35
374		336

During the year £27k (2019-20 £93k) 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.

2019-20	2019-20	2019-20		2020-21	2020-21	2020-21
Council Tax	Non-Domestic Rates	Total		Council Tax	Non-Domestic Rates	Total
£'000	£'000	£'000		£'000	£'000	£'000
Amounts Required by statute to be credited to the Collection Fund:						
34,002		34,002	Council Tax	35,585		35,585
-4		-4	Transfers from the General Fund - Council Tax Benefits	-4		-4
	14,850	14,850	Non-domestic rates		8,307	8,307
	282	282	Transitional protection payments - non-domestic rates		10	10
113	118	231	Contribution towards previous year's collection fund deficit	38	175	213
Amounts Required by statute to be debited to the Collection Fund:						
Precepts and demands from major preceptors - Council Tax:						
24,124		24,124	Leicestershire County Council	25,446		25,446
3,774		3,774	Melton Borough Council	3,911		3,911
4,168		4,168	Police and Crime Commissioner for Leicestershire	4,416		4,416
1,244		1,244	Combined Fire Authority	1,287		1,287
656		656	Parish Councils	692		692
Shares of Non-domestic rating income to major preceptors:						
	5,473	5,473	Leicestershire County Council		1,325	1,325
	5,623	5,623	Melton Borough Council		5,891	5,891
	150	150	Combined Fire Authority		147	147
	3,749	3,749	Payment with respect to central share		7,364	7,364
			Transitional protection payments receivable			
			Distribution of previous year's estimate surplus		40	40
Disregarded Amounts:						
	136	136	Renewable Energy		136	136
Impairments of Debts/appeals:						
124		124	Write-offs or uncollectable amounts	63		63
-9	58	49	Allowance for impairment	125	25	150
	60	60	Charge to General Fund for allowable collection costs for non-domestic rates		61	61
	47	47	Other transfers to collection fund in accordance with non-domestic rates regulations		144	144
-30	46	16	Movement on Fund Balance	321	6,641	6,962
201	442	643	Opening Fund Balance	171	488	659
171	488	659	Closing Fund Balance	492	7,129	7,621

Bad Debt Provision – Summary (Memorandum)

	Balance 31 March 2020	Write-offs	Increased Provision	Reduced Provision	Balance 31 March 2021
	£'000	£'000	£'000	£'000	£'000
Business Rates	92	15	25	0	102
Council Tax	403	63	188	0	528
	495	78	213	0	630

Notes to Collection Fund Statement

1 Council Tax Base

Band	Range of Values	Number of Properties (Valuation List March 2020)	Council Tax Base Band D Equivalents*
<A	Adapted for disabled use		4
A	Up to £40,000	3,607	1,665
B	Over £40,000 and up to £52,000	7,250	4,555
C	Over £52,000 and up to £68,000	3,808	2,963
D	Over £68,000 and up to £88,000	3,578	3,321
E	Over £88,000 and up to £120,000	2,404	2,756
F	Over £120,000 and up to £160,000	1,446	1,978
G	Over £160,000 and up to £320,000	966	1,525
H	Over £320,000	93	170
Total		23,152	18,937

* Used for the purpose of setting the Council Tax for 2020-21

2 Non Domestic Rates

Non Domestic Rateable Value as at	31 March 2020	31 March 2021
	£39,504,284	£39,293,939
Rate Multiplier for	2019-20	2020-21
Small business Non –domestic rating multiplier	49.1	49.9
Non-Domestic rating multiplier	50.4	51.2

3 Collection Fund Arrears

2019-20			2020-21	
£'000	£'000		£'000	£'000
476		Business Ratepayers	464	
-92		Provision for Bad Debts	-102	
	384			362
1,757		Council Taxpayers	2,047	
-403		Provision for Bad Debts	-529	
	1,354			1,518
	1,738			1,880

4 Collection Rate

The assumed collection rate for the calculation of the Council Tax Base in 2020-21 was 99.1% (2019-20 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, for example, 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, for example, 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 (for example, 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 and 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