

Tamworth Borough Council

# Statement of Accounts 2020/21



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# **STATEMENT OF ACCOUNTS**

## **2020/21**

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## THE NARRATIVE REPORT

The aim of this Narrative Report is to provide a context to the accounts by presenting a clear and simple summary of the Authority's financial position and performance for the year and its prospects for future years.

The statement of accounts presents the financial position and performance of the Authority for the year ended 31<sup>st</sup> March 2021. This narrative report describes the nature and purpose of each of the statements which follow and highlights the most significant matters which are contained within the accounts and the major influences affecting the Authority's income, expenditure and cash flows.

## THE FINANCIAL STATEMENTS

The Annual Statement of Accounts for the year ended 31<sup>st</sup> March 2021 has been prepared in accordance with the guidelines contained within the latest Code of Practice on Local Authority Accounting in the United Kingdom for 2020/21.

The Code is based on International Financial Reporting Standards (IFRS), and has been developed by the CIPFA/Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code Board overseen by the Financial Reporting Advisory Board.

The Authority's accounts for 2020/21 are set out on pages 29 to 139 and consist of the following:

### Core Financial Statements:

- **Comprehensive Income and Expenditure Account (CIES):** 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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The net effect to the Council taxpayer is shown in the Movement in Reserves Statement.

A deficit of £6.6m is reported for 2020/21 (£13.1m surplus 2019/20). This is mainly explained by a re-measurement of the Net Defined Benefit Liability relating to the pension fund which resulted in a deficit of £9.7m (a surplus of £12.9m was reported in 2019/20) resulting mainly from financial assumption changes.

It also included a £8.6m gain on Revaluation of Property, Plant and Equipment Assets, as well as a deficit on the provision of services of £5.4m.

- **Movement in Reserves Statement:** shows the movement in the year on the different reserves held by the Authority, analysed into 'Usable Reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

The Movement in Reserves Statement shows a net General Fund surplus of £1.1m for the year. This equates to a favourable variance of £2.2m (the planned transfer from balances at the start of the year in the original budget was £1.1m) and has resulted in General Fund Balances of £8.0m (£6.9m – 2019/20). Earmarked General Fund Reserves have increased by £8.7m to £18.1m resulting in total General Fund Reserves of £26.1m (£16.3m – 2019/20) and reflect the risks and uncertainties facing the Authority over the medium term.

- **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 £197.5m (£204.2m 2019/20) which are matched by the reserves held by the Authority.

Key items are:

### Long Term Assets

The Authority holds property, plant and equipment assets of £224.6m (£223.0m 2019/20) – mainly due to Council dwellings of £198.1m (£187.1m 2019/20).

### Working Capital

Net working capital has reduced to £40.9m (£43.6m 2019/20) mainly due to an increase of £5.0m in long term investments.

### Provisions, Usable Reserves and Balances

The working balances as at 31<sup>st</sup> March 2021 are £65.9m (£52.8m 2019/20) and comprise provisions, earmarked reserves, revenue balances and the unused element of capital receipts.

31st March 2020 £000	Provisions, Usable Reserves and Balances	31st March 2021 £000
2,032	Provisions	2,637
17,176	Earmarked Reserves	29,359
13,134	Revenue Balances	13,613
20,431	Unused Capital Receipts & Grants	20,282
52,773	Total Working Balances	65,891

Working balances of £31.7m (£29.7m 2019/20) relate to capital (including the Capital Reserve of £9.6m). Deferred capital expenditure of £27.5m from 2020/21 and previous years carried forward to 2021/22 will be financed in part from these balances (£21.1m 2019/20).

## **Borrowing Facilities**

The Authority borrows funds where necessary to meet both long term capital expenditure commitments and short-term cash flow demands. Funds are borrowed from the Government (Public Works Loan Board - PWLB) and from the commercial money market (banks, building societies and other lenders). The Authority's debt at 31<sup>st</sup> March 2021 was £63.1m (£63.1m 2019/20) and was all borrowed from the PWLB.

## **Pensions**

The pension fund deficit has increased in the year to £50.2m (£41.3m 2019/20) and is required to be shown on the Balance Sheet of the Authority.

The change in financial assumptions adopted for period ending 31<sup>st</sup> March 2021 can be approximately broken down as follows:

- Pension Increase Rate – Market derived CPI inflation has risen over the period, which has led to a 0.95% increase in this assumption. This has served to increase the Employer's obligations and led to a loss of around £21.5m on the balance sheet.
- The change in the CPI inflation assumption is a result of underlying changes in market implied RPI, coupled with a change in the derivation of the CPI assumption from the previous year (due to the government's RPI reform announcements in November 2020). The breakdown of the impact of these components is as follows:
  - a) Market implied RPI has risen over the period, which has led to a 0.5% increase in this assumption. This has served to increase the Employer's obligations and led to a loss of around £11.3m on the balance sheet.
  - b) The derived gap between RPI and CPI reduced since the previous accounting period, which has led to a 0.45% increase in the pension increase assumption. This has served to increase the Employer's obligations and led to a loss of around £10.2m on the balance sheet.
- Salary Increase Rate – the salary increase assumption has risen over the period by 0.95% in line with CPI inflation (as above), which underpins the Fund's standard salary increase assumption. This has served to increase the Employer's obligations and led to a loss of around £2m on the balance sheet.
- Discount rate – The corporate bond yield (upon which the discount rate is derived) has fallen over the period, which has led to a 0.3% reduction in this assumption. This has served to increase the Employer's obligations and led to a loss of around £7.5m on the balance sheet.

- Changes in demographic assumptions (c.£1.8m loss on the balance sheet). The longevity assumptions have changed from the previous accounting period to reflect the latest available mortality improvement tables. This update has served to increase the Employer's obligations.
- Other experience (c.£1.3m gain on the balance sheet). 'Other experience' captures any adjustments made to the roll forward approach to allow for actual experience over the period. In the year immediately following a triennial funding valuation this item can be large as three years of actual membership experience flows through the accounts. However, in years 2 (which is the period these accounts covers) and 3 following the funding valuation, the roll forward calculations do not make allowance for actual experience other than those noted below.
  - a) Actual pension increase order – The actual PI order for April 2021 was 0.5%, which is lower than the pension increase rate assumption of 1.90% built into the obligations at the start of the accounting period. The impact of applying this lower increase assumption for serves to reduce the obligations by the order of 1%.
  - b) Unfunded pensioners – Where the Council has experienced more (or less) unfunded pensioner deaths over the period, this will give rise to a (typically small) or experience gain (loss) on the balance sheet.
- Return on assets excluding amounts included in net interest (c.£21.2m gain on the balance sheet). Any excess return (over and above the expected accounting return, i.e. the discount rate at the start of the accounting period) is recognised in the OCI. The total investment return achieved by the Fund over the accounting period was 25.0%, compared to an expected accounting return of 2.30%.

It should be noted that there has been no impact on the net cost to the taxpayer arising from this - contribution levels remain unchanged (an ongoing annual contribution of 16.5% p.a. plus a fixed lump sum element) arising from the formal valuation on 31<sup>st</sup> March 2019 (following the triennial review).

- **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.

▪ **Supplementary Statements:**

- **Housing Revenue Account:** reflects the statutory requirement to maintain a separate account for Council Housing.

The overall revenue financial position relating to Council Housing as given on page 129 shows a decrease in HRA balances for the year of £0.6m (£1.8m decrease in 2019/20).

This equates to an underspend of £0.7m when compared to the approved budget for the year. This has resulted in decrease in balances from £6.3m to £5.6m to be carried forward to 2021/22. Earmarked HRA Reserves have increased by £2.9m (£7.2m reduction – 2019/20) to £9.2m resulting in total HRA Reserves of £14.9m (£12.6m – 2019/20).

- **The Collection Fund:** shows the Council Tax income collected on behalf of Staffordshire County Council, the Office of the Police and Crime Commissioner (OPCC), the Staffordshire Commissioner Fire and Rescue Authority and this Authority's General Fund.

The fund also includes Non Domestic Rates income under the Business Rates Retention Scheme.

The Collection Fund, subject to collection of outstanding arrears, achieved the following:

- Council Tax – surplus of £1.0m (£1.6m – 2019/20, the Authority's share is 10%), of which £0.6m (£0.8m – 2019/20) will be distributed to preceptors during 2021/22;
- NDR – deficit of £20.9m (£0.8m surplus in 2019/20) of which the Authority's share is 40%, mainly as a result of the significant level of additional business rates relief of c. £18m for retail, hospitality and leisure businesses due to the COVID-19 pandemic.

The deficit relating to the NDR collection fund includes an increased provision of £6.6m, (£5.1m – 2019/20) with £2.6m being the Authority's share (£2.0m – 2019/20), for appeals outstanding on the 31<sup>st</sup> March 2021 of £98.9m (£93.6m – 2019/20).

This will mean that the deficit will be £8.4m (share for this Authority) for 2021/22 comparable to a deficit of £7.1m included within the 2021/22 budget. It should be noted that this will be funded in 2021/22 through additional section 31 Government grants received during 2020/21 (and transferred to reserve).

These accounting statements are supported by appropriate notes to the accounts and the General Accounting Policies. For 2020/21, the notes to support the primary statements include the relevant accounting policies as well as further detail regarding individual transactions.



## CHANGES TO THE ACCOUNTS 2020/21

An updated Code of Practice, applicable for 2020/21 was issued by CIPFA in July 2020.

Changes reflected in the 2020/21 updated Code do, on the whole, have to be incorporated into the Authority's accounts but do not necessarily impact on the Authority's accounting policies. This is because the changes are principally around additional or changed disclosure notes, points of clarification and additional guidance etc.

The key accounting changes applicable to the Authority in the 2020/21 edition of the Code include:

- a) Amendments to implement and emphasise the application of *Amendments to IAS 1 and IAS 8: Definition of Material*. For example the importance of ensuring that material information is not obscured for users is specified in Section 2.1. Reference to this is also made in Section 4.1 Property, Plant and Equipment, Section 6.4 Post-Employment Benefits, and Section 7.3 Financial Instruments: Disclosure and Presentation Requirements.
- b) Implementation of *Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement* in Section 6.4 Post-Employment Benefits, including reference to materiality requirements and specification of factors to consider in making an initial proxy assessment of quantitative materiality.
- c) Reference to arrangements for the application of accounting standards arising as a consequence of the United Kingdom's withdrawal from the European Union.
- d) Legislative amendments including the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2018 relating to investments in specified pooled investment funds that are measured at fair value through profit or loss (FVPL), and back payments following unequal pay.
- e) Amendment to Section 6.5 Accounting and Reporting by Pensions Funds to align specific investment asset line item descriptions in the net asset statements with the Pensions SORP.
- f) Amendments relating to financial instruments:
  - i) fair value through profit or loss financial instrument entries are specified as included in the financing and investment income and expenditure line

- ii) clarification regarding the extent of exemption from impairment allowance treatment relating to some balances with other public sector bodies
  - iii) clarification that the interpretation regarding LOBOs does not relate to compound embedded derivatives if separation of the exempted derivative is not permitted by IFRS 9
  - iv) clarification that the modification of financial liabilities follows the principles specified for modification of financial assets
  - v) allowance for soft loans to be specified at below zero (ie negative) interest rates.
- g) Other amendments including:
- i) fees and charges for services under statutory requirements specified to include Housing Revenue Account tenancy rental income
  - ii) references to RICS valuation guidance publications updated
  - iii) signage used at the foot of the Comprehensive Income and Expenditure Statement should be clearly identified
  - iv) recognition that the presentation of a disclosure of movements in property, plant and equipment for the year may differ from Whole of Government Accounts practices.

An appendix to the Code is included setting out the changes agreed by CIPFA/LASAAC in relation to the adoption of IFRS 16, which has been deferred to the 2021/22 Code and will apply from 1<sup>st</sup> April 2021.

Under the oversight of the Financial Reporting Advisory Board, the CIPFA/LASAAC Code Board is in a position to issue mid-year updates to the Code. This will only be done in exceptional circumstances.

In England and Wales, the Code constitutes a 'proper accounting practice' under the terms of Section 21(2) of the Local Government Act 2003. In Scotland, the Code constitutes proper accounting practice under Section 12 of the Local Government in Scotland Act 2003. In Northern Ireland, the status and authority of the Code derives from Regulation 2 of the Local Government (Capital Finance and Accounting) Regulations (Northern Ireland) 2011 and through the relevant accounts direction issued by the Department for Communities (Northern Ireland)

## RESPONSE TO THE CORONAVIRUS PANDEMIC

The Pandemic remains a significant challenge to Councils and the Prime Minister, following an impromptu attendance at a Council Leaders & Chief Executives briefing, praised Local Authorities for their continued efforts.

The Council continued to support vulnerable people, deliver critical front line services and scaled-up its response to COVID-19 during the year including the payment of significant levels of grants to local businesses, individuals through the test and trace scheme and expanded businesses rates relief to retail, hospitality and leisure businesses.

Importantly, the COVID-19 emergency, tested the Council's ability to move at pace, prioritise its service delivery and demonstrate its core values & purpose. Successfully the Council was able to: -

- Continue the delivery of all critical front line services. Specifically bin management, cleaning and grounds maintenance were continued
- Increase residents' resilience and access to information through empowering and working with 'anchor' and third sector organisations to support our most vulnerable
- Utilise Council resources effectively, with a significant shift to digital working solutions as well as the proactive and dynamic management of demand through deployment and combinations of home and agile working
- Re-enforce Tamworth Communities offer through securing an intelligence led and positive data sharing platform with major stakeholders to support those extremely and / or clinically vulnerable
- Continue to improve front line service delivery by delivering on previously agreed corporate projects such as CCTV shared service with the WMCA; de-mobilisation and mobilisation of multi-million pound repairs contract(s); implement significant policy changes, including the Councils allocation policy
- Support our most vulnerable through preventing homelessness and helping people access suitable housing amidst major Government initiatives including the "everyone" in campaign, whilst also pausing non-essential moves

When the Government initiated the lock-down in March 2020, the Council's response was significant and the following diagram evidences the continuation of services:



The government has provided a range of financial support packages throughout the COVID-19 pandemic. These include additional funding to support the cost of services or offset other income losses and also grant packages to be paid out to support local businesses - administered by local billing authorities e.g. the Small Business Grant Fund; Retail, Hospitality and Leisure Grant Fund; multiple Local Restrictions grants i.e. open, closed, sector, additional. Billing authorities are responsible for paying over the grants to the businesses and are then reimbursed by government using a grant under Section 31 of the Local Government Act 2003 (S31). Some of the schemes are fully reimbursed, others are a set allocation.

The Council has considered the nature and terms of the various COVID-19 measures in order to determine whether there is income and expenditure to be recognised in the Comprehensive Income and Expenditure Statement (CIES) in 2020/21 with regard to the general principle of whether the authority is acting as the principal or agent.

Where the Council is administering the distribution of the grant, is fully reimbursed for delivering that funding (and the authority is not liable for any overpayments), the amount of the award is predetermined based on business rate relief or rateable value, this indicates that the authority is acting as an intermediary for the Department for Business, Energy and Industrial Strategy (BEIS) and does not have 'control', accounting as an agent would be appropriate. Similarly, this is also the case for the Test and Trace grants awarded as an agent for the Department for Work and Pensions (DWP).

The grant has not been reported as income and expenditure, and balances relate only to sums due to or from the authority.

Where the Council has discretion over the businesses to support and the amount of the award, it is acting as a principal as opposed to acting as an agent, and transactions have been included in the financial statements.

The following table summarises the position for each of the grant support schemes.

Grant	Government Funding	Grants Paid
	£'000	£'000
Small Business Grants Fund (SBGF) (to August 2020)	(7,290)	7,240
Retail, Hospitality and Leisure Grant Fund (RHLGF) (to August 2020)	(4,300)	4,300
The Local Restrictions Support Grant (Closed) Addendum (5 January onwards)	(3,836)	2,865
Local Restrictions Support Grants (LRSG) (closed) (applicable 1 <sup>st</sup> August – 5 <sup>th</sup> November, and also version 2 applicable 2 <sup>nd</sup> December onwards)	(369)	167
Christmas Support Payment	(26)	25
Closed Businesses Lockdown Payment (CBLP)	(2,826)	2,013
Local Restrictions Support Grant (open) – applicable 1 <sup>st</sup> August – 5 <sup>th</sup> November, and also version 2 applicable 2 <sup>nd</sup> December onwards	(43)	
<b>Total Agent (BEIS)</b>	<b>(18,690)</b>	<b>16,610</b>
Test and Trace Support Payment Scheme - Main Scheme	(185)	98
Test and Trace Support Payment Scheme - Discretionary Scheme	(79)	33
<b>Total Agent (DWP)</b>	<b>(264)</b>	<b>130</b>
Additional Restrictions Grant (ARG)	(2,215)	1,018
Local Authority Discretionary Grant Fund (LADGF) (to August 2020)	(458)	458
<b>Total Principal (BEIS)</b>	<b>(2,673)</b>	<b>1,476</b>
Council tax: COVID-19 hardship fund	(566)	492

## FINANCIAL OUTLOOK

When Council approved the 2020/21 Budget and Medium Term Financial Strategy on 25<sup>th</sup> February 2020, future levels of funding for the Council were uncertain pending the most significant changes in Local Government funding for a generation. The reforms were planned to be in place by 2020/21 but were deferred until 2021/22. The Government has confirmed that the longer-term reforms for the local government finance system (including the move to 75% **Business Rates Retention** and **Fairer Funding Review** of Relative Needs and Resources) will be deferred again as a result of the COVID-19 pandemic, although no timescales have been released. In addition, the next planned national **Business Rates Revaluation**, planned for 2021 has now been deferred to 2023.

With regard to the Housing Revenue Account, a 5 year MTFs was approved by Council including significant investment in Regeneration projects to meet future housing needs and sustain the HRA in the longer term.

On 21<sup>st</sup> July 2020, the Chancellor launched the 2020 Comprehensive Spending Review (CSR). The aim of the Review, which was to have been published in the autumn, was to set out the government's spending plans for the parliament – UK Government departments' resource budgets for the years 2021/22 to 2023/24 and capital budgets for the years 2021/22 until 2024/25, and devolved administrations' block grants for the same period. However, on 21<sup>st</sup> October 2020, the Treasury formally announced that the Spending Review would be narrowed in scope to cover one year only, setting departments' resource and capital budgets for 2021/22. The NHS, schools, and 'priority infrastructure projects' (e.g. HS2 and hospital building) will still be fully funded for multi-year resource settlements.

Previously, the Chancellor confirmed that departmental spending (both capital and resource) would grow in real terms across the CSR period and that the government would deliver on the commitments made at Budget to level up and invest in the priorities of the British people. Given the impact COVID-19 has had on the economy, the Chancellor was clear there would need to be tough choices in other areas of spending at the review. As part of their preparations for the CSR departments were asked to identify opportunities to reprioritise and deliver savings. Departments were also required to fulfil a series of conditions in their returns, including providing evidence they are delivering the government's priorities and focussing on delivery.

The Government had previously said it would keep an open dialogue with the local authorities about the best approach to the next financial year, including how to treat accumulated business rates growth of £2.0m p.a. (pending the planned business rates baseline reset) and the approach to the 2021/22 local government finance settlement. It was announced as part of the Spending Review, and has now been confirmed as part of the settlement, that there will be no reset for 2021/22 however, no papers were published but the Secretary of State confirmed a commitment to the Fair Funding Review and the business rates reset; but in answering questions from MPs he indicated

only that there “may be an opportunity next year” to bring forward proposals for reform and he confirmed that he did not know when reform would be implemented.

It is also the Government’s intention to look again at the New Homes Bonus for 2022/23 and explore the most effective way to incentivise housing growth. They are consulting on proposals prior to implementation. In the longer-term, the Government remains committed to reform and want to take time to work with local authorities to make sure that the approach is right following the planned reviews.

As a nation we are likely to feel the consequences of the COVID-19 pandemic, and the measures to contain and mitigate its effects, for years to come. The extraordinary events we are living through follow a decade of austerity, triggered by the financial crisis of 2008/09, which had already placed considerable strain on local authorities’ finances.

Increased demand for many local public services, directly related to the outbreak of the virus, placed immediate pressure on authorities’ cash flows and expenditure budgets. The longer-term consequences of recession and unemployment on demand for services have yet to be experienced.

At the same time, several important sources of local authority income including Council Tax, Non Domestic (business) Rates, fees and charges, rents and investment returns have, to a greater or lesser extent, been subject to reduction or suspension.

In light of the projected impact of COVID-19 on the Council’s Medium Term Financial Strategy, an immediate suspension of all non-essential spending was approved by Cabinet on 9<sup>th</sup> July 2020 and that Managers review their budgets and identify all non-essential spending for 2020/21 as part of the quarter 1 projections at 30<sup>th</sup> June 2020 - and approval sought for the budget to be revised to remove these.

No one can know what the effect of the COVID-19 crisis will have on the economy and ultimately the impact for the Council’s finances. It will be many months before we have a clearer idea on how the economy has been affected – including any lasting effects for individual businesses and their employees. Social distancing measures continue and were in place for most of the financial year – impacting mainly on the Council’s ongoing income receipts.

Measures taken to control COVID-19 are leading to heavy economic losses and this has and will continue to affect collection rates, as some individuals and businesses experience financial effects of the pandemic. The uncertainties created by the pandemic have also significantly increased volatility and uncertainty in markets. This applies not only to non-current operational and non-operational property assets held by authorities, but also to investment properties, financial assets and many assets held by pension funds.

Government has provided additional funding of c.£1.3m and the Local Government Association (LGA) and Society of District Council Treasurers (SDCT) will continue to lobby and provide evidence to MHCLG of the income and expenditure pressures that Councils face. MHCLG receive monthly financial updates from Councils including information on Housing Revenue Account pressures.

Financial resilience is and has been the key requirement for local authorities at any time, but in the current crisis it has assumed unprecedented importance. Perhaps the biggest difficulty with the pandemic is that it is impossible to draw any conclusions about how long any effects will last.

During the crisis the Council has lost income which will significantly impact on the potential sustainability of the organisation, as will be the case across many Local Government organisations. It will be necessary for the Council to take an accelerated approach towards the development and implementation of an effective sustainability strategy, linked to an overall vision for the organisation. Cabinet on 22<sup>nd</sup> October 2020 approved the Recovery and Reset programme which aims to consider how we can tackle the financial challenges facing the council as a result of the coronavirus pandemic. This will include reviewing services, reducing waste demand on services (basically this is any action or step in a process that does not add value to the customer), exploring opportunities for income generation and identifying any further savings.

The overriding goal is to make sure our organisation remains fit for the future, while protecting services to the most vulnerable in our community. The Recovery and Reset programme outlines that this work be split into eight projects.

In light of the financial situation facing the Council during 2020/21, Managers were tasked with identifying low level non-essential budgets for removal from the budget – bringing down the savings target of c.£2.0m per annum and limiting the cuts that would otherwise be needed to balance the MTFS in the future.

The budget review identified savings of £1.2m towards the projected lost income anticipated from the impact of COVID-19. In addition to the unringfenced grant of £1.3m, it is also expected that in excess of £1.2m will be received from the projected fees and charges income support grant.

The review included a robust challenge / re-justification process for all vacant posts with a requirement to investigate alternative options including restructuring to fill vacancies / looking at what we can stop doing – with £0.5m savings identified.

There have been increasing demands for councils to assess their going concern status in recent years. This assessment has become more relevant with doubts being expressed about whether some local authorities will be able to deliver their full range of service commitments given the financial pressures they face and with some councils issuing warnings about their future financial



viability. These concerns have gained greater weight following the COVID-19 outbreak and the significant impact that it has had on council finances. It is important to be clear that the Code of Practice under which local authorities operate confirms that councils have no ability to cease being a going concern.

It would not therefore be appropriate for local authority financial statements to be prepared on anything other than a going concern basis. However, as part of putting these accounts together, alongside its overall response to COVID-19, the Council's financial monitoring and planning has continued focus on providing assurance that its financial position remains secure. This includes looking at the COVID-19 related expenditure pressures, the direct impact on council income, assessment of any bad debt provisions and impairments required against existing debts and continued analysis of the Council's cashflow requirements. The calculation of the financial impact of COVID-19 is necessarily subjective and subject to change in the months after the balance sheet date, although early indications have highlighted an indicative gap between the financial costs to the Council and the Government grant provided to fund these (as outlined above). The length and intensity of COVID-19 related measures and society's response to the post-COVID-19 environment will determine the extent of any long-term financial impact.

In the immediate future, the level of the Council's reserve balances is a good indicator of its financial health and ability to withstand any short-term shocks. In addition, the statutory environment in which local authorities operate means that, were an authority to encounter financial difficulties, the prospect would be that central government would implement alternative arrangements for the continuation of services or provide assistance to allow the recovery of any deficit over more than one year. In the light of this and in the opinion of the Executive Director Finance, the Council remains in a sound financial position considering the statutory position held by local authorities and the relative strength of its sources of revenue. In the longer-term, the extent of recovery towards a more familiar post-COVID-19 operational environment and the continued work to redefine a new local government funding mechanism provide significant uncertainty for the whole sector.

## FINANCIAL PERFORMANCE

### General Fund

The main components of the General Fund approved budget and how these compare with actual income and expenditure are set out below.

General Fund	Actual £000	Approved Budget £000	Variance £000
(Surplus) or Deficit for the Year	6,959	9,153	(2,194)

The net expenditure of the Authority was £7.0m, representing an underspend of £2.2m. Major differences between the budget and the outturn are as follows:-

Variance between Budget & Actual Outturn	£000	£000
<b>Increased / Non-Budgeted Income</b>		
COVID-19 income support grant	(1,108)	
Additional Commercial property rental income	(97)	
Additional investment and property fund income	(79)	(1,284)
<b>Shortfalls in Income</b>		
Car Parking income - revised budget £400k (original budget £800k)		69
<b>Savings / Underspends</b>		
NDR Levy reduced due to lower level of NDR income	(446)	
Joint Waste arrangements	(92)	(538)
<b>Other Variances - Net (Underspends) / Overspends</b>		(441)
<b>Total (Favourable) / Unfavourable Variance</b>		<b>(2,194)</b>

## Council Housing

A summary of the Housing Revenue Account for 2020/21, compared with the approved budget (including decisions made by Members during the financial year) is shown below:-

Housing Revenue Account	Actual £000	Approved Budget £000	Variance £000
<b>(Surplus) or Deficit for the Year</b>	<b>641</b>	<b>1,337</b>	<b>(696)</b>

The net deficit was £0.6m, representing an underspend of £0.7m. Major differences between the budget and the outturn are as follows:-

Variance between Budget & Actual Outturn	£000	£000
<b>Increased / Non-Budgeted Income</b>		
Leaseholder Service Charges due		(161)
<b>Non-Budgeted Expenditure / Overspends</b>		
Housing Repairs - additional costs associated with response to COVID-19 including payments made under the Government guidance note PPN02/20	1,001	
Housing Repairs - increased costs associated with void properties	82	1,083
<b>Savings / Underspends</b>		
Housing Repairs - reduced responsive repairs	(554)	
Housing Repairs - reduced planned maintenance	(1,258)	
Contribution to Reserves - Surveys planned for 2020/21 delayed	275	
Contingency Budget not required	(130)	(1,667)
<b>Other Variances - Net (Underspends) / Overspends</b>		49
<b>Total (Favourable) / Unfavourable Variance</b>		<b>(696)</b>

## Capital Expenditure

During 2020/21 the Authority spent £9.5m on capital expenditure (£25.2m in 2019/20). A breakdown by category and sources of finance is shown as Note 34 to the Core Financial Statements on page 105.

The majority of expenditure is related to improvement, enhancement or ongoing construction works:

Capital Expenditure	£m	£m
<b>Housing Capital Programme</b>		
Enhancements to Council Dwellings	4.2	
Regeneration of Tinkers Green and Kerria	2.7	
Acquisition of Council Dwellings	1.5	8.4
<b>General Fund Services</b>		
3G Sports Facilities	0.6	
Other Capital Schemes	0.5	1.1
<b>Total</b>		<b>9.5</b>

A total of £27.5m spending originally planned for 2020/21, or earlier, has been deferred to 2021/22 (£21.1m in the previous year). Included within this deferred expenditure:

Deferred Capital Expenditure	£000	£000
<b>Housing Capital Programme</b>		
Enhancements to Council Dwellings	3,819	
Regeneration of Tinkers Green and Kerria	103	
Acquisition of Council Dwellings	8,075	11,997
<b>General Fund Services</b>		
Property Funds	8,131	
Solway Tamworth LTD LATC	4,000	
Gungate Development	718	
Castle Mercian Trail	96	
Gateways	424	
Community Woodland Cycleway	199	
Amington Community Woodland	232	
Indoor and Outdoor Sports Feasibility	100	
Disabled Facilities Grant	817	
Other Capital Schemes	831	15,548
<b>Total</b>		<b>27,545</b>

- During the year, the Authority disposed of land and property with capital receipts totalling £1.4m, primarily relating to the disposal of 23 Council Dwellings through Right to Buy sales.

## NON-FINANCIAL PERFORMANCE

The Vision for Tamworth is underpinned by high level, evidence based priorities that focus upon both Tamworth (the place), the communities served (the people) as well as the Council (the organisation).

More than ever, we recognise that our financial capacity will be less than in previous years which means that we will need to maintain our approach to innovation, collaboration and transformation. So, not only will the Council seek investment from businesses and developers, but the Council itself will explore viable and sustainable investment opportunities using all returns to support public services. A revised Vision, Strategic Priorities and Corporate Plan for the 3 years from 2019-2022 was approved by Council in February 2020.

### TAMWORTH BOROUGH COUNCIL: VISION

**To put Tamworth, its people and the local economy at the heart of everything we do**

### OUR STRATEGIC PRIORITIES FOR 2019-2022

#### People and Place

- To meet housing needs through a variety of approaches and interventions
- To facilitate sustainable growth and economic prosperity
- To work collaboratively and flexibly to meet the needs of our communities
- To create a new and developing vision for the continued evolution of Tamworth, including a Town Centre fit for the 21st century

#### Organisation

- To be financially stable
- To ensure our employees have the right skills and culture to help our residents, visitors and businesses
- To ensure our service delivery is consistent, clear, and focused
- To ensure our decisions are driven by evidence and knowledge







Further details on the Authority's Key Performance Indicators for 2020/21 (and previous years) together with our vision and priorities for Tamworth, our values along with our performance are set out in **our Corporate Plan** which sets out our plans and priorities for the coming year, and is available from the Authority's website:






<http://www.tamworth.gov.uk/performance>

Shown below, against our objectives, are some of our achievements in 2020/21. All that has been achieved is not included but we have identified those achievements which we feel will be of most community interest due to their impact and benefits.




## HIGH LEVEL CORPORATE PLAN PROJECTS/PROGRAMMES

An update on the 2019 to 2022 Corporate Plan actions is shown below.

Corporate Project	Due Date	RAG Status	Commentary
Review of Corporate Capital Strategy	31st March 2021		Review of Asset Management Strategy incorporating Stock Condition Survey – it was intended that a draft strategy would be available by March 2021 but this has been dependent on the contractor gaining access to properties to complete survey work which has been restricted due to ongoing COVID-19 measures. This delay will also impact on the Review of the BRF and development of a planned approach; and Review of Commercial Property and performance monitoring to be established – completed in part but further work needed. Target dates around this element of the project, and the development of a Corporate Asset Management risk register, have been re-scheduled to June 2021.
Priority Review - Cleaners	TBA (was 30th April 2020)		Implementation phase of the project has been delayed due to COVID-19. Further review will be required as part of the COVID-19 recovery phase.
Priority Review - Leisure Services	31st October 2022		
Risk Management Strategy	31st July 2020		CMT decided to push back the development of the new reporting layout until 1st Quarter report of 2021-22.
Implement Customer Portal	31st July 2021		CMT considered on 21 Jan 2021 and agreed the option to plan resources with Civica to deliver remainder of project from week commencing 10th May 2021.
ICT Strategy	TBA		ICT Strategy approved by Cabinet 8th April

Corporate Project	Due Date	RAG Status	Commentary
Organisational Development Strategy	TBA		
Completion of new council housing at Tinkers Green and Kerria	31st December 2020		Project completed
Welfare Reform	31st December 2021		
Leisure Strategy	30th December 2022		
Town Centre Programme	31st March 2022		











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Key to Symbols

RAG Status	Overall Project Status
	Project on track and in control
	Project not on track but in control
	Project not on track

## CORPORATE RISK REGISTER

The Authority's Corporate risks for 2020/21 are outlined below.













Title	Description
Finance	To ensure that the Council is financially sustainable as an organisation

Risk	Gross Risk Status	Gross Risk Assessment	Current Risk Status	Current Risk Assessment	Date Reviewed
Funding gaps		12 major – likely		9 serious–likely	17–May–2021
Business Rates Retention		12 major – likely		9 serious–likely	17–May–2021
New Homes Bonus		9 serious–likely		6 serious–unlikely	17–May–2021
Welfare and Benefit Reform		12 serious – very likely		12 major – likely	17–May–2021
Failure to manage budgets		12 major – likely		6 serious–unlikely	17–May–2021

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Title	Description
Modernisation & Commercialisation Agenda	Develop and implement continuous improvement and develop employees to perform the right work









Risk	Gross Risk Status	Gross Risk Assessment	Current Risk Status	Current Risk Assessment	Date Reviewed
Contract Management & Procurement		6 serious-unlikely		4 significant-unlikely	17-May-2021
Management of Assets		6 significant-likely		6 significant-likely	20-May-2021
New Revenue Streams		12 serious - very likely		9 serious-likely	17-May-2021
Workforce Planning Challenges		6 serious-unlikely		6 serious-unlikely	21-May-2021
Continuous Improvement		6 serious-unlikely		4 significant-unlikely	06-Apr-2021
Partnerships fail		9 serious-likely		6 serious-unlikely	20-May-2021

Title	Description
Governance	Ensure that processes, policies and procedures are in place and the authority is held to account







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Risk	Gross Risk Status	Gross Risk Assessment	Current Risk Status	Current Risk Assessment	Date Reviewed
Democratic Process		9 serious-likely		6 serious-unlikely	06-Apr-2021
Legislation		12 serious - very likely		4 significant-unlikely	06-Apr-2021
Policies & Procedures		12 serious - very likely		6 serious-unlikely	20-May-2021
Ethics		12 serious - very likely		4 significant-unlikely	20-May-2021

Title	Description
Community Focus	To ensure the safety, health and wellbeing of the citizens of the borough







Risk	Gross Risk Status	Gross Risk Assessment	Current Risk Status	Current Risk Assessment	Date Reviewed
Community Cohesion & Engagement		12 serious – very likely		9 serious–likely	20–May–2021
Safeguarding Children & Adults (including Modern Slavery)		12 major – likely		4 significant–unlikely	25–May–2021
Emergency Planning		12 major – likely		4 significant–unlikely	28–May–2021

Title	Description
Economic Growth & Sustainability	To ensure that the economic growth and sustainability of the borough is maintained





Risk	Gross Risk Status	Gross Risk Assessment	Current Risk Status	Current Risk Assessment	Date Reviewed
Lack of economic investment in people and Places		12 serious – very likely		3 serious–very unlikely	23–Mar–2021
Housing Needs		12 serious – very likely		9 serious–likely	25–May–2021
Economic Changes		12 major – likely		9 serious–likely	23–Mar–2021


Title	Description
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Title	Description
Information Safeguarding	To ensure that our data is protected

Risk	Gross Risk Status	Gross Risk Assessment	Current Risk Status	Current Risk Assessment	Date Reviewed
Data Protection and information Safeguarding		16 major – very likely		6 serious–unlikely	20–May–2021
Cyber Security		12 major – likely		8 major – unlikely	20–May–2021
Business Continuity		12 major – likely		9 serious–likely	27–May–2021

Title	Description
Exit	The Impact of Brexit upon the Council

Risk	Gross Risk Status	Gross Risk Assessment	Current Risk Status	Current Risk Assessment	Date Reviewed
Financial		16 major – very likely		4 significant–unlikely	17–May–2021
The Impact of Brexit upon the Council		16 major – very likely		4 significant–unlikely	27–May–2021

Risk Status	
	High Risk

	Medium Risk
	Low Risk

Further information about the Statement of Accounts is available from the Executive Director Finance, Tamworth Borough Council, Marmion House, Lichfield Street, Tamworth, Staffs. B79 7BZ.

Telephone : 01827 709242.

Email: [stefan-garner@tamworth.gov.uk](mailto:stefan-garner@tamworth.gov.uk)

This is part of the Authority's policy of providing full information about the Authority's affairs. In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised on the Authority's website at [www.tamworth.gov.uk](http://www.tamworth.gov.uk)

**The information in this document may be made available in other selected languages. Copies may be made available on tape, in Braille or large print.**

## **Statement of Responsibilities**

### **The Authority's Responsibilities**

The Authority 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 Authority, that officer is the Executive Director Finance;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

### **The Executive Director Finances' Responsibilities**

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

In preparing this Statement of Accounts, the Executive Director Finance 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 Executive Director Finance has also:

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

This Statement of Accounts gives a true and fair view of the financial position of Tamworth Borough Council and its expenditure and income for the year ended 31<sup>st</sup> March 2021.

Stefan Garner CPFA  
Executive Director Finance

Dated: 2<sup>nd</sup> June 2021

*This is an electronic copy without an electronic signature. The original was signed as dated above and a copy can be obtained from the Executive Director Finance.*

## **Comprehensive Income and Expenditure Statement (CIES)**

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

A breakdown of the individual services contained within the CIES headings are detailed within the Appendix to the CIES on page 163.

A detailed breakdown of the movement on the HRA is shown within the HRA Statements on page 128.

Gross Expenditure £000	2019/20	Net Expenditure £000	Comprehensive Income & Expenditure Statement	Notes	2020/21		
	Gross Income £000				Gross Expenditure £000	Gross Income £000	Net Expenditure £000
2,284	(844)	1,440	Chief Executive		2,292	(828)	1,464
2,258	(1,316)	942	Assistant Director Growth and Regeneration		3,454	(1,272)	2,182
672	(268)	404	Executive Director Organisation (GF)		718	(249)	469
2,924	(1,087)	1,837	Assistant Director People (GF)		2,690	(920)	1,770
5,343	(2,206)	3,137	Assistant Director Operations and Leisure (GF)		4,823	(1,126)	3,697
132	(41)	91	Executive Director Finance		126	(33)	93
16,703	(15,965)	738	Assistant Director Finance		15,460	(13,698)	1,762
728	(401)	327	Assistant Director Assets (GF)		776	(387)	389
2,210	(454)	1,756	Assistant Director Neighbourhoods (GF)		1,428	(494)	934
1,918	(427)	1,491	Assistant Director Partnerships		1,390	(304)	1,086
140	(117)	23	Executive Director Communities (HRA)		140	(112)	28
16,462	(18,450)	(1,988)	HRA Summary		13,303	(18,870)	(5,569)
-	-	-	Assistant Director People (HRA)		126	-	126
142	-	142	Assistant Director Operations and Leisure (HRA)		155	-	155
1,046	(592)	454	Assistant Director Assets (HRA)		983	(428)	555
4,585	(1,252)	3,333	Assistant Director Neighbourhoods (HRA)		4,422	(1,139)	3,283
2,893	(41)	2,852	Housing Repairs		4,459	(20)	4,439
			Exceptional Item : Response to COVID-19		2,123	(4,266)	(2,143)
<b>60,440</b>	<b>(43,461)</b>	<b>16,979</b>	<b>Cost of Services</b>	<b>7</b>	<b>58,868</b>	<b>(44,146)</b>	<b>14,722</b>



Gross Expenditure £000	2019/20 Gross Income £000	Net Expenditure £000	Comprehensive Income & Expenditure Statement	Notes	2020/21		
					Gross Expenditure £000	Gross Income £000	Net Expenditure £000
		(49)	Other Operating Expenditure	11			189
		73	Financing and Investment Income and Expenditure (FIIE)	12			657
		(9,977)	Taxation and Non Specific Grant Income	13			(10,143)
		<b>7,026</b>	<b>(Surplus) or Deficit on Provision of Services</b>	7			<b>5,425</b>
		(7,225)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets	23a			(8,552)
		(12,897)	Re-measurement of the Net Defined Benefit Liability	23c			9,748
		<b>(20,122)</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>1,196</b>
		<b>(13,096)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>6,621</b>

## **Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'Usable Reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The Net (Increase) / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Authority.

The reserve movements for 2019/20 and 2020/21 are shown on the following pages.

**Movement in Reserves Statement  
2020/21**

Balance as at 1st April 2020

Movement in Reserves during 2020/21

(Surplus) or Deficit on the Provision of Services

Other Comprehensive Income and Expenditure

**Total Comprehensive Income and  
Expenditure**

Adjustments between Accounting Basis and  
Funding Basis Under Regulations (Note 9)

**Net (Increase) / Decrease before transfers to  
Earmarked Reserves**

Transfers to / (from) Earmarked Reserves (Note  
10)

**Increase / (Decrease) in 2020/21**

**Balance as at 31st March 2021**

	General Fund Balance	Earmarked Reserves	Total General Fund Balances	Housing Revenue Account	Earmarked HRA Reserves	Total HRA Balances	Capital Receipts Reserve	Major Repairs Reserve HRA 3 Note	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1st April 2020	6,882	9,387	16,269	6,252	6,307	12,559	20,175	1,482	256	50,741	153,418	204,159
Movement in Reserves during 2020/21												
(Surplus) or Deficit on the Provision of Services	(1,228)	-	(1,228)	(4,197)	-	(4,197)	-	-	-	(5,425)	-	(5,425)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	-	(1,196)	(1,196)
<b>Total Comprehensive Income and Expenditure</b>	<b>(1,228)</b>	<b>-</b>	<b>(1,228)</b>	<b>(4,197)</b>	<b>-</b>	<b>(4,197)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,425)</b>	<b>(1,196)</b>	<b>(6,621)</b>
Adjustments between Accounting Basis and Funding Basis Under Regulations (Note 9)	11,069	-	11,069	6,490	-	6,490	(188)	528	39	17,938	(17,938)	-
<b>Net (Increase) / Decrease before transfers to Earmarked Reserves</b>	<b>9,841</b>	<b>-</b>	<b>9,841</b>	<b>2,293</b>	<b>-</b>	<b>2,293</b>	<b>(188)</b>	<b>528</b>	<b>39</b>	<b>12,513</b>	<b>(19,134)</b>	<b>(6,621)</b>
Transfers to / (from) Earmarked Reserves (Note 10)	(8,721)	8,721	-	(2,934)	2,934	-	-	-	-	-	-	-
<b>Increase / (Decrease) in 2020/21</b>	<b>1,120</b>	<b>8,721</b>	<b>9,841</b>	<b>(641)</b>	<b>2,934</b>	<b>2,293</b>	<b>(188)</b>	<b>528</b>	<b>39</b>	<b>12,513</b>	<b>(19,134)</b>	<b>(6,621)</b>
<b>Balance as at 31st March 2021</b>	<b>8,002</b>	<b>18,108</b>	<b>26,110</b>	<b>5,611</b>	<b>9,241</b>	<b>14,852</b>	<b>19,987</b>	<b>2,010</b>	<b>295</b>	<b>63,254</b>	<b>134,284</b>	<b>197,538</b>

**Movement in Reserves Statement  
2019/20**

	<b>General Fund Balance</b>	<b>Earmarked Reserves</b>	<b>Total General Fund Balances</b>	<b>Housing Revenue Account</b>	<b>Earmarked HRA Reserves</b>	<b>Total HRA Balances</b>	<b>Capital Receipts Reserve</b>	<b>Major Repairs Reserve Note HRA 3</b>	<b>Capital Grants Unapplied</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Authority Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance as at 1st April 2019</b>	6,113	7,951	14,064	4,485	13,499	17,984	23,361	2,961	48	58,418	132,645	191,063
<b>Movement in Reserves during 2019/20</b>												
(Surplus) or Deficit on the Provision of Services	149	-	149	(7,175)	-	(7,175)	-	-	-	(7,026)	-	(7,026)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	-	20,122	20,122
<b>Total Comprehensive Income and Expenditure</b>	<b>149</b>	<b>-</b>	<b>149</b>	<b>(7,175)</b>	<b>-</b>	<b>(7,175)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,026)</b>	<b>20,122</b>	<b>13,096</b>
Adjustments between Accounting Basis and Funding Basis Under Regulations (Note 9)	2,056	-	2,056	1,750	-	1,750	(3,186)	(1,479)	208	(651)	651	-
<b>Net (Increase) / Decrease before transfers to Earmarked Reserves</b>	<b>2,205</b>	<b>-</b>	<b>2,205</b>	<b>(5,425)</b>	<b>-</b>	<b>(5,425)</b>	<b>(3,186)</b>	<b>(1,479)</b>	<b>208</b>	<b>(7,677)</b>	<b>20,773</b>	<b>13,096</b>
Transfers to / (from) Earmarked Reserves (Note 10)	(1,436)	1,436	-	7,192	(7,192)	-	-	-	-	-	-	-
<b>Increase / (Decrease) in 2019/20</b>	<b>769</b>	<b>1,436</b>	<b>2,205</b>	<b>1,767</b>	<b>(7,192)</b>	<b>(5,425)</b>	<b>(3,186)</b>	<b>(1,479)</b>	<b>208</b>	<b>(7,677)</b>	<b>20,773</b>	<b>13,096</b>
<b>Balance as at 31st March 2020</b>	<b>6,882</b>	<b>9,387</b>	<b>16,269</b>	<b>6,252</b>	<b>6,307</b>	<b>12,559</b>	<b>20,175</b>	<b>1,482</b>	<b>256</b>	<b>50,741</b>	<b>153,418</b>	<b>204,159</b>

## **Balance Sheet**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The Net Assets of the Authority (assets less liabilities) are matched by the Reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are Usable Reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the 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'.

31st March 2020 £000	Balance Sheet	Notes	31st March 2021 £000
222,987	Property, Plant & Equipment	14	224,614
3,356	Heritage Assets	15	3,575
23,545	Investment Property	16	23,691
207	Intangible Assets		327
3,720	Long Term Investments	17	8,643
12,797	Long Term Debtors	17	12,758
<b>266,612</b>	<b>Long Term Assets</b>		<b>273,608</b>
50,206	Short Term Investments	17	42,168
32	Inventories		34
2,998	Short Term Debtors	18	2,470
5,263	Cash & Cash Equivalents	19	10,974
<b>58,499</b>	<b>Current Assets</b>		<b>55,646</b>
(311)	Short Term Borrowing	17	(311)
(13,962)	Short Term Creditors	21	(13,755)
(579)	Provisions	22	(730)
<b>(14,852)</b>	<b>Current Liabilities</b>		<b>(14,796)</b>
(1,453)	Provisions	22	(1,907)
(63,060)	Long Term Borrowing	17	(63,060)
(41,266)	Other Long Term Liabilities	23c/38	(50,197)
(291)	Capital Grants Receipts in Advance	32	(358)
(30)	Revenue Grants Receipts in Advance		(1,398)
<b>(106,100)</b>	<b>Long Term Liabilities</b>		<b>(116,920)</b>
<b>204,159</b>	<b>Net Assets</b>		<b>197,538</b>
50,741	Usable Reserves		63,254
153,418	Unusable Reserves	23	134,284
<b>204,159</b>	<b>Total Reserves</b>		<b>197,538</b>

Stefan Garner CPFA  
Executive Director Finance

Dated: x August 2021

*This is an electronic copy without an electronic signature. The original was signed as dated above and a copy can be obtained from the Executive Director Finance.*

## Cash Flow Statement

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

2019/20 £000	<b>Cashflow Statement</b>	<b>Notes</b>	2020/21 £000
7,026	Net (Surplus) or Deficit on the Provision of Services		5,425
(21,938)	Adjustments to Net (Surplus) or Deficit on the Provision of Services for non-cash movements		(25,948)
3,124	Adjustments for items included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities		3,427
(11,788)	Net cash flows from Operating Activities (Surplus) or Deficit	24	(17,096)
9,811	Investing Activities	25	1,051
757	Financing Activities	26	10,334
(1,220)	Net (increase) or decrease in Cash and Cash Equivalents		(5,711)
4,043	Cash and Cash Equivalents at the beginning of the reporting period		5,263
<b>5,263</b>	<b>Cash and &amp; Cash Equivalents at 31st March 2021</b>	19	<b>10,974</b>

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## **NOTES TO THE ACCOUNTS**

### **1. Accounting Policies**

#### **BASIS FOR PREPARATION**

The notes relating to specific financial statement lines include the corresponding accounting policy. As a result, there is not an overall principal accounting policies note. However, the general accounting policies where there are not any accompanying notes are detailed within this note.

#### **i. GENERAL PRINCIPLES**

The Statement of Accounts summarises the Authority's transactions for the 2020/21 financial year and its position at the year end of 31<sup>st</sup> March 2021. The Accounts and Audit Regulations (England) 2015 require the Authority to prepare an Annual Statement of Accounts 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 in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of Non Current Assets and Financial Instruments.

#### **ii. 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, other than prepayments which are accounted for on a cash basis. In particular:

- a) Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract;
- b) Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as Inventories on the Balance Sheet;
- c) Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- d) Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- e) Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue in financing and investment income and expenditure for the income that might not be collected.

The Authority's policy is to review all accruals over £1k together with payments and receipts over £5k made in February, March and April to ensure that they are recorded in the appropriate period. Any accruals below this amount are not considered to be material.

### **iii. PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS**

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority'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 period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### **iv. 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 fixed assets during the year:

- a) depreciation attributable to the assets used by the relevant service;
- b) 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; and
- c) amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. 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 Authority in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced 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.

### **v. COUNCIL TAX AND NON-DOMESTIC RATES (ENGLAND)**

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.

### **Accounting for Council Tax and NDR**

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the Authority's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Authority's share of the end of year balances in respect of Council Tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Taxation and Non-Specific Grant Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

### **vi. INTANGIBLE ASSETS**

Expenditure on non monetary assets that do not have physical substance but are controlled by the Authority 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 Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the authority 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).

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the authority can be determined by reference to an active market. In practice, no intangible asset held by the authority 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 the relevant service line 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 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.

#### **vii. 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.

#### **viii. FAIR VALUE MEASUREMENT**

The Authority measures some of its non-financial assets such as Surplus Assets and Investment Properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset 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:

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

The authority 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 authority 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 authority 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.

The Authority uses internal and external valuers to provide a valuation of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant.

Inputs to the valuation techniques in respect of the Authority's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority 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.

**ix. INTERESTS IN COMPANIES AND OTHER ENTITIES**

The authority has no material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the authority's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

**x. INVENTORIES AND LONG-TERM CONTRACTS**

Inventories are included in the balance sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO/weighted average costing formula.

Long-term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

## 2. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The Code of Practice on Local Authority Accounting in the UK (the Code) requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

At the balance sheet date the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- a) Definition of a Business – amendments to IFRS 3 Business Combinations. Under IFRS 3, the definition of a business has been clarified and narrowed. These changes are not expected to have any impact on the Council's financial statements as the Council is unlikely to obtain control of a business through an acquisition or merger.
- b) Interest Rate Benchmark Reform – amendments to IFRS 9 – Financial Instruments, IAS 39 – Financial Instruments Recognition and Measurement, and IFRS 7 – Financial Instruments Disclosures have an impact on hedge accounting if interest rates change. Interest Rate benchmark reform reflects the Financial Conduct Authority (FCA) transition from the London Interbank Offered Rate (LIBOR) to the Sterling OverNight Index Average (SONIA). This will affect classification and measurement where IBOR is a contractual term or is used as a component of a discount rate. The amendments will not have an impact on the council, as the council's debt is fixed rate and all of the council's investments are in sterling and low risk.
- c) Interest Rate Benchmark Reform Phase 2 – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 – Insurance Contracts relate to issues that arise if an existing interest rate is replaced by an alternative one. This is unlikely to have an impact as interest rate benchmark reform is rarely applied. In addition, financial instruments are mainly valued in the accounts at amortised cost rather than fair value.
- d) IFRS 16 Leases – will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have now deferred implementation of IFRS 16 for local government to 1st April 2021. While it will have no effect for the 2020/21 financial statements, work has commenced on identifying the potential impact for the limited number of leases the Council holds. The Council currently has 55 items of equipment supplied under lease agreements and it is expected that 39 of these, mainly vehicles and plant, will fall under the new IFRS16 requirements. There will be further investigations to ensure that other items supplied under lease agreement are identified and recorded prior to the adoption of the new requirements.

### 3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in the notes to the accounts, the Authority 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 Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision;
- The Authority has a Joint Waste Management arrangement with Lichfield District Council (LDC) as the host Authority responsible for management of the arrangement including the refuse fleet.

In February 2016 the LDC procured a new waste fleet using a contract hire arrangement that has been evaluated under IAS 17 as a finance lease. The value of assets procured and the finance lease obligation was £2.2m.

We have applied the tests contained within the Code and IFRS 11 and it is our conclusion that the arrangement does not meet the definition of a joint venture or joint operation as:

- a) IFRS 11 requires a legally binding contract to be in place and the joint waste service does not contain a formal, legally binding arrangement;
- b) the decision-making arrangements do not, in our view, meet the requirement for joint control;
- c) LDC, as the host Authority, hold a number of key responsibilities and elements of decision-making, including legal liability in respect of the lease of the waste fleet and other assets.

The Authority therefore only includes within its accounts the payments it makes to LDC in respect of the service and its own assets which are used for the provision of the service. Payments to LDC are based on an agreed percentage of the total net cost of providing the service, based on the number of properties in each area, currently 41.7% for the Authority.

#### 4. Assumptions Made About the Future & Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31<sup>st</sup> March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.</p>	<p>Adjustment to the level of liability on the Balance Sheet. During the year the overall liability increased from £41.3m to £50.2m (following a decrease from £50.9m to £41.3m in 2019/20) – see Note 38 on page 111.</p> <p>Variations in the key assumptions will have the following impact on the net liability:            A 0.5% decrease in the real discount rate will increase the net pension liability by £15.0m (9%);            A 0.5% increase in the assumed level of salary increases will increase the net pension liability by £1.2m (1%); and            A 0.5% increase in the assumed level of pension increases will increase the net pension liability by £13.5m (8%).</p>
Business Rates Retention	<p>The Local Government Finance Act 2012 introduced a Business Rates Retention Scheme that enabled local authorities to retain a proportion of the Business Rates generated in their area. The arrangements for the Business Rates came into effect on 1<sup>st</sup> April 2013. Billing authorities acting as agents on behalf of the major preceptors, Central Government and themselves and are required to make provisions for refunding ratepayers who have successfully appealed against the rateable value of their properties on the</p>	<p>The Authority has included a provision of £2.6m (the overall provision in the Business Rates Collection Fund is £6.6m and the Authority's share of the Local Business Rates Retention scheme is 40%) for appeals outstanding on the 31<sup>st</sup> March 2021 of £98.9m. Local businesses can appeal against the Rateable Value on the 2010 Rating list under limited circumstances and can also appeal against the Rateable Value on the 2017 Rating List.</p>



Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	<p>rating List.</p> <p>Staffordshire was successful in the application to become a 75% Business Rate Retention Pilot for 2019/20.</p> <p>The Staffordshire and Stoke on Trent Business Rates Pilot consisted of Staffordshire County Council (SCC); Stoke on Trent City Council (SoTCC), all 8 District /Borough Councils and the Staffordshire Commissioner for Police, Fire and Rescue and Crime (SPFCC) – for both the Police and Fire and Rescue Services (FARS).</p> <p>The pilot allowed 75% of Business Rates to be retained locally with 40% retained by the Districts, 34% by the County (74% for SoTCC as a Unitary Authority) and 1% for the FARS.</p> <p>Previously, the Council was a Member of the GBSLEP business rates pool. Half of the rates revenue was retained locally with Billing authorities acting as agents on behalf of the major preceptors (SCC 9% / SFARS 1%), Central Government (50%) and themselves (40%).</p> <p>The government announced that business rate pilot pools established for 2019/20 would not be allowed to continue and pilot business rate pool ceased on 31<sup>st</sup> March 2020.</p> <p>The bid for a new business rate retention pool reverting back to the 50% retention scheme consisting of SoTCC, SCC, SFARS and the 8 District Councils was successful for 2020/21.</p>	<p>The 2017 Rating List is subject to a fresh approach to appeals known as "Check, Challenge &amp; Appeal" (CCA) which means that before an appeal is made the Rateable Value may be amended upon negotiation between the Valuation Office and the ratepayer (or their agents). This process will inevitably lead to a delay in appeals being made.</p> <p>It is difficult to estimate the likelihood of businesses both submitting and being successful with an appeal in the future and the Authority has therefore made provision in the accounts based on professional advice from independent valuers.</p> <p>The pool currently has large growth, however, there is uncertainty for the level of future income, which cannot be quantified at present, due to the planned reform of Local Government funding and the potential for a large rise in appeals and the potential economic impact of COVID-19.</p>

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment and Investment Properties	<p>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 Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p> <p>Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets. The Council's external valuers provided valuations as at 31<sup>st</sup> March 2021 for approximately 63.7% of its operational portfolio. The remaining balance of operational properties were also reviewed to ensure values reflect current values.</p> <p>The outbreak of COVID-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement.</p> <p>Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of COVID-19 on the economy. Therefore, values have been based on the situation prior to COVID-19, on the assumption that values will be restored when the real estate market becomes more fluid.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for Council dwellings would increase by c.£56k for every year that useful lives had to be reduced.</p> <p>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p> <p>An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p> <p>Depreciation charges for operational buildings will change in direct relation to changes in estimated current value. The net book value of non-current assets subject to potential revaluation is £222.2m (£198.1m Council Dwellings and £24.1m Other Land and Buildings). A 1% movement in their valuation would equate to £22.2m. With regard to investment properties, a 1% movement in their valuation would equate to £2.4m.</p>

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	The estimated remaining useful life of all operational assets is reviewed annually based on the advice from the Council external valuers.	

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

## 5. Material Items of Income and Expense

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance. This note identifies material items of income and expense. For the purposes of this note the Authority considers material items to be those greater than £1.2m.

During the year the General fund processed a large number of additional payments, and received additional funding all relating to COVID-19 support. The narrative to this Statement provides more detail on these payments but the material items are shown in the following table:

	Grant Income (£000)	Grants Paid Out (£000)
Small Business Grants Fund (SBGF) (to August 2020)	7,290	7,240
Retail, Hospitality and Leisure Grant Fund (RHLCF) (to August 2020)	4,300	4,300
The Local Restrictions Support Grant (Closed) Addendum (5 <sup>th</sup> January onwards)	3,836	2,865
Closed Businesses Lockdown Payment (CBLP)	2,826	2,013
Additional Restrictions Grant (ARG)	2,215	1,018

Included in the table are items where the Authority acted as principal or agent, i.e. acting as an intermediary. The items where the Authority acted as principal were the Additional Restrictions Grant.

As a result of the COVID-19 pandemic the authority incurred additional expenditure, shown separately on the CIES, totalling £2.1m in relation to the grants, Council Tax hardship payments and a general increase in some service costs required to meet stricter COVID-19 regulations. This was offset by £4.3m additional grant income.

In addition to these items the Housing Capital programme continued with development spending on the Tinkers Green & Kerria sites at a cost in the year of £2.7m (£10.8m 2019/20).

## **6. Events after the Reporting Period**

Events after the Balance Sheet reporting period are those events, both favourable and unfavourable, that occur between the Balance Sheet date (31<sup>st</sup> March 2021) and the date when the Statement of Accounts is authorised for issue (2<sup>nd</sup> June 2021). Two types of events can be identified:

- a) 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;
- b) 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 such 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.

The Statement of Accounts was authorised for issue by the Executive Director Finance on 2<sup>nd</sup> June 2021. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31<sup>st</sup> March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## **7. Expenditure and Funding Analysis and Adjustment Detail**

This statement shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Net Expenditure Chargeable to the General Fund and HRA Balances	2019/20		Expenditure Funding Analysis	2020/21		
	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	
			<b>Cost of Services</b>			
1,420	20	1,440	Chief Executive	1,464	-	1,464
727	215	942	Assistant Director Growth and Regeneration	1,024	1,158	2,182
381	23	404	Executive Director Organisation (GF)	461	8	469
1,590	247	1,837	Assistant Director People (GF)	1,618	152	1,770
2,007	1,130	3,137	Assistant Director Operations and Leisure (GF)	2,898	799	3,697
92	(1)	91	Executive Director Finance	94	(1)	93
625	113	738	Assistant Director Finance	1,757	5	1,762
279	48	327	Assistant Director Assets (GF)	237	152	389
660	96	1,756	Assistant Director Neighbourhoods (GF)	894	40	934
895	596	1,491	Assistant Director Partnerships	1,039	47	1,086
23	-	23	Executive Director Communities (HRA)	25	3	28
(15,296)	13,308	(1,988)	HRA Summary	(15,540)	9,973	(5,567)
-	-	-	Assistant Director People (HRA)	121	5	126
125	17	142	Assistant Director Operations and Leisure (HRA)	152	3	155
400	54	454	Assistant Director Assets (HRA)	541	14	555
3,073	260	3,333	Assistant Director Neighbourhoods (HRA)	3,207	76	3,283
2,852	-	2,852	Housing Repairs	4,439	-	4,439
-	-	-	Exceptional Item : Response to COVID-19	(2,143)	-	(2,143)
<b>853</b>	<b>16,126</b>	<b>16,979</b>	<b>Net Cost of Services</b>	<b>2,288</b>	<b>12,434</b>	<b>14,722</b>
2,367	(12,320)	(9,953)	Other Comprehensive Income and Expenditure	(14,422)	5,125	(9,297)
<b>3,220</b>	<b>3,806</b>	<b>7,026</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>(12,134)</b>	<b>17,559</b>	<b>5,425</b>
(32,048)			<b>General Fund and HRA balances B/fwd</b>	(28,828)		
3,220			<b>(Surplus) / Deficit on Provision of Services</b>	(12,134)		
(28,828)			<b>Closing General Fund and HRA Balances</b>	(40,962)		

				<b>Expenditure Funding Analysis Adjustment Detail</b>				
2019/20					2020/21			
Adjustments for Capital Purposes (Note a)	Net Change for Pensions Adjustments (Note b)	Other Differences (Note c)	Total Adjustments		Adjustments for Capital Purposes (Note a)	Net Change for Pensions Adjustments (Note b)	Other Differences (Note c)	Total Adjustments
£000	£000	£000	£000		£000	£000	£000	£000
				<b>Cost of Services</b>				
-	17	3	<b>20</b>	Chief Executive	-	4	(4)	-
53	149	13	<b>215</b>	Assistant Director Growth and Regeneration	1,113	45	-	<b>1,158</b>
-	20	3	<b>23</b>	Executive Director Organisation (GF)	-	6	2	<b>8</b>
196	41	10	<b>247</b>	Assistant Director People (GF)	141	5	6	<b>152</b>
886	240	4	<b>1,130</b>	Assistant Director Operations and Leisure (GF)	726	67	6	<b>799</b>
-	-	(1)	<b>(1)</b>	Executive Director Finance	-	-	(1)	<b>(1)</b>
-	110	3	<b>113</b>	Assistant Director Finance	-	-	5	<b>5</b>
32	13	3	<b>48</b>	Assistant Director Assets (GF)	148	5	(1)	<b>152</b>
16	87	(7)	<b>96</b>	Assistant Director Neighbourhoods (GF)	22	16	2	<b>40</b>
538	55	3	<b>596</b>	Assistant Director Partnerships	27	16	4	<b>47</b>
-	-	-	-	Executive Director Communities (HRA)	-	-	3	<b>3</b>
13,283	25	-	<b>13,308</b>	HRA Summary	9,966	7	-	<b>9,973</b>
-	-	-	-	Assistant Director People (HRA)	-	3	2	<b>5</b>
-	20	(3)	<b>17</b>	Assistant Director Operations and Leisure (HRA)	-	3	-	<b>3</b>
-	46	8	<b>54</b>	Assistant Director Assets (HRA)	-	16	(2)	<b>14</b>
10	241	9	<b>260</b>	Assistant Director Neighbourhoods (HRA)	10	62	4	<b>76</b>
-	-	-	-	Exceptional Item : Response to COVID-19	-	-	-	-
<b>15,014</b>	<b>1,064</b>	<b>48</b>	<b>16,126</b>	<b>Net Cost of Services</b>	<b>12,153</b>	<b>255</b>	<b>26</b>	<b>12,434</b>
(14,144)	1,259	565	<b>(12,320)</b>	Other Comprehensive Income and Expenditure	(4,550)	916	8,759	<b>5,125</b>
<b>870</b>	<b>2,323</b>	<b>613</b>	<b>3,806</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>7,603</b>	<b>1,171</b>	<b>8,785</b>	<b>17,559</b>

## 7a) Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

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

## 7b) Net Change for the Pensions Adjustments

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

- **For services** this represents the removal of the employer pension contributions made by the Authority as allowed by statute and the replacement with current service costs and past service costs.
- **Financing and investment income and expenditure** -- the net interest on the defined benefit liability is charged to the CIES.

## 7c) Other Differences

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

- **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

## 8. Expenditure and Income Analysed by Nature

2019/20 £000	Expenditure and Income Analysed by Nature	2020/21 £000
	<b>Expenditure</b>	
12,711	Employee Benefits Expenses	12,542
31,873	Other Services Expense	34,365
16,204	Depreciation, Amortisation and Impairment	14,373
2,323	Retirement Benefits	1,171
654	REFCUS	645
419	Payments to Housing Capital Receipts Pool	421
<b>64,184</b>	<b>Total Expenditure</b>	<b>63,517</b>
	<b>Income</b>	
(468)	Gain on Disposal of Assets	(232)
(30,004)	Fees, Charges and Other Service Income	(28,316)
(1,840)	Interest and Investment Income	(1,478)
(7,428)	Income from Council Tax, NDR and District Rates Income*	867
(17,418)	Government Grants and Contributions	(28,933)
<b>(57,158)</b>	<b>Total Income</b>	<b>(58,092)</b>
<b>7,026</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>5,425</b>

\* Net of NDR Tariff payment of £10.4m (£10.1m 2019/20).

## 9. Adjustments between Accounting Basis and Funding Basis Under Regulations

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



Adjustments between Accounting Basis and Funding Basis Under Regulations	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
<b>2020/21</b>						
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of Non-Current Assets;	(378)	(7,186)	-	-	-	7,564
Revaluation losses on Property, Plant and Equipment;	(1,071)	(5,723)	-	-	-	6,794
Movements in the market value of Investment Properties;	146	-	-	-	-	(146)
Movement in Fair Value of Capital Property Fund Investments	(77)	-	-	-	-	77
Amortisation of Intangible Assets;	(84)	-	-	-	-	84
Capital Grants and Contributions Applied;	668	1,400	-	-	-	(2,068)
Movement in the Donated Assets Account	-	-	-	-	-	-
Revenue Expenditure Funded from Capital Under Statute (REFCUS);	(645)	-	-	-	-	645
Amounts on Non Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	-	(1,127)	-	-	-	1,127
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment - Minimum Revenue Provision;	110	-	-	-	-	(110)
Capital expenditure charged against the General Fund and HRA balances.	273	2,191	-	-	-	(2,464)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	39	-	-	-	(39)	-
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement;	40	1,349	(1,389)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure;			1,130	-	-	(1,130)
Contribution from the Capital Receipts Reserve towards administrative costs of Non-Current Asset disposals;	-	(30)	30	-	-	-

Adjustments between Accounting Basis and Funding Basis Under Regulations	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool;	(421)	-	421	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash.	(11)	-	(4)	-	-	15
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA;	-	2,933	-	(2,933)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure.	-	-	-	2,405	-	(2,405)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement (see Note 38);	(2,767)	(872)	-	-	-	3,639
Employer's pensions contribution and direct payments to pensioners payable in the year.	1,886	582	-	-	-	(2,468)
<b>Adjustment primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which Council Tax and Non Domestic Rating Income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Non Domestic Rating Income calculated for the year in accordance with statutory requirements.	(8,757)	-	-	-	-	8,757
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(20)	(7)	-	-	-	27
<b>Total Adjustments 2020/21</b>	<b>(11,069)</b>	<b>(6,490)</b>	<b>188</b>	<b>(528)</b>	<b>(39)</b>	<b>17,938</b>

Adjustments between Accounting Basis and Funding Basis Under Regulations	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	
<b>2019/20</b>						
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of Non-Current Assets;	(410)	(9,880)	-	-	-	10,290
Revaluation losses on Property, Plant and Equipment;	(542)	(6,213)	-	-	-	6,755
Movements in the market value of Investment Properties;	1,054	-	-	-	-	(1,054)
Movement in Fair Value of Capital Property Fund Investments	(99)	-	-	-	-	99
Amortisation of Intangible Assets;	(114)	-	-	-	-	114
Capital Grants and Contributions Applied;	873	-	-	-	-	(873)
Revenue Expenditure Funded from Capital Under Statute (REFCUS);	(654)	-	-	-	-	654
Amounts on Non Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	-	(1,574)	-	-	-	1,574
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment - Minimum Revenue Provision;	56	-	-	-	-	(56)
Capital expenditure charged against the General Fund and HRA balances.	311	11,703	-	-	-	(12,014)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	208	-	-	-	(208)	-
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement;	52	2,027	(2,079)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure;			4,810	-	-	(4,810)
Contribution from the Capital Receipts Reserve towards administrative costs of Non-Current Asset disposals;	-	(37)	37	-	-	-

Adjustments between Accounting Basis and Funding Basis Under Regulations	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool;	(419)	-	419	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash.	(11)	-	(1)	-	-	12
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA;	-	2,798	-	(2,798)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure.	-	-	-	4,277	-	(4,277)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement (see Note 38);	(3,578)	(1,117)	-	-	-	4,695
Employer's pensions contribution and direct payments to pensioners payable in the year.	1,816	556	-	-	-	(2,372)
<b>Adjustment primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which Council Tax and Non Domestic Rating Income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Non Domestic Rating Income calculated for the year in accordance with statutory requirements.	(568)	-	-	-	-	568
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(31)	(13)	-	-	-	44
<b>Total Adjustments 2019/20</b>	<b>(2,056)</b>	<b>(1,750)</b>	<b>3,186</b>	<b>1,479</b>	<b>(208)</b>	<b>(651)</b>

## 10. Transfers to / (from) Earmarked Reserves

The Authority 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 or Housing Revenue Account balance.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score 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 or Housing Revenue Account balance so that there is no net charge against Council Tax or housing rent for the expenditure.

Certain reserves are kept to manage the accounting processes for Non Current Assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority - these reserves are explained in the relevant policies.

This note sets out the amounts set aside from the General Fund and HRA Balances in Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund and HRA Expenditure in 2020/21.

Transfers to / (from) Earmarked Reserves	Balance at 1st April 2019 £000	Transfers Out 2019/20 £000	Transfers In 2019/20 £000	Balance at 31st March 2020 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance at 31st March 2021 £000
<b>General Fund:</b>							
Future Capital Expenditure	1,723	(291)	560	1,992	(1,419)	722	1,295
Temporary Reserves	460	(203)	564	821	(323)	781	1,279
Retained Funds	3,000	(530)	905	3,375	(753)	8,219	10,841
Committed Sums	2,064	(476)	540	2,128	(82)	90	2,136
Other Reserves	704	(1,292)	1,659	1,071	(487)	1,973	2,557
<b>Total</b>	<b>7,951</b>	<b>(2,792)</b>	<b>4,228</b>	<b>9,387</b>	<b>(3,064)</b>	<b>11,785</b>	<b>18,108</b>
<b>HRA:</b>							
Future Capital Expenditure	12,979	(11,703)	4,542	5,818	(3,558)	6,052	8,312
Temporary Reserves	125	(125)	115	115	(115)	573	573
Retained Funds	333	(66)	45	312	(18)	-	294
Other Reserves	62	-	-	62	-	-	62
<b>Total</b>	<b>13,499</b>	<b>(11,894)</b>	<b>4,702</b>	<b>6,307</b>	<b>(3,691)</b>	<b>6,625</b>	<b>9,241</b>

**Future Capital Expenditure:** The Authority maintains a Capital Reserve under the provisions of the Local Government (Miscellaneous Provisions) Act 1976. It is Authority policy to make advances from this fund to various services.

**Temporary Reserves:** These have been established by the transfer of funds from revenue in order to finance specific identified schemes or potential needs.

**Retained Funds:** These have been established in order to finance recurring irregular expenditure for a specific purpose.

**Commutated Sums:** These are monies deposited by contractors to finance future maintenance expenditure incurred as a result of the various developments.

**Other Reserves:** The largest of these is the Building Repairs Fund that is held for the maintenance of Municipal buildings, including commercial properties.

## 11. Other Operating Expenditure

2019/20 £000	Other Operating Expenditure	2020/21 £000
419	Payments to the Government Housing Capital Receipts Pool	421
(468)	(Gains) / losses on the disposal of Non Current Assets	(232)
<b>(49)</b>	<b>Total</b>	<b>189</b>

## 12. Financing & Investment Income & Expenditure

2019/20 £000	Financing and Investment Income and Expenditure	2020/21 £000
2,720	Interest payable and similar charges	2,664
1,248	Pension interest costs and expected return on pensions assets	913
(999)	Interest receivable and similar income	(639)
(841)	Finance Lease Income	(840)
(2,154)	(Income) and expenditure in relation to investment properties and changes in their fair value	(1,518)
99	Investment impairment	77
<b>73</b>	<b>Total</b>	<b>657</b>

## 13. Taxation & Non Specific Grant Income

2019/20 £000	Taxation and Non Specific Grant Incomes	2020/21 £000
(3,933)	Council Tax income	(4,077)
(13,549)	Non Domestic Rates	(5,462)
10,054	Non Domestic Rates - Tariff	10,405
17	Non Domestic Rates - Levy to GBSLEP	565
(1,485)	Non ringfenced government grants	(9,467)
(1,081)	Capital grants and contributions	(2,107)
<b>(9,977)</b>	<b>Total</b>	<b>(10,143)</b>

A detailed breakdown of the grants and contributions credited to the Comprehensive Income and Expenditure Statement in 2020/21 is shown in Note 32 on page 99.

## 14. Property, Plant & 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.

### a) Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, subject to a de minimus level of £10k, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

### b) Measurement

Assets are initially measured at cost, comprising:

- i. the purchase price;
- ii. 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; and
- iii. the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority 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 current value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). 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 Authority.

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

- i. Infrastructure, Community Assets and Assets Under Construction – depreciated historical cost;
- ii. Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH); and
- iii. all other assets – current value, determined as the amount that would be paid for the asset in its existing use (Existing Use Value – EUV).



Where there is no market-based evidence of current value because of the specialised 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. In the case of the Assembly Rooms and Cemeteries valuations, there is no active market and so DRC is used.

Assets included in the Balance Sheet at current value are revalued 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 – including an annual desktop review of all Council Dwellings. A review of the valuation of all significant assets is undertaken annually.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

### **c) 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 this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where the Authority has incurred capital expenditure on Council dwellings this is included within the Gross Book Value (GBV) and where it is not considered to add value it is included as impairment. These impairments are subject to write out annually.

The Authority has an ongoing programme of regeneration including disposal and redevelopment of garage sites and the redevelopment of housing at Tinkers Green and Kerria Centre.

Where the decision had been made to dispose of a garage site, the value of the buildings element has been impaired to zero leaving only a residual land value.

Similarly, the value of the dwellings in the housing redevelopment areas that are no longer available to let have been impaired to zero leaving only a residual land value. Where impairment losses are identified, they are accounted for by:

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service lines 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.

#### **d) Depreciation**

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

Depreciation is calculated on the following bases:

- i. **Council Housing Stock:** on a straight line basis to an appropriate residual value over the expected useful life of the asset of 50 years.
- ii. **Other Buildings:** on a straight line basis to a nil residual value over the expected useful life of the asset being a range of 5 years to 70 years.

Historical properties: on a straight line basis to a nil residual value over the expected useful life of the asset being over 100 years

- iii. **Vehicles, Plant and Equipment:** on a straight line basis to a nil residual value over the expected useful life of the asset, being between 1 and 20 years.
- iv. **Infrastructure:** on a straight line basis to a nil residual value over the expected useful life of the asset of 30 years.
- v. **Community Assets:** on a straight line basis to a nil residual value over the expected useful life of the asset of 100 years.
- vi. **Heritage Assets:** the Authority considers that the Heritage Assets held will have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation for the assets.
- vii. **Computer Hardware:** is depreciated over a period of 3 years on a straight line basis to a nil residual value.

- viii. **Investment Properties and Surplus Assets:** no depreciation has been applied to either the land or building value of Investment Properties or Surplus Assets.
- ix. **Intangible Fixed Assets:** computer software licences are amortised to revenue over a period of 3 years.
- x. **Furniture and equipment** – minor purchases by the Authority are charged to revenue in the year of acquisition and are not capitalised in the accounts.
- xi. **De minimus items** of expenditure on computer equipment and software are capitalised under the concept of ‘Grouped Assets’ where the value of such items is material. A charge is made for these assets (depreciation for equipment and amortisation for software), calculated using the straight line method over a period of three years.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately – as detailed within the Component Accounting Policy for Property, Plant and Equipment.

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.

#### **e) 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 revalued immediately before reclassification and then carried at the lower of this amount and current value less costs to sell. Where there is a subsequent decrease to current value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in current 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.

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 (ie 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 capital receipts relating to housing disposals is payable to the government. The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the authority's underlying need to borrow (the capital financing requirement) (England and Wales). 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 noncurrent 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.

## **f) Component Accounting Policy for Property, Plant and Equipment**

### **i. De Minimus Level**

The de minimus threshold for the Authority is a current net book value of £250k. Individual assets with a value less than £250k will be disregarded for componentisation. This level will be reviewed annually.

### **ii. Policy for Componentisation**

The code requires that each part of an asset should be separately identified and depreciated where the cost is significant in relation to the overall cost of the asset.

To be separately identified as a component, an element of an asset must meet the following criteria:

- have a cost of at least 20% of the cost of the overall asset and
- have a materially different useful life (at least 20% different) and/or
- have a different depreciation method that materially affects the amount charged

The componentisation policy will be applied to new capital spend and new assets with a total cost of over £250k will be considered under the componentisation policy as follows:

- when an asset is enhanced, the cost of the replacement component is compared with the cost of the total asset and the result is measured against the agreed de minimus threshold;

- When an asset is acquired: the cost of any component parts are compared with the overall cost of the new asset and the results assessed against the agreed de minimus threshold;

### **iii. Valuation**

The 5 year valuation cycle remains and therefore componentisation needs to be considered for each asset in the portfolio.

In addition in each financial year, a list of assets that have had capital expenditure incurred will be passed to the valuers who can consider componentisation for any properties not already reviewed.

### **iv. Impairment**

We will continue to complete a desktop Impairment review on an annual basis.

<b>Movement in 2020/21</b>	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant, Furniture and Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant and Equipment</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or Valuation</b>							
<b>At 1st April 2020</b>	<b>187,128</b>	<b>25,196</b>	<b>4,392</b>	<b>378</b>	<b>1,155</b>	<b>8,565</b>	<b>226,814</b>
Additions	5,544	4	151	-	-	2,861	<b>8,560</b>
Accumulated Depreciation and Impairment written off to Gross Carrying Amount;	(7,082)	(274)	-	-	-	-	<b>(7,356)</b>
Revaluation increases / (decreases) recognised in the Revaluation Reserve;	8,357	195	-	-	-	-	<b>8,552</b>
Revaluation increases / (decreases) recognised in the (Surplus) or Deficit on the Provision of Services;	(5,723)	(1,071)	-	-	-	-	<b>(6,794)</b>
Derecognition - Disposals;	(1,092)	(48)	-	-	-	-	<b>(1,140)</b>
Other movements in cost or valuation.	11,007	319	-	-	-	(11,326)	-
<b>At 31st March 2021</b>	<b>198,139</b>	<b>24,321</b>	<b>4,543</b>	<b>378</b>	<b>1,155</b>	<b>100</b>	<b>228,636</b>
<b>Accumulated Depreciation &amp; Impairment</b>							
<b>At 1st April 2020</b>	-	<b>(232)</b>	<b>(3,339)</b>	<b>(252)</b>	<b>(4)</b>	-	<b>(3,827)</b>
Depreciation Charge;	(2,838)	(333)	(127)	(13)	-	-	<b>(3,311)</b>
Accumulated Depreciation and Impairment written off to Gross Carrying Amount;	7,082	274	-	-	-	-	<b>7,356</b>
Impairment losses / (reversals) recognised in the (Surplus) or Deficit on the Provision of Services;	(4,253)	-	-	-	-	-	<b>(4,253)</b>
Derecognition - disposals.	9	4	-	-	-	-	<b>13</b>
<b>At 31st March 2021</b>	-	<b>(287)</b>	<b>(3,466)</b>	<b>(265)</b>	<b>(4)</b>	-	<b>(4,022)</b>
<b>Net Book Value</b>							
at 31st March 2020	187,128	24,964	1,053	126	1,151	8,565	222,987
<b>at 31st March 2021</b>	<b>198,139</b>	<b>24,034</b>	<b>1,077</b>	<b>113</b>	<b>1,151</b>	<b>100</b>	<b>224,614</b>
<b>Nature of Holdings at year end</b>							
Owned	198,139	24,034	1,077	113	1,151	100	<b>224,614</b>

<b>Movement in 2019/20</b>	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant, Furniture and Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant and Equipment</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or Valuation</b>							
<b>At 1st April 2019</b>	<b>177,979</b>	<b>22,387</b>	<b>4,172</b>	<b>378</b>	<b>1,139</b>	<b>7,648</b>	<b>213,703</b>
Additions	9,670	3,490	220	-	16	10,791	<b>24,187</b>
Accumulated Depreciation and Impairment written off to Gross Carrying Amount;	(9,768)	(186)	-	-	-	-	<b>(9,954)</b>
Revaluation increases / (decreases) recognised in the Revaluation Reserve;	7,052	173	-	-	-	-	<b>7,225</b>
Revaluation increases / (decreases) recognised in the (Surplus) or Deficit on the Provision of Services;	(6,213)	(542)	-	-	-	-	<b>(6,755)</b>
Derecognition - Disposals;	(1,466)	(126)	-	-	-	-	<b>(1,592)</b>
Other movements in cost or valuation.	9,874	-	-	-	-	(9,874)	-
<b>At 31st March 2020</b>	<b>187,128</b>	<b>25,196</b>	<b>4,392</b>	<b>378</b>	<b>1,155</b>	<b>8,565</b>	<b>226,814</b>
<b>Accumulated Depreciation &amp; Impairment</b>							
<b>At 1st April 2019</b>	-	<b>(92)</b>	<b>(3,174)</b>	<b>(239)</b>	<b>(4)</b>	-	<b>(3,509)</b>
Depreciation Charge;	(2,696)	(335)	(165)	(13)	-	-	<b>(3,209)</b>
Accumulated Depreciation and Impairment written off to Gross Carrying Amount;	9,768	186	-	-	-	-	<b>9,954</b>
Impairment losses / (reversals) recognised in the (Surplus) or Deficit on the Provision of Services;	(7,081)	-	-	-	-	-	<b>(7,081)</b>
Derecognition - disposals.	9	9	-	-	-	-	<b>18</b>
<b>At 31st March 2020</b>	-	<b>(232)</b>	<b>(3,339)</b>	<b>(252)</b>	<b>(4)</b>	-	<b>(3,827)</b>
<b>Net Book Value</b>							
at 31st March 2019	177,979	22,295	998	139	1,135	7,648	210,194
<b>at 31st March 2020</b>	<b>187,128</b>	<b>24,964</b>	<b>1,053</b>	<b>126</b>	<b>1,151</b>	<b>8,565</b>	<b>222,987</b>
<b>Nature of Holdings at year end</b>							
Owned	187,128	24,964	1,053	126	1,151	8,565	<b>222,987</b>

## a) Capital Commitments

At 31<sup>st</sup> March 2021, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2020/21 and future years. The major commitments for schemes valued in excess of £1m are:

2019/20 £000	Capital Contract	2020/21 £000
5,911	Housing Repairs & Investment	6,281
-	Improvements to High Rise Blocks	1,560
2,523	Regeneration of Tinkers Green & Kerria	-
-	Caledonian Depot New Build	1,508
-	Affordable Properties at Wilnecote	5,031
<b>8,434</b>	<b>Total</b>	<b>14,380</b>

## b) Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. The effective date of revaluation is 31<sup>st</sup> March 2021. The valuations are carried out by Authority's Property Surveyor, Mr P Evans MRICS, IRRV with the valuation of Council Dwellings being undertaken by Specialist Valuation Services an external valuer. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are carried at historical cost as a proxy for current value.

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years – including a desktop review of all Council Dwellings. A review of the valuation of all significant assets is undertaken annually.

The outbreak of COVID-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement.

Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of COVID-19 on the economy. Therefore, values have been based on the situation prior to COVID-19, on the assumption that values will be restored when the real estate market becomes more fluid.



The following statement shows the progress of the Authority's rolling programme for revaluation of Non Current Assets:

Valuations (Cost or Valuation)	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Intangible Assets	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Valued at Historical Cost	-	-	4,543	378	1,155	100	1,746	7,922
Valued at Current Value in:								
2020/21	198,139	15,166	-	-	-	-	-	213,305
2019/20	-	-	-	-	-	-	-	-
2018/19	-	5,766	-	-	-	-	-	5,766
2017/18	-	3,389	-	-	-	-	-	3,389
<b>Total</b>	<b>198,139</b>	<b>24,321</b>	<b>4,543</b>	<b>378</b>	<b>1,155</b>	<b>100</b>	<b>1,746</b>	<b>230,382</b>

## 15. Heritage Assets

Heritage Assets are assets that are held by the Authority because of their cultural, environmental or historical value. Tangible Heritage Assets include historical buildings, paintings, sculptures / statues, archives and other works of art.

The Authority's Museum, Art and Civic Heritage Assets are held in various sites. The Museum Collection has four main collections, General Collection, Art, Furniture and Archaeological Collection and Ephemera.

The collections are used for education, learning, research, enjoyment and are preserved for the use of future generations.

### Valuation of Heritage Assets

The Code requires that Heritage Assets are measured at valuation in the 2020/21 financial statements (including the 2019/20 comparative information). The Authority will recognise in the Balance Sheet each asset shown in the table which has an identified value.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on Property, Plant and Equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets as detailed below.

The accounting policies in relation to Heritage Assets that are deemed to include elements of intangible Heritage Assets are also presented below.

- **General Collection:** Tamworth Castle has held collections and maintained a museum since it was purchased for the Borough in 1897. The collections are crucial for maximising access to and understanding of Tamworth's heritage. These items are reported in the Balance Sheet at insurance valuation which is based on Market values. Acquisitions, although rare, are initially recognised at cost.
- **Art Collection:** The collection consists principally of views of Tamworth by local artists although some are nationally recognised. The mediums covered include oil, watercolour, lithographs, mezzotints and prints. These too are reported in the Balance Sheet at insurance valuation based on Market values.
- **Archaeological Collection and Ephemera:** The archaeological collection consists mainly of finds from various excavations local to Tamworth, usually as a result of building development around Tamworth Castle site but also in the town and further afield. These are not recognised on the Balance Sheet as cost or valuation information is not reliable for items of this type due to the diverse nature, and lack of comparable market values for the assets held.
- **Civic Collection and Statues:** The Authority's Civic Collection and Statues were valued in April 2012 by external valuers. These assets are deemed to have an indeterminate life with high residual values; hence the Authority does not consider it appropriate to charge depreciation.

- **Tamworth Castle:** The castle dates from c1070 but has been updated and modernised during the interim period. The current value is based on historic cost but there are regular works to maintain the property.

Movement in 2020/21	Art Collection	Civic Regalia	Museum Exhibits	Statues	Castle	Total Heritage Assets
	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>						
At 1st April 2020	97	174	624	256	2,205	3,356
Additions	-	-	-	-	219	219
<b>At 31st March 2021</b>	<b>97</b>	<b>174</b>	<b>624</b>	<b>256</b>	<b>2,424</b>	<b>3,575</b>

Movement in 2019/20	Art Collection	Civic Regalia	Museum Exhibits	Statues	Castle	Total Heritage Assets
	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>						
At 1st April 2019	97	174	624	256	1,909	3,060
Additions	-	-	-	-	296	296
<b>At 31st March 2020</b>	<b>97</b>	<b>174</b>	<b>624</b>	<b>256</b>	<b>2,205</b>	<b>3,356</b>

Heritage Assets Five Year Summary of Transactions	2016/17	2017/18	2018/19	2019/20	2020/21
	£000	£000	£000	£000	£000
<b>Cost of Acquisitions of Heritage Assets</b>					
Castle Museum	39	18	195	296	219
<b>Total Cost of Purchases</b>	<b>39</b>	<b>18</b>	<b>195</b>	<b>296</b>	<b>219</b>

## 16. Investment Properties

Investment Properties are those that are used solely to earn rentals and/or for 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.

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 measured at highest and best use. Properties are not depreciated but are revalued 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 and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

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	Investment Properties	2020/21
£000		£000
(1,338)	Rental income from Investment Property	(1,710)
238	Direct operating expenses arising from Investment Property	338
<b>(1,100)</b>	<b>Net (Gain) / Loss</b>	<b>(1,372)</b>

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

The following table summarises the movement in the fair value of Investment Properties over the year:

2019/20 £000	Fair Value of Investment Properties	2020/21 £000
22,488	<b>Balance at 1st April 2020</b>	23,545
3	Additions: Subsequent expenditure	-
1,054	Valuations: Changes in market valuation	146
<b>23,545</b>	<b>Balance at 31st March 2021</b>	<b>23,691</b>

**Fair Value Hierarchy** - All the Authority's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (see Note 1 for an explanation of the fair value levels).

**Valuation Techniques Used to Determine Level 2 Fair Values for Investment Property** - The fair value of investment property has been measured using an income approach, by means of discounted cashflow method, where the expected cash flows from the properties are discounted (using a market – derived discount rate) to establish the present value of the net income stream. The approach has been developed using the Authority's own data requiring it to factor in assumptions such as the duration and timing of cash inflows and outflows, rent growth, occupancy levels, bad debt levels, maintenance costs, etc.

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

**Highest and Best Use** - In estimating the fair value of the Authority's investment properties, the highest and best use is their current use.

**Valuation Process for Investment Properties** - The Authority's investment property has been valued as at 31<sup>st</sup> March 2021 by Paul Evans, Internal Valuer, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The outbreak of COVID-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global.

## **17. Financial Instruments**

### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Authority 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 most of the borrowings that the Authority 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.

### **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 cashflow characteristics.

There are three main classes of financial assets measured at:

- amortised cost;
- fair value through profit or loss (FVPL); and
- fair value through other comprehensive income (FVOCI).

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

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

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority 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 for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

## **Expected Credit Loss Model**

The Authority recognises 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 authority.

Impairment losses are calculated to reflect the expectation that the 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.

## **Financial Assets Measured at Fair Value through Profit of Loss (FVPL)**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority 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 of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value 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 authority 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 and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## a) Categories of Financial Instruments

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

Financial Assets	Non-Current		Current			
	Investments		Investments		Debtors	
	31st March 2020 £000	31st March 2021 £000	31st March 2020 £000	31st March 2021 £000	31st March 2020 £000	31st March 2021 £000
<b>Amortised Cost</b>						
Principal	-	5,000	50,002	42,000	-	-
Investment Interest Accrual	-	-	204	168	-	-
Cash & Cash Equivalents (CCE)	-	-	-	-	5,258	10,971
CCE Accrued Interest	-	-	-	-	2	-
<b>Total Investments</b>	-	<b>5,000</b>	<b>50,206</b>	<b>42,168</b>	<b>5,260</b>	<b>10,971</b>
Trade Debtors	12,797	12,758	-	-	2,289	2,437
<b>Total Amortised Cost</b>	<b>12,797</b>	<b>17,758</b>	<b>50,206</b>	<b>42,168</b>	<b>7,549</b>	<b>13,408</b>
<b>Fair Value Through Profit and Loss</b>	<b>3,720</b>	<b>3,643</b>	-	-	-	-
<b>Total Financial Assets</b>	<b>16,517</b>	<b>21,401</b>	<b>50,206</b>	<b>42,168</b>	<b>7,549</b>	<b>13,408</b>

Non-current trade debtors of £12m relate to a long term finance lease for the Ankerside Shopping Centre including car park, with a remaining term of 68 years.

The Authority has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the Long Term Debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding.

Financial Liabilities	Non-Current		Current	
	Borrowings		Creditors	
	31st March 2020 £000	31st March 2021 £000	31st March 2020 £000	31st March 2021 £000
<b>Amortised Cost</b>				
Principal	63,060	63,060	-	-
Interest Payable Accrual	-	-	311	311
<b>Total Borrowings</b>	<b>63,060</b>	<b>63,060</b>	<b>311</b>	<b>311</b>
Bank Overdraft	-	-	-	-
Trade Creditors	-	-	6,335	5,893
<b>Total Financial Liabilities at Amortised Cost</b>	<b>63,060</b>	<b>63,060</b>	<b>6,646</b>	<b>6,204</b>



## b) Gains and Losses

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

Financial Instruments	(Surplus) or Deficit on the Provision of Services 2019/20 £000	(Surplus) or Deficit on the Provision of Services 2020/21 £000
Net gains/losses on:		
Financial Assets Measured at Fair Value Through Profit or Loss	99	77
<b>Total net gains/losses</b>	<b>99</b>	<b>77</b>
Interest revenue:		
Financial Assets Measured at Amortised Cost	(999)	(639)
<b>Total interest revenue</b>	<b>(999)</b>	<b>(639)</b>
<b>Interest expense</b>		
Fee expense:		
Financial Assets or Financial Liabilities that are not at Fair Value Through Profit or Loss	2,720	2,664
<b>Total fee expense</b>	<b>2,720</b>	<b>2,664</b>

### c) Fair Value of Financial Assets

Some of the authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Financial Assets Measured at Fair Value				
Recurring Fair Value Measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	31st March 2020 £000	31st March 2021 £000
<b>Fair Value Through Profit and Loss</b>				
Other Financial Instruments Classified as Fair Value Through Profit and Loss	Level 1	Unadjusted quoted prices in active markets for identical shares (Investments in Property Funds)	3,720	3,643
<b>Total</b>			<b>3,720</b>	<b>3,643</b>

Investments made in property funds are as follows:-

Schroders UK Real Estate Fund - £1.9m, with a gross return/yield of 2.8% at 31<sup>st</sup> March 2021.

Threadneedle Property Unit Trust - £2.0m, with a gross return/yield of 4.3%

Total investments - £3.9m, with an estimated return of c.4.0% plus any capital growth. The total value of these investments at 31<sup>st</sup> March 2021 is £3.6m (£3.7m at 31<sup>st</sup> March 2020).

### d) The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value Disclosures are required)

Except for the financial assets carried at fair value (described above), all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the 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 payable, PWLB new market rates 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 premature repayment/borrowing rates, highlighting the impact of the alternative valuation;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- 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 values calculated are as follows:

Financial Liabilities	31st March 2020		31st March 2021	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB Debt*	63,371	86,070	63,371	92,950
Creditors	6,335	6,335	5,893	5,893
<b>Total Financial Liabilities</b>	<b>69,706</b>	<b>92,405</b>	<b>69,264</b>	<b>98,843</b>

\* includes short term interest accrual of £311k.

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. This shows a notional future loss (based on economic conditions at 31<sup>st</sup> March 2021) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £93.0m 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.

The authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. If a value is calculated on this basis, the carrying amount of £63.1m would be valued at £93.0m. 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 in addition to charging a premium for the additional interest that will not now be paid/giving a discount for the reduced interest income that will be avoided. The exit price for the PWLB loans including the penalty charge would be £114.3m.

Loans and Receivables	31st March 2020		31st March 2021	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Money Market Loans <1 year	50,206	50,225	42,168	42,168
Cash & Cash Equivalents	5,260	5,260	10,971	10,971
Long Term Investments	3,720	3,720	8,643	8,749
Debtors	2,289	2,289	2,437	2,437
Long Term Debtors	12,797	12,797	12,758	12,758
<b>Total Financial Assets</b>	<b>74,272</b>	<b>74,291</b>	<b>76,977</b>	<b>77,083</b>

Where the fair value of the assets is lower than the carrying amount this is because the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date and vice versa. For 2020/21, a notional future gain (based on economic conditions at 31<sup>st</sup> March 2021) was attributable to the commitment to receive interest above current market rates.

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

**e) Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value**

Recurring Fair Value Measurements Using:	Other Significant Observable Inputs (Level 2) 31st March 2020 £000	Other Significant Observable Inputs (Level 2) 31st March 2021 £000
<b>Financial Liabilities</b>		
Financial Liabilities Held at Amortised Cost:		
PWLB	63,371	63,371
<b>Total</b>	<b>63,371</b>	<b>63,371</b>
<b>Financial assets</b>		
Financial Assets Held at Amortised Cost:		
	55,466	53,140
<b>Total</b>	<b>55,466</b>	<b>53,140</b>

## 18. Debtors

2019/20 £000	Debtors	2020/21 £000
	<b>Trade Receivables:</b>	
405	Other Local Authority	411
2,489	Housing Rent	2,425
2,855	Other Entities and Individuals	2,969
<b>5,749</b>		<b>5,805</b>
	<b>Other Receivable Amounts:</b>	
1,188	Government Departments	430
42	Business Rates	44
93	Council Tax Payers	119
<b>1,323</b>		<b>593</b>
(890)	<b>Payments in Advance</b>	(645)
(3,184)	<b>Less Provision for Bad Debt</b>	(3,283)
<b>2,998</b>	<b>Total Debtors</b>	<b>2,470</b>

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

Debtors 2019/20 £000	Bad debt Provisions 2019/20 £000	Debtors for Local Taxation - Council Tax & Non-domestic Rates	Debtors 2020/21 £000	Bad Debt Provisions 2020/21 £000
1,293	479	Less than one year	1,526	527
615	332	One to two years	714	369
339	202	Two to three years	446	271
1,077	940	More than three years	1,162	1,013
<b>3,324</b>	<b>1,953</b>	<b>Total</b>	<b>3,848</b>	<b>2,180</b>

## 19. Cash & 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 3 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 Bank Overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

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

<b>2019/20 £000</b>	<b>Cash and Cash Equivalents</b>	<b>2020/21 £000</b>
3	Cash held by the Authority	3
-	Bank current accounts	705
5,260	Short term deposits with Banks and Building Societies	10,266
<b>5,263</b>	<b>Total Cash and Cash Equivalents</b>	<b>10,974</b>

## 20. 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 revalued immediately before reclassification and then carried at the lower of this amount and current 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.

There were no assets held for sale at 31<sup>st</sup> March 2021.

## 21. Creditors

2019/20 £000	Creditors	2020/21 £000
	<b>Trade Payables:</b>	
1,637	Other Local Authorities	1,001
540	Housing Rent	599
4,158	Other Entities and Individuals	4,293
<b>6,335</b>		<b>5,893</b>
	<b>Other Payables:</b>	
1,527	Government Departments	6,191
117	Council Tax Payers	132
3,971	Precepting Authorities (Business Rates)	-
1,679	Precepting Authorities (Council Tax)	1,000
333	Business Rates Payments	539
<b>7,627</b>		<b>7,862</b>
<b>13,962</b>		<b>13,755</b>

## 22. Provisions

Provisions are made where an event has taken place that gives the Authority 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 Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Authority 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.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes 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 Authority settles the obligation.

## a) Municipal Mutual Insurance (MMI)

This provision has been established as a result of the decision to trigger the 'Scheme of Arrangement' (SOA) with regard to Municipal Mutual Insurance (MMI), at a meeting of the Board of Directors on 13<sup>th</sup> November 2012. Under this SOA, the Authority is liable to pay a levy up to the value of claims paid since 1993 (£252k) and a provision of £33k was established to cover the potential additional levy of up to 28%. There is currently a remaining provision of £8k.

## b) Business Rates Appeals

Under Business Rates Retention arrangements, Billing authorities acting as agents on behalf of the major preceptors (10%), Central Government (50%) and themselves (40%) are required to make provisions for refunding ratepayers who have successfully appealed against the rateable value of their properties on the Rating List. The Authority has included a provision of £2.6m (£2.0m – 2019/20) (the overall provision in the Business Rates Collection Fund is £6.6m (£5.1m – 2019/20) and the Authority's share of the Local Business Rates Retention scheme is 40%) for appeals outstanding on the 31<sup>st</sup> March 2021 of £98.9m (£93.6m 2019/20).

Further details regarding the approach to determining the NDR provision can be found in Note 39 - Contingent Liabilities as local businesses could still appeal against the Rateable Value on the 2010 Rating List under limited circumstances and can also appeal against the Rateable Value on the 2017 Rating List.

Provisions	Municipal Mutual Insurance £000	Non Domestic Rates Appeals £000	Short Term Provisions Total £000	Long Term - Non Domestic Rates Appeals £000
<b>Balance at 1st April 2019</b>	<b>8</b>	<b>524</b>	<b>532</b>	<b>1,283</b>
Additional provisions made in year	-	159	159	477
Amount used in year	-	(13)	(13)	(307)
Unused amounts reversed in year	-	(99)	(99)	-
<b>Balance at 31st March 2020</b>	<b>8</b>	<b>571</b>	<b>579</b>	<b>1,453</b>
Additional provisions made in year	-	328	328	986
Amount used in year	-	(177)	(177)	(532)
<b>Balance at 31st March 2021</b>	<b>8</b>	<b>722</b>	<b>730</b>	<b>1,907</b>



## 23. Unusable Reserves

31st March 2020 £000	Unusable Reserves	31st March 2021 £000
61,901	Revaluation Reserve	69,726
119,859	Capital Adjustment Account	112,618
(41,266)	Pensions Reserve	(52,185)
12,689	Deferred Capital Receipts Reserve	12,674
(265)	Accumulated Absences Account	(292)
500	Collection Fund Adjustment Account	(8,257)
<b>153,418</b>	<b>Total Unusable Reserves</b>	<b>134,284</b>

### a) Revaluation Reserve

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

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1<sup>st</sup> 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 £000	Revaluation Reserve	2020/21 £000
<b>55,561</b>	<b>Balance at 1st April 2020</b>	<b>61,901</b>
	Revaluation of assets and impairment losses not charged to the (Surplus) or Deficit on the Provision of Services	
7,225		8,552
<b>7,225</b>	Surplus or deficit on the revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services	8,552
(885)	Difference between fair value depreciation and historical cost depreciation	(727)
<b>(885)</b>	Amount written off to the Capital Adjustment Account	(727)
<b>61,901</b>	<b>Balance at 31st March 2021</b>	<b>69,726</b>

## **b) Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of Non Current Assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1<sup>st</sup> April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2019/20 £000	Capital Adjustment Account	2020/21 £000
<b>115,376</b>	<b>Balance at 1st April 2020</b>	<b>119,859</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(10,290)	Charges for depreciation and impairment of Non Current Assets;	(7,564)
(6,755)	Revaluation losses on Property, Plant and Equipment;	(6,794)
(99)	Movement in Fair Value of Capital Property Fund Investments	(77)
(114)	Amortisation of Intangible Assets;	(84)
(654)	Revenue Expenditure Funded from Capital Under Statute;	(645)
(1,574)	Amounts of Non Current Assets written off on disposal or sale as part of the gains / loss on disposal to the Comprehensive Income and Expenditure Statement;	(1,127)
(19,486)		(16,291)
885	Adjusting amounts written out of the Revaluation Reserve	727
<b>(18,601)</b>	Net written out amount of the cost of Non Current Assets consumed in the year	<b>(15,564)</b>
	Capital financing applied in the year:	
4,810	Use of Capital Receipts Reserve to finance new capital expenditure;	1,130
4,277	Use of Major Repairs Reserve to finance new capital expenditure;	2,405
873	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing;	2,068
56	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances - Minimum Revenue Provision;	110
12,014	Capital expenditure charged against the General Fund and HRA Balances.	2,464
<b>22,030</b>		<b>8,177</b>
<b>1,054</b>	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement.	<b>146</b>
<b>119,859</b>	<b>Balance at 31st March 2021</b>	<b>112,618</b>

### c) Pension 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 Authority 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 Authority makes employer's contributions to pension funds or eventually pays any pensions 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 Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2019/20 £000	Pensions Reserve	2020/21 £000
(51,840)	<b>Balance at 1st April 2020</b>	(41,266)
12,897	Remeasurement of the Net Defined Benefit Liability / (asset)	(9,748)
(4,695)	Reversal of items relating to retirement benefits debited or credited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,639)
2,372	Employer's contributions and direct payments to pensioners payable in the year	2,468
<b>(41,266)</b>	<b>Balance at 31st March 2021</b>	<b>(52,185)</b>

The accounts include an advance payment of the pension lump sum for the 3 years to 2022/23 – following the triennial review in March 2019. This has been accounted for, following technical advice, by reducing the charge to the Comprehensive Income and Expenditure Account offset in the Pensions Reserve.

#### d) 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 Authority 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. The majority of the current balance relates to the accounting arrangements for finance leases under IFRS.

2019/20 £000	Deferred Capital Receipts Reserve	2020/21 £000
12,701	<b>Balance at 1st April 2020</b>	12,689
(12)	Transfer to Capital Receipts Reserve upon receipt of cash	(15)
<b>12,689</b>	<b>Balance at 31st March 2021</b>	<b>12,674</b>

#### e) Accumulated Absences Account

The Accumulated Absences 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<sup>st</sup> March 2020. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2019/20 £000	Accumulated Absences Account	2020/21 £000
(221)	<b>Balance at 1st April 2020</b>	(265)
221	Settlement or cancellation of accrual made at the end of the preceding year	265
(265)	Amounts accrued at the end of the current year	(292)
(44)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(27)
<b>(265)</b>	<b>Balance at 31st March 2021</b>	<b>(292)</b>

## f) Collection Fund Adjustment Account

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

<b>2019/20 £000</b>	<b>Collection Fund Adjustment Account</b>	<b>2020/21 £000</b>
<b>1,068</b>	<b>Balance at 1st April 2020</b>	<b>500</b>
(568)	Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(8,757)
<b>500</b>	<b>Balance at 31st March 2021</b>	<b>(8,257)</b>

The increase in the balance on the CFAA is due to a significant deficit on the NDR Collection Fund of £21.8m arising from the additional relief provided to local businesses as a result of the Covid-19 pandemic. The Government have provided funding for the additional reliefs through Section 31 grants to Local Authorities and the Council received c.£17.4m.

It should be noted however, that this represents the total Collection Fund impact, and the Councils 40% share of this equates to c.£7.0m which has been reflected in the Councils accounts and transferred to reserve to fund the deficit carried forward to 2021/22 (in line with collection fund accounting practice – whereby the deficit is funded in the following financial year as part of the budget process).

## 24. Cash Flow Statement – Operating Activities

The cash flows for the operating activities include the following items:

2019/20 £000	Cash Flow Statement - Operating Activities	2020/21 £000
	The cash flows for operating activities include the following items	
(2,049)	Interest received	(2,100)
2,720	Interest paid	2,664
<b>671</b>		<b>564</b>
<b>(7,026)</b>	Net Surplus or (Deficit) on the Provision of Services	<b>(5,425)</b>
	Adjusted for non cash movements	
10,290	Depreciation	7,564
6,755	Impairment and Downward Valuations	6,794
114	Amortisation	84
287	Increase / Decrease in Creditors	9,873
355	Increase / Decrease in Debtors	820
2	Increase / Decrease in Inventories	(2)
3,302	Movement in Pension Liability	(817)
1,574	Carrying amount of Non Current Assets and Non Current Assets Held for Sale, sold or de-recognised	1,127
(741)	Other non cash items charged to the Net (Surplus) or Deficit on the Provision of Services	505
<b>21,938</b>		<b>25,948</b>
	Adjusted for items that are Investing or Financing Activities	
(1,081)	Proceeds from Short-Term (Not Considered to be Cash Equivalents) and Long-Term investments (Includes Investments in Associates, Joint Ventures and Subsidiaries)	(2,068)
(2,043)	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(1,359)
<b>(3,124)</b>		<b>(3,427)</b>
<b>11,788</b>	<b>Net Cash Flows from Operating Activities (Surplus)/Deficit</b>	<b>17,096</b>

## 25. Cash Flow Statement – Investing Activities

2019/20 £000	Cash Flow Statement - Investing Activities	2020/21 £000
23,257	Purchase of Property, Plant and Equipment; Investment Property and Intangible Assets	8,983
-	Purchase of Short Term and Long Term Investments	5,000
(2,043)	Proceeds from the sale of Property, Plant and Equipment; Investment Property and Intangible Assets	(1,363)
(10,025)	Proceeds from Short Term and Long Term Investments	(8,002)
(1,378)	Other receipts from Investing Activities	(3,567)
<b>9,811</b>	<b>Net Cash Flows from Investing Activities</b>	<b>1,051</b>

## 26. Cash Flow Statement – Financing Activities

2019/20 £000	Cash Flow Statement - Financing Activities	2020/21 £000
757	Other receipts from Financing Activities	10,334
<b>757</b>	<b>Net Cash Flows from Financing Activities</b>	<b>10,334</b>

## 27. Acquisitions & Discontinued Operations

### Acquired operations

There were no acquired operations during 2020/21.

### Discontinued Operations

The results of discontinued operations are shown as a single amount on the face of the Comprehensive Income and Expenditure Statement comprising the profit or loss of discontinued operations and the gain or loss recognised either on measurement to fair value less costs to sell or on the disposal of the discontinued operation. A discontinued operation is a unit that has been disposed of, or is classified as an Asset Held for Sale.

There were no discontinued operations during 2020/21.



## 28. Trading Operations

The Authority has a number of trading operations required to operate in a commercial environment as follows:

2019/20 Expenditure £000	2019/20 Income £000	2019/20 (Surplus)/ Deficit £000	Trading Operations	2020/21 Expenditure £000	2020/21 Income £000	2020/21 (Surplus)/ Deficit £000
4	(10)	(6)	Markets	6	(12)	(6)
(338)	(885)	(1,223)	Industrial Estates	42	(924)	(882)
(479)	(452)	(931)	Other Land and Property	149	(785)	(636)
<b>(813)</b>	<b>(1,347)</b>	<b>(2,160)</b>	<b>Total</b>	<b>197</b>	<b>(1,721)</b>	<b>(1,524)</b>

Trading Operations are incorporated into the Comprehensive Income and Expenditure Statement.

## 29. Members' Allowances

The Authority paid the following amounts to members of the Authority during the year.

2019/20 £000	Members Allowances	2020/21 £000
160	Basic Allowance	167
95	Special Responsibility	99
4	Other Allowances/Expenses	4
<b>259</b>	<b>Total</b>	<b>270</b>

## **30. Officers' Remuneration**

### **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 and non-monetary benefits (e.g. Healthshield cover) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. 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 wage and 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 so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

The remuneration paid to the Authority's Senior Employees is as follows:

<b>Officers Remuneration</b>	<b>Year</b>	<b>Salary, Fees and Allowances £</b>	<b>Expenses Allowances £</b>	<b>Sub-Total £</b>	<b>Pension Contribution £</b>	<b>Total £</b>
Chief Executive	2020/21	<b>118,107</b>	<b>1,094</b>	<b>119,201</b>	<b>19,510</b>	<b>138,711</b>
	2019/20	115,884	1,094	116,978	19,830	136,808
Executive Director Organisation	2020/21	<b>96,290</b>	<b>1,094</b>	<b>97,384</b>	<b>15,909</b>	<b>113,293</b>
	2019/20	94,935	1,094	96,029	15,484	111,513
Executive Director Communities	2020/21	<b>91,049</b>	<b>1,370</b>	<b>92,419</b>	<b>15,045</b>	<b>107,464</b>
	2019/20	90,110	1,370	91,480	14,642	106,122
Executive Director Finance	2020/21	<b>91,526</b>	<b>1,094</b>	<b>92,620</b>	<b>15,124</b>	<b>107,744</b>
	2019/20	89,949	1,209	91,158	14,642	105,800
Assistant Director Neighbourhoods	2020/21	<b>74,409</b>	<b>1,094</b>	<b>75,503</b>	<b>12,299</b>	<b>87,802</b>
	2019/20	67,439	1,140	68,579	10,940	79,519
Assistant Director Growth and Regeneration	2020/21	<b>65,405</b>	<b>1,094</b>	<b>66,499</b>	<b>10,635</b>	<b>77,134</b>
	2019/20	52,266	841	53,107	8,485	61,592
Assistant Director People	2020/21	<b>66,605</b>	<b>1,370</b>	<b>67,975</b>	<b>11,012</b>	<b>78,987</b>
	2019/20	64,107	1,370	65,477	10,351	75,828
Assistant Director Partnerships	2020/21	<b>65,896</b>	<b>1,287</b>	<b>67,183</b>	<b>10,894</b>	<b>78,077</b>
	2019/20	63,825	1,094	64,919	10,351	75,270
Assistant Director Operations and Leisure	2020/21	<b>66,010</b>	<b>1,370</b>	<b>67,380</b>	<b>10,913</b>	<b>78,293</b>
	2019/20	64,212	1,370	65,582	10,369	75,951
Assistant Director Finance	2020/21	<b>66,365</b>	<b>1,094</b>	<b>67,459</b>	<b>10,972</b>	<b>78,431</b>
	2019/20	63,825	1,094	64,919	10,351	75,270
Assistant Director Asset Management	2020/21	<b>65,896</b>	<b>1,370</b>	<b>67,266</b>	<b>10,894</b>	<b>78,160</b>
	2019/20	64,101	1,370	65,471	10,317	75,788
Head of Audit and Governance	2020/21	<b>57,859</b>	<b>1,108</b>	<b>58,967</b>	<b>9,316</b>	<b>68,283</b>
	2019/20	44,333	883	45,216	7,106	52,322

With regard to pension contribution levels - following the triennial review carried out by the Actuary employed by the Pension Fund in March 2019 - contribution levels remain unchanged for the 3 years commencing 1<sup>st</sup> April 2020. This includes an ongoing lump sum relating to past liabilities and a set rate for future employer contributions of 16.5% p.a. (This rate has not changed since 2014/15).

The Authority's employees receiving more than £50k remuneration for the year (excluding employer's pension contributions) not including those reported in the Senior Employees table above were paid the following amounts:

2019/20 Total Number of Employees	Remuneration Band	2020/21 Number of Employees Left During Year	2020/21 Number Employed at 31st March 2021	2020/21 Total Number of Employees
1	£50,000 - £54,999	-	3	3
1	<b>Total</b>	-	<b>3</b>	<b>3</b>

The number of exit packages with total cost per band and total cost of redundancies are set out below:

Exit Package Cost Band	Number of Departures Agreed	
	2019/20	2020/21
<b>Compulsory</b>		
£0 - £20,000	1	18
£20,001 - £40,000	-	1
<b>Total</b>	<b>1</b>	<b>19</b>
<b>Other departures agreed</b>		
£0 - £20,000	5	3
£20,001 - £40,000	10	-
£40,001 - £60,000	1	-
<b>Total</b>	<b>16</b>	<b>3</b>

Total number of exit packages by cost band	Number of Departures Agreed		Total Cost of Exit Packages	
	2019/20	2020/21	2019/20 £'000	2020/21 £'000
£0 - £20,000	6	21	36	91
£20,001 - £40,000	10	1	289	35
£40,001 - £60,000	1	-	49	-
<b>Total</b>	<b>17</b>	<b>22</b>	<b>374</b>	<b>126</b>

## 31. External Audit Costs

The agreed external audit fees paid for 2020/21 were £65k (£53k 2019/20).

2019/20 £000	External Audit Costs	2020/21 £000
38	Fees payable to Grant Thornton with regard to the external audit services carried out by the appointed auditor for the year;	46
15	Fees payable to Grant Thornton for the certification of grants and returns for the year;	19
<b>53</b>	<b>Total</b>	<b>65</b>

The indicative fee for certification of grants and returns for 2020/21 is £19k. The agreed fee for the 2020/21 audit (payable in 2021/22) is £38k.

## 32. Government Grants and Contributions

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

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

Amounts recognised as due to the Authority 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 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 (Capital Grants Receipts in Advance). When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non Specific Grant Income (non ringfenced revenue grants and 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.

## Community Infrastructure Levy

The Authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the authority) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charges for this Authority may be used to fund revenue expenditure. CIL income of £39k was received in 2020/21 including income for monitoring costs of £2k.

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020/21:

2019/20 £000	Grant Income	2020/21 £000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
-	Revenue Support Grant	188
13,549	NNDR	5,462
(10,054)	Non Domestic Rates - Tariff	(10,405)
(17)	Non Domestic Rates - Levy to GBSLEP	(565)
336	New Homes Bonus	650
1,114	S31 Grant - Small Business Rate Relief	8,590
35	Other Grants	39
1,081	Capital Grants and Contributions	2,107
<b>6,044</b>	<b>Total</b>	<b>6,066</b>

The Authority credited the following grants, contributions and donations to Cost of Services within the Comprehensive Income and Expenditure Statement in 2020/21:

<b>2019/20</b>	<b>Credited to Services</b>	<b>2020/21</b>
<b>£000</b>	<b>Government Grant</b>	<b>£000</b>
269	DWP Admin Grant	271
90	NNDR Cost of Collection	90
13,656	Benefits	12,433
136	Discretionary Housing Payment	172
7	Nature Reserve	7
103	Safer Stronger Communities/Domestic Abuse	49
24	Electoral Process	5
26	Homelessness Reduction Act	52
40	Domestic Abuse Services	-
15	Heritage Lottery Funding	-
66	Welfare Benefit Reform Changes	120
146	Flexible Homelessness Support	146
10	Homelessness Prevention	2
35	EU Exit	-
1	ERDF	-
15	Earned Autonomy	30
150	Future High Street Funds	-
75	GBSLEP Town Centre Ecosystems	-
5	Improve and Development Agency - Cyber Security	3
-	COVID-19 marshalls	39
-	SCC Test & Trace	136
-	Skills officer - GBSLEP	30
-	Arts council	207
<b>14,869</b>	<b>Total</b>	<b>13,792</b>

The Authority has received a number of grants, contributions and donations 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:

<b>31st March 2020</b>	<b>Capital Grants Receipts in Advance</b>	<b>31st March 2021</b>
<b>£000</b>		<b>£000</b>
1	DCMS Free Swimming Grant	1
3	Lottery BMX Track	3
17	Other	17
-	Future High Streets Funds	30
270	S106 Leisure Grants	307
<b>291</b>	<b>Total</b>	<b>358</b>

### **33. Related Parties**

The Authority is required to disclose material transactions with related parties – bodies or individuals that have control or joint control, or significant influence over the Authority, or are a member of the key management personnel of the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority 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 Authority.

#### **a) Central Government**

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council Tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 8. Grant receipts outstanding at 31<sup>st</sup> March 2021 are shown in Note 32.

#### **b) Members**

Members of the Authority have direct control over the Authority's financial and operating policies. The total of Members' Allowances paid in 2020/21 is shown in Note 29. During the financial year ended 31<sup>st</sup> March 2021, there were no material transactions between the Authority and its Members, other than the payment of Member Allowances. Details of all transactions are recorded in the Register of Members' Interests, available on the Council's website.

Members are required to disclose information regarding any material transactions between them and any other organisation in which they could exert control. During the financial year ended 31<sup>st</sup> March 2021, the only such transactions were with regard to the Leader of the Council and Solway (Tamworth) Ltd, as detailed in paragraph (d) below.

#### **c) Officers**

During the financial year ended 31<sup>st</sup> March 2021, there were no material transactions between the Authority and its Chief Officers, other than the payment of officer salaries. The total of Senior Officers' Remuneration is shown in Note 30.

Senior Officers are required to disclose information regarding any material transactions between them and any other organisation in which they could exert control. During the financial year ended 31<sup>st</sup> March 2021, the only such transactions were with regard to the Chief Executive and the Executive Director Finance and Solway (Tamworth) Ltd, detailed below.



#### d) Solway (Tamworth) Ltd

In line with plans set out in the Council's Commercial Investment Strategy, the above trading company was established in 2018. The company is wholly owned by the Council, with the Leader of the Council, Chief Executive, and Executive Director Finance established as Directors of the company. It had been intended that during 2020/21, land owned by the Council at Solway Close would be disposed of and purchased by the company for the development of private housing for rent, however, this has not yet progressed.

#### e) Staffordshire County Council, OPCC and Fire Authority Precepts.

Staffordshire County Council and OPCC Staffordshire, and Staffordshire Commissioner Fire and Rescue Authority, issue precepts on the Authority, as follows:

<b>31st March 2020 £000</b>	<b>Precepts</b>	<b>31st March 2021 £000</b>
27,119	Staffordshire County Council	28,987
4,713	OPCC Staffordshire	5,035
1,648	Staffordshire Commissioner Fire and Rescue Authority	1,728
<b>33,480</b>	<b>Total</b>	<b>35,750</b>

During the year, there were 3 Councillors who were both a Member of the Council and Staffordshire County Council.

#### f) Staffordshire County Council

Under the Recycling Credit Scheme, the Authority also receives recycling credits from Staffordshire County Council. These are then paid over to the Joint Waste Service under arrangements with Lichfield District Council.

<b>31st March 2020 £000</b>	<b>Recycling Credit Scheme</b>	<b>31st March 2021 £000</b>
(599)	Recycling Credits	(628)
<b>(599)</b>	<b>Total</b>	<b>(628)</b>

### g) Joint Waste Service

The Authority's Joint Waste Service with Lichfield District Council was launched in July 2010, and a joint committee - 'Lichfield and Tamworth Waste Collection Services' - was established. The organisation provides waste and recycling services to approximately 73,000 properties across the two Authorities. Lichfield District Council is responsible for hosting the service including employment of staff.

The parties have an agreement in place for funding this operation with contributions to the agreed budget of 58.3% from Lichfield District Council and 41.7% from Tamworth Borough Council. The same proportions are used to meet any deficit or share any surplus arising on the operation's budget at the end of each financial year.

The revenue outturn of the Joint Waste Service for the year ended 31<sup>st</sup> March 2021 is as follows:

2019/20 £000	Joint Waste Arrangement Income / Expenditure	2020/21 £000
	<b>Funding Provided to the Operation</b>	
(920)	Contribution from Tamworth Borough Council	(1,166)
(1,287)	Contribution from Lichfield District Council	(1,631)
<b>(2,207)</b>	<b>Total Funding Provided to the Operation</b>	<b>(2,797)</b>
	<b>Expenditure</b>	
2,685	Employee Costs	3,024
1,261	Transport Costs	1,213
1,380	Supplies and Services	1,620
369	Central Support Costs	607
<b>5,695</b>	<b>Total Expenditure</b>	<b>6,464</b>
	<b>Income</b>	
(1,581)	Recycling Credits	(1,659)
(1,478)	Green Waste Service	(1,618)
(429)	Other Income	(417)
<b>(3,488)</b>	<b>Total Income Received</b>	<b>(3,694)</b>
<b>2,207</b>	<b>Total Net Expenditure</b>	<b>2,770</b>
	<b>Net (Surplus)/Deficit arising on the pooled budget during the year</b>	
-		(27)
41.7%	<b>Tamworth Borough Council's share of Service</b>	41.7%
	<b>Tamworth Borough Council's share of Net (Surplus)/Deficit</b>	
-		(11)

Lichfield District Council are the lead Authority for this arrangement, with the Tamworth Borough Council reimbursing Lichfield for services on the basis of a proportion of actual spend. For 2020/21, the cost of the arrangement to the Authority was £1.2m.

### 34. Capital Expenditure & Financing

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 Authority 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 or Housing Revenue Account to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax or housing rent.

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

2019/20 £000	Capital Expenditure and Financing	2020/21 £000
68,868	<b>Opening Capital Financing Requirement</b>	72,055
	Capital Investment	
24,187	Property, Plant and Equipment	8,560
296	Heritage Assets	219
3	Investment Properties	-
77	Intangible Assets	204
654	Revenue Expenditure Funded from Capital under Statute	645
	Sources of Finance	
(4,810)	Capital receipts	(1,130)
(391)	Government grants and other contributions	(2,044)
(16,291)	Sums set aside from revenue - Direct Revenue Contributions	(4,869)
(56)	Sums set aside from revenue - Minimum Revenue Provision	(110)
(482)	Grants - Revenue Expenditure Funded from Capital Under Statute	(24)
<b>72,055</b>	<b>Closing Capital Financing Requirement</b>	<b>73,506</b>
	<b>Explanation of movements in year:</b>	
	Increase in underlying need to borrow:	
3,243	Unsupported by government financial assistance	1,561
(56)	Sums set aside from revenue - Minimum Revenue Provision	(110)
<b>3,187</b>	<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>1,451</b>

## 35. 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.

### a) Authority as Lessee

#### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased Property, Plant and 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 currently uses vehicles, plant and equipment financed under terms of an operating lease. The amount paid under these arrangements in 2020/21 was £274k (£288k – 2019/20). These leases have options for annual extensions beyond the original lease term, a number of these options are currently being taken up.

2019/20 £000	Minimum Lease Payments	2020/21 £000
288	Minimum lease payments	274
<b>288</b>	<b>Total Minimum Lease Payments</b>	<b>274</b>

The Authority was committed at 31<sup>st</sup> March 2021 to making payments of £651k under operating leases, comprising the following elements:

31st March 2020 £000	Operating Leases	31st March 2021 £000
281	Not later than one year	273
295	Later than one year not later than five years	378
<b>576</b>	<b>Total Operating Leases</b>	<b>651</b>

## **b) Authority as Lessor**

### **i. Finance Leases**

Where the Authority 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 Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (Long Term Debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future 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 fixed 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 Authority has leased out property at the Ankerside Shopping Centre including car park, on a finance lease with a remaining term of 68 years.

The Authority has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the Long Term Debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding.

The gross investment is made up of the following amounts:

31st March 2020 £000	Assets Held for Leases (Lessor)	31st March 2021 £000
	<b>Finance lease debtor (NPV of minimum lease payments)</b>	
12,583	Non current	12,572
45,277	Unearned finance income	44,437
12	Unguaranteed residual value of property	12
<b>57,872</b>	<b>Gross Investment in the Lease</b>	<b>57,021</b>

The gross investment in the lease and the minimum lease payments will be received over the following periods:

Minimum Lease Payments 31st March 2020 £000	Gross Investment in the Lease 31st March 2020 £000	Minimum Lease Payments	Minimum Lease Payments 31st March 2021 £000	Gross Investment in the Lease 31st March 2021 £000
851	851	Not later than one year	851	851
3,404	3,404	Later than one year not later than five years	3,404	3,404
53,605	53,617	Later than five years	52,754	52,766
<b>57,860</b>	<b>57,872</b>	<b>Total</b>	<b>57,009</b>	<b>57,021</b>

The Authority does not set aside any amount for future uncollectable amounts.

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

## ii. Operating Leases

Where the Authority 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 and equipment under operating leases for the following purposes:

- for the provision of community services, such as community centres; and
- for investment purposes to provide suitable affordable accommodation for local businesses.

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

<b>31st March 2020 £000</b>	<b>Future Minimum Lease Payments</b>	<b>31st March 2021 £000</b>
	<b>Operating Leases</b>	
1,113	Not later than one year	1,128
4,220	Later than one year not later than five years	4,147
52,441	Later than five years	50,005
<b>57,774</b>	<b>Total</b>	<b>55,280</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

The minimum lease payments do not include cancellable rents received during the period, these amounted to £573k in 2020/21 (£579k – 2019/20). There were 10 void units at the 31<sup>st</sup> March 2021 (15 voids at the 31<sup>st</sup> March 2020).

## **36. Impairment Losses**

Charges for impairment of £4.3m have been made during 2020/21. This amount reflects the expenditure on capital assets which has not produced a similar increase in the value of the assets.

Total HRA Capital Expenditure was £8.4m of which £4.3m related to improvements to bathrooms, kitchens, central heating, electrical upgrades and disabled adaptations; £1.3m related to the acquisition of 9 new properties to be used within the general need stock; with £2.8m spent on the regeneration of the Tinkers Green and Kerria sites. The impairment has been recognised as the advice of the Authority's internal valuer is that such improvements have not increased the overall value of the asset.

## **37. Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Authority 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 segment or, where applicable, to a corporate service segment at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund or Housing Revenue Account to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

There were 22 terminations of employee contracts during 2020/21.



## 38. Defined Benefit Pension Schemes

The pension costs included in these accounts have been determined in accordance with government regulations and IAS 19. The standard requires the full recognition of the pensions liability (and the movement of its constituent parts) in the Comprehensive Income and Expenditure Statement. These requirements are included within the accounts in accordance with CIPFA recommended practice.

The Local Government Pension Scheme (LGPS) is accounted for as a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme Regulations 2013:

- i. The liabilities of the Staffordshire Local Government Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit credit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- ii. Liabilities are discounted to their value at current prices, using a discount rate of 2%.

This is based on an approach whereby a Corporate Bond yield curve is constructed based on the constituents of the iBoxx AA Corporate Bond Index.

Separate discount rates are then set (and corresponding RPI/CPI inflation assumptions) for individual employers, dependent on their own weighted average duration.

- iii. The assets of Staffordshire Local Government Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price;
  - unquoted securities – professional estimate;
  - unitised securities – current bid price;
  - property – market value.
- iv. The change in the net pensions 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 Cost:** net interest on the net defined benefit liability (asset), ie net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of 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.

#### **Remeasurements comprising:**

**Expected 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 pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- **Contributions paid to the Staffordshire Local Government 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 and the Housing Revenue Account to be charged with the amount payable by the Authority 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 pensioners 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 and Housing Revenue Account 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 Authority 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.

## **a) Participation in Pension Schemes**

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The authority participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by Staffordshire County Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

## **b) Transactions Relating to Post-employment Benefits**

We recognise the cost of retirement benefits in the reported Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on the cash payable in the year, so the real cost of post employment / retirement benefits is reversed out of the General Fund (and HRA) via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

## Comprehensive Income and Expenditure Statement

Local Government Pension Scheme 2019/20 £000	Discretionary Benefit Arrangements 2019/20 £000	Defined Benefit Pension Schemes	Local Government Pension Scheme 2020/21 £000	Discretionary Benefit Arrangements 2020/21 £000
		<b>Comprehensive Income and Expenditure Statement:</b>		
3,447	68	Service Cost Comprising:	2,722	67
-	-	Current service costs	3	-
		Past service costs		
		<b>Financing and Investment Income and Expenditure</b>		
3,361	-	Interest costs	2,872	-
(2,113)	-	Expected return on scheme assets	(1,958)	-
<b>4,695</b>	<b>68</b>	<b>Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services</b>	<b>3,639</b>	<b>67</b>
		<b>Remeasurement of the Net Defined Benefit Liability Comprising:</b>		
5,130	(82)	Return on plan assets (excluding amounts included in net interest expense)	(21,810)	141
(5,483)	-	Actuarial gains and losses on changes in demographic assumptions	1,786	-
(11,305)	-	Actuarial gains and losses on changes in financial assumptions	31,135	-
(1,157)	-	Other	(1,504)	-
<b>(8,120)</b>	<b>(14)</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>13,246</b>	<b>208</b>

## Movement in Reserves Statement

Local Government Pension Scheme 2019/20 £000	Discretionary Benefit Arrangements 2019/20 £000	Defined Benefit Pension Schemes	Local Government Pension Scheme 2020/21 £000	Discretionary Benefit Arrangements 2020/21 £000
8,120	14	<b>Movement in Reserves Statement:</b>  Reversal of net charges made to the (Surplus) or Deficit on the Provision of Services for post employment benefits in accordance with the code	(13,246)	(208)
2,372	-	Actual amount charged against the General Fund Balance for pensions in the year:	2,468	-
-	68	Employers' contributions payable to the scheme	-	67
-	-	Retirement benefits payable to pensioners	-	67
<b>10,492</b>	<b>82</b>	<b>Total Movement in Reserves Statement</b>	<b>(10,778)</b>	<b>(141)</b>

Under the Housing Repairs contract, a separate pension scheme is operated for staff transferred as part of a TUPE arrangement.

### c) 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:

Local Government Pension Scheme 2019/20 £000	Pensions Assets and Liabilities Recognised in the Balance Sheet	Local Government Pension Scheme 2020/21 £000
125,265	Present Value of the Defined Benefit Obligation	159,204
(83,999)	Fair Value of Plan Assets	(109,007)
<b>41,266</b>	<b>Net Liability Arising From Defined Benefit Obligation</b>	<b>50,197</b>

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

Local Government Pension Scheme 2019/20 £000	Reconciliation of Fair Value of Scheme Assets	Local Government Pension Scheme 2020/21 £000
<b>88,762</b>	<b>Balance at 1st April 2020</b>	<b>83,999</b>
2,113	Interest Income on Plan Assets	1,958
(5,048)	Return on Assets excluding amounts included in net interest	21,669
1,393	Employer contributions	4,456
529	Contributions by scheme participants	540
(3,750)	Benefits paid	(3,615)
68	Contributions in respect of unfunded benefits	67
(68)	Unfunded benefits paid	(67)
<b>83,999</b>	<b>Balance at 31st March 2021</b>	<b>109,007</b>

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

Local Government Pension Scheme 2019/20 £000	Discretionary Benefit Arrangements 2019/20 £000	Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligation)	Local Government Pension Scheme 2020/21 £000	Discretionary Benefit Arrangements 2020/21 £000
<b>138,493</b>	<b>1,130</b>	<b>Balance at 1st April 2020</b>	<b>124,285</b>	<b>980</b>
3,515	-	Current service costs	2,789	-
3,361	-	Interest Cost on Defined Benefit Obligation	2,872	-
529	-	Plan Participants Contributions	540	-
(5,483)	-	Changes in Demographic Assumptions	1,786	-
(11,223)	(82)	Changes in Financial Assumptions	30,994	141
(1,157)	-	Other Experience	(1,504)	-
(3,750)	(68)	Benefits paid	(3,615)	(67)
-	-	Past service costs	3	-
<b>124,285</b>	<b>980</b>	<b>Balance at 31st March 2021</b>	<b>158,150</b>	<b>1,054</b>

**f) Local Government Pension Scheme Assets Comprised:**

The asset values shown below are at bid value as required under IAS19.

As at 31st March 2020					As at 31st March 2021			
Quoted Prices in Active Markets £000	Quoted Prices Not in Active Markets £000	Total £000	Percentage of Total Assets %	Fair Value of Employers Assets	Quoted Prices in Active Markets £000	Quoted Prices Not in Active Markets £000	Total £000	Percentage of Total Assets %
3,115	-	3,115	3.7	<b>Equity Securities</b>	4,239	-	4,239	3.9
3,364	-	3,364	4.0	Consumer	4,549	-	4,549	4.2
1,123	-	1,123	1.3	Manufacturing	1,205	-	1,205	1.1
2,970	-	2,970	3.5	Energy & Utilities	3,847	-	3,847	3.5
2,627	-	2,627	3.1	Financial Institutions	2,741	-	2,741	2.5
2,047	-	2,047	2.4	Health Care	4,664	-	4,664	4.3
72	-	72	0.1	Information Technology	118	-	118	0.1
				Other				
				<b>Debt Securities</b>				
6,759	-	6,759	8.0	Corporate Bonds (Investment Grade)	7,528	-	7,528	6.9
				<b>Private Equities</b>				
-	3,500	3,500	4.2	All	-	4,723	4,723	4.3
				<b>Real Estate</b>				
-	8,279	8,279	9.9	UK Property	-	8,349	8,349	7.7
				<b>Investment Funds &amp; Unit Trusts</b>				
35,825	-	35,825	42.7	Equities	52,368	-	52,368	48.0
7,060	-	7,060	8.4	Bonds	7,255	-	7,255	6.7
-	1,495	1,495	1.8	Hedge Funds	-	413	413	0.4
-	-	-	-	Infrastructure	-	44	44	0.0
-	4,343	4,343	5.2	Other	-	5,187	5,187	4.8
				<b>Cash &amp; Cash Equivalents</b>				
1,420	-	1,420	1.7	All	1,777	-	1,777	1.6
<b>66,382</b>	<b>17,617</b>	<b>83,999</b>	<b>100.0</b>	<b>Total Assets</b>	<b>90,291</b>	<b>18,716</b>	<b>109,007</b>	<b>100.0</b>

### g) 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. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31<sup>st</sup> March 2021. The significant assumptions used by the actuary have been:

Local Government Pension Scheme 2019/20	Discretionary Benefit Arrangements 2019/20	Assumptions	Local Government Pension Scheme 2020/21	Discretionary Benefit Arrangements 2020/21
2.30%	-	Long-term expected rate of return on assets in the scheme:		
		Equity Investments	2.00%	-
2.30%	-	Government Bonds		
		Bonds	2.00%	-
2.30%	-	Property Managed Funds	2.00%	-
2.30%	-	Cash	2.00%	-
2.30%	-	Other	2.00%	-
		Mortality assumptions (in years):		
		Longevity at 65 for current pensioners:		
21.2	21.2	Men	21.4	21.4
23.6	23.6	Women	24.0	24.0
		Longevity at 65 for future pensioners:		
22.1	22.1	Men	22.5	22.5
25.0	25.0	Women	25.7	25.7
1.90%	1.90%	CPI Rate	2.85%	2.85%
2.30%	2.30%	Rate of increase in salaries	3.25%	3.25%
1.90%	1.90%	Rate of increase in pensions	2.85%	2.85%
2.30%	2.30%	Rate for discounting scheme liabilities	2.00%	2.00%
50%/75%	-	Take-up of option to convert annual pension into retirement lump sum	50%/75%	-

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis 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 inter related. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from



that used in the previous period.

Impact on the Defined Benefit Obligation in the Scheme		Change in Assumptions at 31st March 2021	Impact on the Defined Benefit Obligation in the Scheme	
Approx. % Increase to Liability 2019/20 %	Approx. Monetary Value 2019/20 £000		Approx. % Increase to Liability 2020/21 %	Approx. Monetary Value 2020/21 £000
9.00%	11,266	0.5% Decrease in Real Discount Rate	9.00%	15,042
3.00% to 5.00%	2,892 to 4,820	1 Year in Member Life Expectancy	3.00% to 5.00%	3,744 to 6,240
1.00%	964	0.5% Increase in the Salary Increase Rate	1.00%	1,248
8.00%	10,218	0.5% Increase in the Pension Increase Rate	8.00%	13,497

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31<sup>st</sup> March 2022 is £1.3m (£2.4m – 2020/21).

### 39. Contingent Liabilities

A Contingent Liability arises where an event has taken place that gives the Authority 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 Authority. 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.

The Authority has included a provision – detailed in Note 22 – relating to Business Rate appeals outstanding as at 31<sup>st</sup> March 2021.

Local businesses can appeal against the Rateable Value on the 2010 Rating list under limited circumstances and can also appeal against the Rateable Value on the 2017 Rating List. The 2017 Rating List is subject to a fresh approach to appeals known as "Check, Challenge & Appeal" (CCA) which means that before an appeal is made the Rateable Value may be amended upon negotiation between the Valuation Office and the ratepayer (or their agents). This process will inevitably lead to a delay in appeals being made.

It is difficult to estimate the likelihood of businesses both submitting and being successful with an appeal and the Authority has therefore made provision in the accounts based on professional advice from independent valuers. The contingent liability element relates to any potential successful appeals beyond the provision made. The level of historic appeals together with the average level of success and savings in Rateable Value is shown for the 2005, 2010 and 2017 lists below:

<b>Indicator</b>	<b>2005 List</b>	<b>2010 List</b>	<b>2017 List</b>	<b>Total</b>
<b>A</b> Total of original Rateable Values resolved	£116.06m	£237.57m	£57.70m	£411.33m
<b>B</b> Total original Rateable Value of successful check/ challenge/ appeal	£51.93m	£43.28m	£7.68m	£102.89m
Average success rate (% of RV) <b>(B/A)</b>	44.74%	18.22%	13.31%	25.01%
<b>C</b> Total revised Rateable Value of successful check/ challenge/ appeal	£47.63m	£38.68m	£6.90m	£93.21m
<b>D Total reduction in Rateable Value (C-B)</b>	<b>£4.29m</b>	<b>£4.60m</b>	<b>£0.78m</b>	<b>£9.67m</b>
Average % reduction in Rateable Value <b>(D/B)</b>	8.27%	10.63%	10.16%	9.40%
<b>E</b> Years the List has been active	5	7	3	-
<b>F</b> Average annual reduction in Rateable Value <b>(D/E)</b>	£0.86m	£0.66m	£0.26m	-
<b>G</b> Standard Business Rate Multiplier in 2021/22	51.2p	51.2p	51.2p	51.2p
<b>H Average annual cost of reduction based on 2018/19 Multiplier (FxG)</b>	<b>£0.44m</b>	<b>£0.34m</b>	<b>£0.13m</b>	<b>£0.91m</b>
<b>District Council Share at 40% (Hx0.4)</b>	<b>£0.18m</b>	<b>£0.13m</b>	<b>£0.05m</b>	<b>£0.36m</b>
<b>I</b> Checks/ challenges/ appeals outstanding 31/03/21	£0.00m	£91.97m	£6.91m	£98.88m
<b>J</b> Provision included	£0.00m	£0.99m	£5.58m	£6.57m
Provision as a % of checks/ challenges/ appeals outstanding <b>(J/I)</b>		1.08%	80.75%	6.64%

## 40. Nature & Extent of Risks Arising from Financial Instruments

### Key Risks

The Authority'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.

The Authority'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 and is based on the framework set out in the Local Government Act 2003 and associated regulations.

As directed by the Act, the Authority has formally adopted the CIPFA Treasury Management Code of Practice and complies with the CIPFA Prudential Code. As part of the adoption of the Treasury Management Code, the Authority approves a Treasury Management Strategy before the commencement of the year to which it relates, this strategy sets out the parameters for the management of risks associated with financial instruments.

The Treasury Management Strategy for 2020/21 (including the Annual Investment Strategy) was approved by Full Council on 25<sup>th</sup> February 2020 and is available on the Authority's website.

The strategy also includes an Annual Investment Strategy for the forthcoming year, setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance.

Risk management is carried out by a central treasury team, under policies approved by the Authority in the annual Treasury Management Strategy. The Authority 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).

## **a) 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 is available on the Authority's website.

### **Credit Risk management Practices**

The authority's credit risk management practices are set out in the Annual Investment Strategy. With particular regard to determining whether the credit risk of financial instruments has increased significantly since initial recognition.

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

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

This Authority 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

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.

The Authority's maximum exposure to credit risk in relation to its investments in financial institutions of £58.1m 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 the 31<sup>st</sup> March 2021 that this was likely to crystallise.

## Amounts Arising from Expected Credit Losses

### Credit Risk Exposure

The Authority has assessed its short and long term investments and concluded that the expected credit loss is not material therefore no allowances have been made.

A summary of the credit quality of the Council's investments at 31<sup>st</sup> March 2021 is shown below, along with the potential maximum exposure to credit risk, based on experience of default and uncollectability.

Credit Risk	Amount at 31st March 2021 £000 A	Historical Experience of Default % B	Historical Experience Adjusted for Market Conditions at 31st March 2021 % C	Estimated Maximum Exposure to Default and Uncollectability at 31st March 2021 £000 (A x C)	Estimated Maximum Exposure at 31st March 2020 £000
AAA rated counterparties	10,000	0.04%	0.04%	4	-
AA rated counterparties	24,143	0.02%	0.02%	5	-
A rated counterparties	23,996	0.05%	0.05%	12	25
Trade Debtors	2,437	74.07%	74.07%	1,805	1,680
<b>Total</b>	<b>60,576</b>	-	-	<b>1,826</b>	<b>1,705</b>

The Authority does not generally allow credit for customers, such that £2.4m is past its due date for payment. The past due amount as at 31<sup>st</sup> March 2021 but not impaired amount can be analysed by age as follows:

31st March 2020 £000	Arrears	31st March 2021 £000
782	Less than six months	960
101	Six months to one year	72
190	More than one year	175
1,216	More than two years	1,230
<b>2,289</b>	<b>Total</b>	<b>2,437</b>

The Authority initiates a legal charge on property where, for instance, works have to be carried out in default but those responsible cannot afford to pay immediately. The total collateral at 31<sup>st</sup> March 2021 was £42.4k (£42.5k – 2019/20).

## b) Liquidity Risk

The Authority 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 Authority 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 Authority 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:

31st March 2020		Financial Assets	31st March 2021	
Average Rate %	Amount £000		Average Rate %	Amount £000
0.96%	50,206	Less than one year	40.00%	42,168
-	-	Maturing in 1 - 2 years	65.00%	5,000
<b>0.96%</b>	<b>50,206</b>	<b>Total</b>	<b>40.00%</b>	<b>47,168</b>

All trade and other payables are due to be paid in less than one year – debtors of £2.4m are not included in the table above.

## c) Refinancing and Maturity Risk

The Authority 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 Authority 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 Authority approved treasury and investment strategies address the main risks and the central 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 Authority'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 (approved Council in the Treasury Management Strategy):

31st March 2020 Average Rate %		Financial Liabilities		Approved Minimum Limits	Approved Minimum Limits	31st March 2021 Average Rate %	
Amount £000						Amount £000	
4.05%	63,371	PWLB				4.05%	63,371
<b>4.05%</b>	<b>63,371</b>	<b>Total</b>				<b>4.05%</b>	<b>63,371</b>
-	311	Less than one year (Interest Due)		0%	20%	-	311
4.62%	5,000	Maturing in 10 - 15 years		0%	100%	4.62%	5,000
4.00%	58,060	Maturing in over 15 years		0%	100%	4.00%	58,060
<b>4.05%</b>	<b>63,371</b>	<b>Total</b>				<b>4.05%</b>	<b>63,371</b>

#### d) Market Risk

##### i) Interest Rate Risk

The Authority is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority, 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, subject to influences from Government grants (i.e. HRA). 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 Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Authority'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 central treasury team 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.

The risk of interest rate loss is partially mitigated by Government grant payable on financing costs. As at 31<sup>st</sup> March 2021, the Authority had no variable rate debt or investments. There would therefore be no material impact if all interest rates had been higher or lower during the year.

#### ii) Price Risk

The Council holds £3.6m in property 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.

The market prices of the Council's fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the market risk associated with these instruments is managed alongside interest rate risk.

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £3.6m. A 5% fall in commercial property prices would result in a £0.2m charge to Other Comprehensive Income & Expenditure – this would have no impact on the (Surplus) or Deficit on the Provision of Services until the investment was sold.



## **Approval of Accounts**

I confirm that these accounts were approved by the Audit and Governance Committee at the meeting held on 23<sup>rd</sup> July 2021

Signed on behalf of Tamworth Borough Council

Councillor M. Summers, Chair of the Audit and Governance Committee

Dated 28<sup>th</sup> July 2021

*This is an electronic copy without an electronic signature. The original was signed as dated above and a copy can be obtained from the Executive Director Finance.*

## Housing Revenue Account

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. The Authority charges rents to cover expenditure in accordance with legislative framework; this may be different from accounting cost. The increase or decrease in the year, on the basis which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

2019/20 £000	HRA Comprehensive Income and Expenditure Statement	2020/21	
		£000	£000
	<b>Expenditure:</b>		
3,223	Repairs and Maintenance	4,848	
6,279	Supervision and Management	6,176	
31	Rents, rates, taxes and other charges	60	
16,092	Depreciation and impairment of Non Current Assets	12,910	
10	Debt management costs	6	
107	Movement in the allowance for bad debts	85	
<b>25,742</b>	<b>Total Expenditure</b>		<b>24,085</b>
	<b>Income:</b>		
(17,737)	Dwelling rents	(18,154)	
(396)	Non dwelling rents	(375)	
(1,143)	Charges for services and facilities	(997)	
(1,666)	Contributions towards expenditure	(1,560)	
<b>(20,942)</b>	<b>Total Income</b>		<b>(21,086)</b>
<b>4,800</b>	<b>Net Expenditure of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>		<b>2,999</b>
16	HRA services' share of Corporate and Democratic Core		20
<b>4,816</b>	<b>Net Expenditure / (Income) for HRA Services</b>		<b>3,019</b>
	<b>HRA Share of the Operating Income and Expenditure Included in the Comprehensive Income and Expenditure Statement:</b>		
(416)	(Gain) or loss on sale of HRA Non Current Assets		(192)
2,647	Interest payable and similar charges		2,664
(165)	Interest and investment income		(109)
293	Pensions interest cost and expected return on pensions assets		215
-	Capital grants and contributions receivable		(1,400)
<b>7,175</b>	<b>(Surplus) or Deficit for the Year on HRA Services</b>		<b>4,197</b>

## Statement of Movement on the HRA Balance

2019/20 £000	Statement of Movement on the HRA Balance	2020/21	
		£000	£000
4,485	Balance on the HRA at the end of the previous year		6,252
(7,175)	Surplus or (Deficit) for the year on the HRA Income and Expenditure Statement	(4,197)	
1,750	Adjustments between accounting basis and funding basis under statute	6,490	
<b>(5,425)</b>	<b>Net Increase or (Decrease) before transfers to or from reserves</b>	<b>2,293</b>	
7,192	Transfers (to) / from Reserves	(2,934)	
1,767	Increase or (Decrease) on the HRA		(641)
<b>6,252</b>	<b>Balance on the HRA at 31st March 2021</b>		<b>5,611</b>

## Analysis of Adjustments

2019/20 £000	Analysis of Adjustments	2020/21 £000
13	Difference between any other item of income and expenditure determined in accordance with the code and determined in accordance with HRA requirements	7
(416)	Gain or loss on sale of HRA Non Current Assets	(192)
561	HRA share of contributions to or from the Pensions Reserve	290
(11,703)	Capital expenditure funded by the HRA	(2,191)
-	Capital Grants and Contributions Applied	(1,400)
(2,798)	Transfer to / from the Major Repairs Reserve	(2,933)
16,093	Transfer to / from the Capital Adjustment Account	12,909
<b>1,750</b>	<b>Total Adjustments Between Accounting Basis and Funding Basis Under Statute</b>	<b>6,490</b>

## NOTES TO THE HRA

### HRA1. Number & Type of Dwelling

The Authority is responsible for managing a housing stock, made up as follows:

	Houses and Bungalows	High and Medium Rise Flats	Low Rise Flats	Total
<b>Housing Stock as at 1st April 2020</b>	<b>2,763</b>	<b>665</b>	<b>852</b>	<b>4,280</b>
Sales	(18)	(2)	(3)	<b>(23)</b>
Additions	51	-	33	<b>84</b>
<b>Housing Stock as at 31st March 2021</b>	<b>2,796</b>	<b>663</b>	<b>882</b>	<b>4,341</b>

In order to comply with the requirements of Resource Accounting, garages are now identified within other property. Non operational assets are those held by an authority but not directly occupied or used in the delivery of its services.

### HRA2. Vacant possession value of dwellings

The Vacant Possession Valuation as at 31<sup>st</sup> March 2021 is £495.3m (31<sup>st</sup> March 2020 Vacant Possession Value was £467.8m).

However, assets are valued on the Balance Sheet at their existing use reflecting the valuation of a property if it were to be disposed with sitting tenants benefiting from sub-market rents. This reflects the economic cost to the Government of providing council housing at less than open market value.

Council dwellings are held on the Balance Sheet at Existing Use Value Social Housing (EUV-SH) which for 2020/21, a nationally set adjustment factor for the West Midlands of 40% of vacant possession value has been used (40% - 2019/20).

<b>Movement in 2018/19</b>	<b>EUV-SH Council Dwellings £000</b>	<b>Other Land and Buildings £000</b>	<b>Plant , Vehicles and Equipment £000</b>	<b>Asset Under Construction £000</b>	<b>Total £000</b>
<b>Cost or Valuation</b>					
<b>As at 1st April 2020</b>	<b>187,128</b>	<b>3,672</b>	<b>-</b>	<b>8,526</b>	<b>199,326</b>
Additions;	5,544	-	72	2,813	<b>8,429</b>
Accumulated Depreciation and Impairment written off to Gross Carrying Amount;	(7,082)	(21)	-	-	<b>(7,103)</b>
Revaluation increases/ (decreases) recognised in the Revaluation Reserve;	8,357	37	-	-	<b>8,394</b>
Revaluation increases/ (decreases) recognised in the (Surplus) or Deficit on the Provision of Services;	(5,723)	-	-	-	<b>(5,723)</b>
Derecognition - Disposals.	(1,092)	(48)	-	-	<b>(1,140)</b>
Other movements in cost or valuation	11,007	-	-	(11,287)	<b>(280)</b>
<b>As at 31st March 2021</b>	<b>198,139</b>	<b>3,640</b>	<b>72</b>	<b>52</b>	<b>201,903</b>
<b>Accumulated Depreciation &amp; Impairment</b>					
<b>As at 1st April 2020</b>	<b>-</b>	<b>(186)</b>	<b>-</b>	<b>-</b>	<b>(186)</b>
Depreciation Charge;	(2,838)	(96)	-	-	<b>(2,934)</b>
Accumulated Depreciation and Impairment written off to Gross Carrying Amount;	7,082	21	-	-	<b>7,103</b>
Impairment losses/ (reversals) recognised in the (Surplus) or Deficit on the Provision of Services;	(4,253)	-	-	-	<b>(4,253)</b>
Derecognition - disposals.	9	4	-	-	<b>13</b>
<b>As at 31st March 2021</b>	<b>-</b>	<b>(257)</b>	<b>-</b>	<b>-</b>	<b>(257)</b>
<b>Net Book Value</b>					
As at 1st April 2020	187,128	3,486	-	8,526	<b>199,140</b>
<b>As at 31st March 2021</b>	<b>198,139</b>	<b>3,383</b>	<b>72</b>	<b>52</b>	<b>201,646</b>
<b>Nature of holdings at year end Owned</b>	<b>198,139</b>	<b>3,383</b>	<b>72</b>	<b>52</b>	<b>201,646</b>

### HRA3. Movement on the Major Repairs Reserve (MRR)

The Major Repairs Reserve represents the long term average amount of capital spending required to maintain the stock in its current condition.

The Capital Expenditure shown was spent on maintaining council dwellings.

2019/20 £000	Major Repairs Reserve	2020/21 £000
2,961	<b>Balance at 1st April 2020</b>	<b>1,482</b>
2,798	Contributions to the Major Repairs Reserve	2,933
(4,277)	Capital Spending on Dwellings	(2,405)
<b>1,482</b>	<b>Balance at 31st March 2021</b>	<b>2,010</b>

The contribution in 2020/21 represents a depreciation charge of £2.9m (2019/20 contribution included £2.8m depreciation).

### HRA4. Capital Expenditure Summary

The following table details how £8.429m Capital Expenditure was financed during the year.

2019/20 £000	Capital Expenditure	2020/21 £000
9,670	<b>Capital Expenditure Type:</b> Dwellings	5,544
-	Plant, Vehicles and Equipment (PVE)	72
10,791	Assets Under Construction	2,813
<b>20,461</b>	<b>Total Capital Expenditure</b>	<b>8,429</b>
	<b>Funded by:</b>	
3,990	Usable capital receipts	1,072
11,703	Revenue contributions	2,191
491	Borrowing	1,361
-	External grants and contributions	1,400
4,277	Major Repairs Reserve	2,405
<b>20,461</b>	<b>Total Funding</b>	<b>8,429</b>

## HRA5. Capital Receipts

During the year capital receipts totalling £1.3m were received in respect of dwellings sold, of which £0.4m was repaid to DCLG under the pooling regime. The un-pooled element of capital receipts are retained for financing housing capital investment and regeneration works.

2019/20 £000	Capital Receipts	2020/21 £000
2,027 (419)	Sale of dwellings under Right to Buy Amounts pooled to Central Government	1,349 (421)
<b>1,608</b>	<b>Net Capital Receipts</b>	<b>928</b>

## HRA6. Depreciation & Impairment Charges

Council Dwellings are depreciated on a straight line basis over the period of their useful economic life. The charge for the year was £2.8m.

The charge for depreciation of £0.1m on non council dwellings has been calculated on a straight line basis over the period of their useful economic life.

Charges for impairment of £4.3m have been made during 2020/21. This amount reflects the expenditure on capital assets which has not produced a similar increase in the value of the assets.

## HRA7. HRA Pensions Reserve

2019/20 £000	Pensions	2020/21 £000
820	Difference between current service cost of pensions and past service cost in accordance with IAS 19 and actual employers' contributions	944
788	Interest on share of pensions liability	675
(496)	Expected return on share of assets	(461)
<b>1,112</b>	<b>Total</b>	<b>1,158</b>

## HRA8. HRA Rent Arrears

2019/20 £000	Rent Arrears	2020/21 £000
1,844	Gross arrears	1,780
10.4%	Gross arrears as percentage of gross rent income	9.8%

Of the rent arrears, 53.0% (51.4% - 2019/20) refer to former tenants.

2019/20 £000	Provision for Bad Debts	2020/21 £000
<b>1,486</b>	<b>Rent Arrears</b>	<b>1,486</b>
	<b>Balance at 1st April 2020</b>	
115	Contribution from / (to) HRA in year	67
(115)	Written off in year	(111)
<b>1,486</b>	<b>As at 31st March 2021</b>	<b>1,442</b>
	<b>Sundry Debtors</b>	
<b>26</b>	<b>Balance at 1st April 2020</b>	<b>18</b>
(8)	Contribution from / (to) HRA in year	18
<b>18</b>	<b>Balance at 31st March 2021</b>	<b>36</b>
<b>1,504</b>	<b>Total Provision for Bad Debts</b>	<b>1,478</b>



## Collection Fund

The Collection Fund statement shows the transactions of the Authority, as billing authority, in relation to the collection of Council Tax income on behalf of Staffordshire County Council, the OPCC, the Staffordshire Commissioner Fire and Rescue Authority and this Authority's General Fund together with non-domestic rates collected on behalf of the Government, Staffordshire County Council, the Staffordshire Commissioner Fire and Rescue Authority and this Authority's General Fund.

2019/20 Council Tax £000	2019/20 NNDR £000	2019/20 Total £000	<b>Collection Fund Income and Expenditure Statement</b>	2020/21 Council Tax £000	2020/21 NNDR £000	2020/21 Total £000
			<b>INCOME</b>			
(38,368)	-	(38,368)	Income from Council Tax	(40,273)	-	(40,273)
(7)	-	(7)	Transfers from General Fund - Council Tax benefits	5	-	5
-	(35,666)	(35,666)	Income collectable from business ratepayers		(17,186)	(17,186)
<b>(38,375)</b>	<b>(35,666)</b>	<b>(74,041)</b>	<b>Total Income</b>	<b>(40,268)</b>	<b>(17,186)</b>	<b>(57,454)</b>
			<b>EXPENDITURE</b>			
			<b>Precepts</b>			
3,849	-	3,849	- Tamworth Borough Council	4,068	-	4,068
4,713	-	4,713	- OPCC Staffordshire	5,035	-	5,035
1,648	-	1,648	- Staffordshire Commissioner Fire and Rescue Authority	1,728	-	1,728
27,119	-	27,119	- Staffordshire County Council	28,987	-	28,987
			<b>Business rates</b>			
-	13,385	13,385	- Tamworth Borough Council	-	13,829	13,829
-	8,366	8,366	- Central Government	-	17,286	17,286
-	335	335	- Staffordshire Commissioner Fire and Rescue Authority	-	346	346
-	11,377	11,377	- Staffordshire County Council	-	3,111	3,111

2019/20 Council Tax £000	2019/20 NNDR £000	2019/20 Total £000	Collection Fund Income and Expenditure Statement	2020/21 Council Tax £000	2020/21 NNDR £000	2020/21 Total £000
-	90	90	<b>Costs of Collection</b>	-	90	90
			<b>Bad and Doubtful Debts</b>			
229	358	587	- Provisions	357	197	554
-	1,345	1,345	- Provision for appeals	-	3,284	3,284
			<b>Distribution of previous year's surpluses/deficits</b>			
62	752	814	- Tamworth Borough Council	78	323	401
70	-	70	- OPCC Staffordshire	88	-	88
27	19	46	- Staffordshire Commissioner Fire and Rescue Authority	33	8	41
441	169	610	- Staffordshire County Council	551	169	720
-	941	941	- Central Government	-	306	306
<b>38,158</b>	<b>37,137</b>	<b>75,295</b>	<b>Total Expenditure</b>	<b>40,925</b>	<b>38,949</b>	<b>79,874</b>
(217)	1,471	1,254	<b>(Surplus)/ Deficit for the year</b>	657	21,763	22,420
(1,419)	(2,302)	(3,721)	Fund Balance Brought Forward	(1,636)	(831)	(2,467)
<b>(1,636)</b>	<b>(831)</b>	<b>(2,467)</b>	<b>Fund Balance at 31st March 2021</b>	<b>(979)</b>	<b>20,932</b>	<b>19,953</b>
			<b>Analysis of Fund Balance (Surplus)/ Deficit</b>			
(168)	(332)	(500)	- Tamworth Borough Council	(100)	8,357	8,257
(207)	-	(207)	- OPCC Staffordshire	(124)	-	(124)
(71)	(8)	(79)	- Staffordshire Commissioner Fire and Rescue Authority	(43)	370	327
(1,190)	(178)	(1,368)	- Staffordshire County Council	(712)	2,031	1,319
-	(313)	(313)	- Central Government	-	10,174	10,174
<b>(1,636)</b>	<b>(831)</b>	<b>(2,467)</b>	<b>Total</b>	<b>(979)</b>	<b>20,932</b>	<b>19,953</b>

# NOTES TO THE COLLECTION FUND

## CF 1. NDR Rateable Value

The rateable value of Non Domestic properties in the Borough as at 31<sup>st</sup> March 2021 was £80,087,680 (£81,111,287 at 31<sup>st</sup> March 2020).

The NDR multiplier for 2020/21 was 51.2p in the pound (50.4p – 2019/20). The qualifying small business multiplier for 2020/21 was 49.9p in the pound (49.1p – 2019/20).

## CF 2. Council Tax Base Calculation

The Council base was as follows:

Number of Chargeable Properties 2019/20	Adjusted Property Base (Band D Equivalent) 2019/20	Calculation of Ctax Base	Number of Chargeable Properties 2020/21	Adjusted Property Base (Band D Equivalent) 2020/21
		<b>Valuation Band (Multiplier)</b>		
20	11	<b>A - Disabled Relief Reduction (5/9)</b>	17	9
8,229	5,486	<b>A - (6/9)</b>	8,146	5,431
10,704	8,325	<b>B - (7/9)</b>	10,874	8,458
5,155	4,582	<b>C - (8/9)</b>	5,368	4,772
3,488	3,488	<b>D - (9/9)</b>	3,559	3,559
1,765	2,157	<b>E - (11/9)</b>	1,875	2,292
422	610	<b>F - (13/9)</b>	467	675
69	115	<b>G - (15/9)</b>	97	162
2	4	<b>H - (18/9)</b>	2	4
	(2,550)	<b>LCTS ADJUSTMENT</b>		(2,515)
29,854	22,228	<b>Totals</b>	30,405	22,847
	97.90%	<b>Assumed Collection Rate</b>		97.90%
	<u>21,761</u>	<b>Total Taxbase</b>		<u>22,367</u>

### CF 3. Authorities making precepts or demands on the fund

#### Council Tax

Precept 2019/20 £	Distribution of Previous Years Estimated Surplus/ (Deficit) 2019/20 £	Total Movement on the Collection Fund 2019/20 £	Precepts Analysis	Precept 2020/21 £	Distribution of Previous Years Estimated Surplus/ (Deficit) 2020/21 £	Total Movement on the Collection Fund 2020/21 £
3,849,303	167,902	4,017,205	Tamworth Borough Council	4,068,334	98,124	4,166,458
4,712,562	206,756	4,919,318	OPCC Staffordshire	5,034,588	125,258	5,159,846
1,647,961	71,568	1,719,529	Staffordshire Commissioner Fire and Rescue Authority	1,727,627	41,362	1,768,989
27,119,211	1,190,125	28,309,336	Staffordshire County Council	28,986,514	714,377	29,700,891
<b>37,329,037</b>	<b>1,636,351</b>	<b>38,965,388</b>	<b>Total</b>	<b>39,817,063</b>	<b>979,121</b>	<b>40,796,184</b>

#### NDR

Business Rates 2019/20 £	Distribution of Previous Years Estimated Surplus/ (Deficit) 2019/20 £	Total Movement on the Collection Fund 2019/20 £	Precepts Analysis	Business Rates 2020/21 £	Distribution of Previous Years Estimated Surplus/ (Deficit) 2020/21 £	Total Movement on the Collection Fund 2020/21 £
13,385,014	332,410	13,717,424	Tamworth Borough Council	13,828,842	8,356,897	22,185,739
334,625	8,310	342,935	Staffordshire Commissioner Fire and Rescue Authority	345,721	370,524	716,245
11,377,262	177,589	11,554,851	Staffordshire County Council	3,111,489	2,031,140	5,142,629
8,365,634	312,715	8,678,349	Central Government	17,286,053	10,173,738	27,459,791
<b>33,462,535</b>	<b>831,024</b>	<b>34,293,559</b>	<b>Total</b>	<b>34,572,105</b>	<b>20,932,299</b>	<b>55,504,404</b>

The increase in the balance on the CFAA is due to a significant deficit on the NDR Collection Fund of £21.8m arising from the additional relief provided to local businesses as a result of the Covid-19 pandemic. The Government have provided funding for the additional reliefs through Section 31 grants to Local Authorities and the Council received c.£17.4m.

It should be noted however, that this represents the total Collection Fund impact, and the Councils 40% share of this equates to c.£7.0m which has been reflected in the Councils accounts and transferred to reserve to fund the deficit carried forward to 2021/22 (in line with collection fund accounting practice – whereby the deficit is funded in the following financial year as part of the budget process).

#### CF 4. NDR credits

NDR credit accounts relate to credit balances in the Collection Fund which could not be repaid to the businesses concerned as they cannot be traced, have not responded to efforts made to repay funds or no longer exist.

No credits have been transferred to the General Fund during 2020/21.

#### CF 5. Bad and Doubtful Debts

The following provisions and write offs were made in the year:

2019/20 £000	Provision for Bad Debts	2020/21 £000
<b>1,229</b>	<b>Council Tax</b>	
229	Balance at 1st April 2020	<b>1,249</b>
(209)	Increase /(decrease) in provision	357
	Written off in year	(112)
<b>1,249</b>	<b>As at 31st March 2021</b>	<b>1,494</b>
<b>542</b>	<b>Business Rates</b>	
358	Balance at 1st April 2020	<b>705</b>
(195)	Increase /(decrease) in provision	197
	Written off in year	(216)
<b>705</b>	<b>As at 31st March 2021</b>	<b>686</b>

#### CF 6. Appeals – Business Rates

The following provisions and settlements were made in the year:

2019/20 £000	Provision for Appeals	2020/21 £000
<b>4,519</b>	<b>Business Rates</b>	
1,345	Balance at 1st April 2020	<b>5,062</b>
(802)	Increase /(decrease) in provision	3,284
	Resolved in year	(1,774)
<b>5,062</b>	<b>As at 31st March 2021</b>	<b>6,572</b>

## Annual Governance Statement 2020/21

### What is Governance?

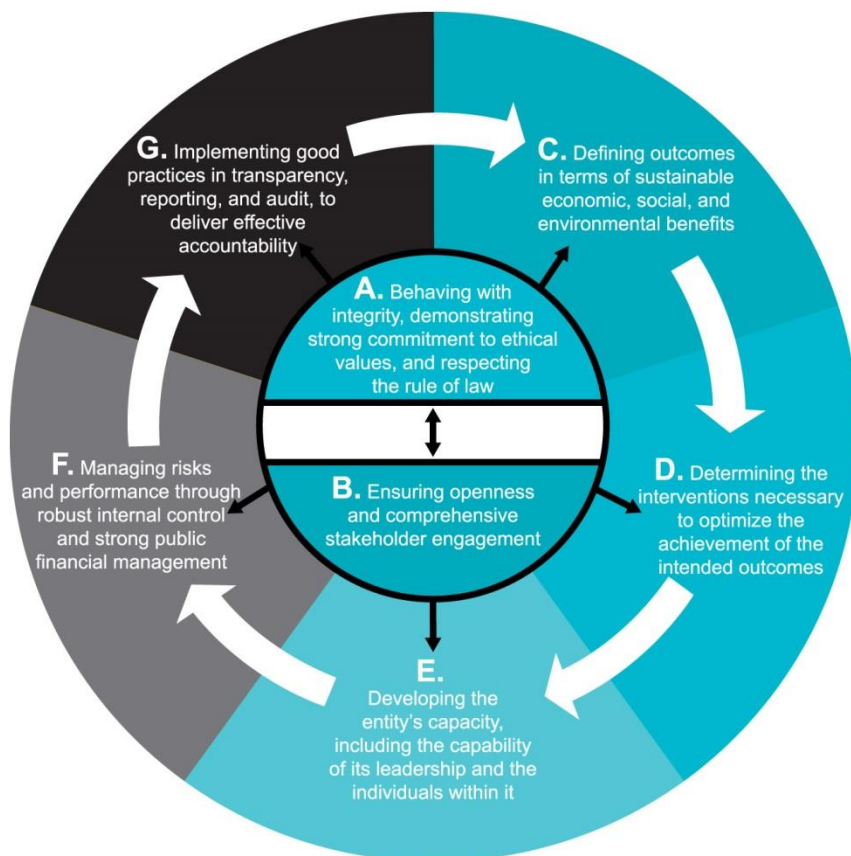
Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

To deliver good governance in the Authority, both governing bodies (Members) and individuals working for the Authority must try to achieve the Authority's objectives whilst acting in the public interest at all times.

Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.

### The Core Principles of Good Governance

The diagram below, taken from the International Framework: Good Governance in the Public Sector, illustrates the various principles of good governance in the public sector and how they relate to each other.



## **Responsibility**

The Authority is responsible for ensuring that its business is completed in line with the law and statutory legislation, and that public money is spent wisely and properly accounted for. We will ensure that we continually improve the way we provide our services whilst taking into account value for money.

We will ensure that we put in place proper arrangements to ensure our risks are managed, and that controls and the governance process are in place.

We have approved and adopted a Code of Corporate Governance which is consistent with principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. The Code demonstrates the supporting principles which underpin the core principles and identifies the assurance as outlined in the Framework. It also demonstrates what level of assurance we get and thus, identifies any areas for improvement. This forms the assurance framework for good governance and demonstrates that we know our governance arrangements are working. Links to all supporting evidence identified in the assurance framework are contained within the Code of Corporate Governance and are not repeated in this statement. The Code of Corporate Governance document is available on the Council's website.

## **Our Outcomes**

Our desired outcomes for 2019-22 are detailed in the Corporate Plan. The Corporate Plan details our Vision and sets out our Thematic Priorities. Under each thematic priority, we detail our ambitions and how we are going to realise these. All outcomes we aim to achieve, along with changes we want to see and supporting information are detailed in the Corporate Plan.

For each activity or process we complete, we ensure that the appropriate governance arrangements are in place.

For 2020/21, we together with the rest of the UK, have faced an unprecedented global crisis in the Coronavirus pandemic. This has been and will remain, a significant factor affecting our operations in 2021/22 and beyond. As part of the Staffordshire wide Civil Contingencies Unit, the Council evoked business continuity arrangements to enable the continuation of business critical operations. While the Corporate Plan remains relevant to our future outcomes, these will no doubt be affected by the COVID-19 situation and will be dealt with as part of the Council's emerging recovery and reset programme. As part of our AGS this year, we have included the measures we have taken to ensure our governance effectiveness has not been impacted or compromised by the pandemic.

# TAMWORTH BOROUGH COUNCIL CORPORATE PLAN 2019-2022

## TAMWORTH BOROUGH COUNCIL: VISION

To put Tamworth, its people and the local economy at the heart of everything we do

### OUR PURPOSE IS TO:

- ▶ help tackle causes and effects of poverty and financial hardship
- ▶ increase all residents' resilience and access to information
- ▶ engage with our residents to promote community involvement and civic pride
- ▶ support the development of Tamworth now, and in the future
- ▶ help the local economy to grow in a way which benefits our residents and businesses
- ▶ utilise Council resources effectively
- ▶ help tackle the causes of inequality and increase opportunities for all residents and businesses
- ▶ help protect, nurture and celebrate our local heritage
- ▶ help prevent homelessness and help people access suitable housing
- ▶ help build resilient communities
- ▶ help develop and safeguard our environment and open spaces

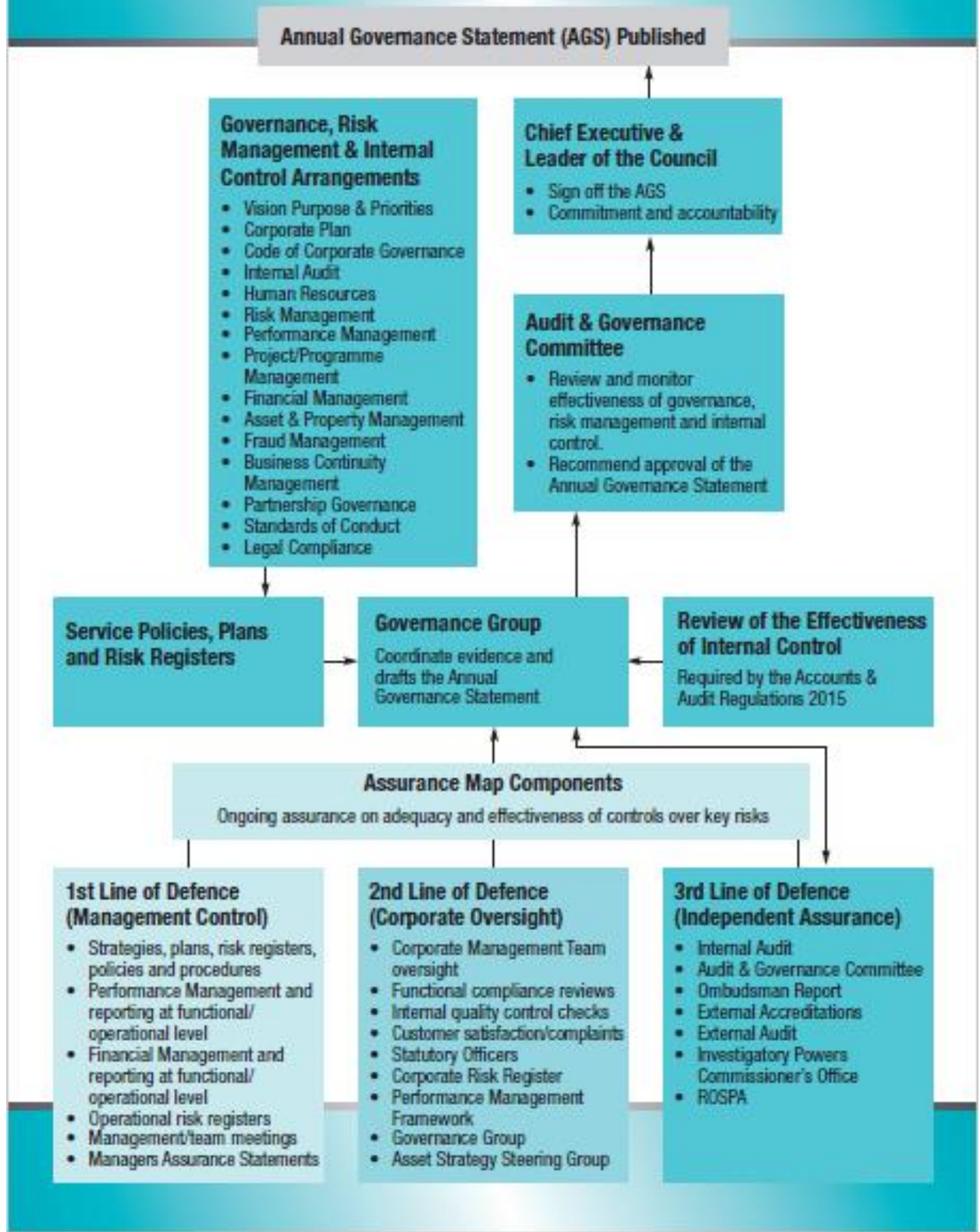
## OUR STRATEGIC PRIORITIES FOR 2019-2022

People and Place	Organisation
 To meet housing needs through a variety of approaches and interventions	 To be financially stable
 To facilitate sustainable growth and economic prosperity	 To ensure our employees have the right skills and culture to help our residents, visitors and businesses
 To work collaboratively and flexibly to meet the needs of our communities	 To ensure our service delivery is consistent, clear, and focused
 To create a new and developing vision for the continued evolution of Tamworth, including a town centre fit for the 21st century	 To ensure our decisions are driven by evidence and knowledge



# The Assurance Framework

The diagram below shows how the Assurance Framework is made up



**What have we done to monitor and evaluate the effectiveness of our governance arrangements during 2020/21 including ensuring that those arrangements have not been compromised by the impact of the pandemic**

The Authority has the responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness of the system of internal control is informed by:

- The work of Internal Audit which is detailed in the Internal Audit's Annual Report.
- Responsibility of Corporate Management Team for the development and maintenance of the internal control environment.
- Reports received from our External Auditors and any other review agencies or inspectorates.

During 2020/21, our operations were heavily impacted by the global pandemic. The Council continued to support vulnerable people, deliver critical front line services and scaled-up its response to COVID-19 during the year including the payment of significant levels of grants to local businesses and individuals (through the test and trace scheme) and expanded businesses rates relief to retail, hospitality and leisure businesses. Importantly, the COVID-19 emergency tested the Council's ability to move at pace, prioritise its service delivery and demonstrate its core values & purpose. To ensure our governance arrangements remained effective, the following actions have contributed to the evaluation of the effectiveness of the arrangements:

- The Council has responded rapidly and effectively to the pandemic related restrictions as they have been announced by Government. Most staff switched to virtual working and establishments, such as the Castle and Assembly Rooms were closed. Public health and safety became a priority for a number of teams working collaboratively to manage COVID-19 outbreaks within our communities and to ensure the safe return of people to the town centre as COVID-19 restrictions were eased. Resilience plans were activated in partnership with the Civil Contingencies Unit and businesses were supported by the authority with the distribution of c.£18m in Government grants through a variety of different schemes. The Council's aim was to ensure public service delivery could continue safely where permitted.
- Increased residents' resilience and access to information through empowering and working with 'anchor' and third sector organisations to support our most vulnerable

- Support our most vulnerable through preventing homelessness and helping people access suitable housing amidst major Government initiatives including the “everyone” in campaign, whilst also pausing non-essential moves
- Emergency decision making protocols were enacted by Council in March 2020, until the new Regulations permitting council meetings to be held remotely were put in place in May 2020. The Council recommenced its meeting programme virtually in June 2020 and has been operating effectively in this way since then.
- The internal audit programme included provision of days for COVID-19 flash assurance audits to ensure that those charged with governance were able to get dynamic assurance over risks affecting the Council from the pandemic, for example in terms of staff wellbeing and business grants. The ICT audit programme included remote working to gain further assurance with most staff transitioning to working from home.

In addition to the above, the Council’s ‘business as usual’ governance arrangements have continued to operate, for example:

- The Code of Corporate Governance, set out in line with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*, has been reviewed and updated.
- Internal audit have reported to the Audit & Governance Committee on a quarterly basis and provided an opinion on the overall effectiveness of the system of internal control based upon the work completed. The statement for the 2020/21 financial year is as follows:  
‘On the basis of audit work completed, Internal Audit’s opinion on the council’s framework of governance, risk management and internal control is reasonable in its overall design and effectiveness. Certain weaknesses and exceptions were highlighted by audit work. These matters have been discussed with management, to whom recommendations have been made. All of these have been, or are in the process of being addressed’.
- Our External Auditors report to each Audit & Governance Committee. In their Annual Audit Letter (2019/20), they gave an unqualified opinion on the Statement of Accounts and an unqualified conclusion in respect of the Authority securing economy, efficiency and effectiveness.
- The Corporate Risk Register is owned and reviewed on a quarterly basis by the Corporate Management Team and reported in the Quarterly Health Check to Cabinet. It is also reported in the risk management update to the Audit & Governance Committee. The changing risk landscape arising from the pandemic, featured as a key area of risk and will continue to be so moving into 2021/22.
- Managers Assurance Statements have been completed by Executive Directors and Assistant Directors and have not identified any significant control issues.

- Financial Guidance and Financial and Contract Procedure Rules are reviewed on a regular basis, the latest review being approved by the Audit & Governance Committee in March 2021. A full review of the constitution took place and was approved by Council in December 2020.
- The Chief Finance Officer and Head of Internal Audit & Governance (in post during 2020/21) are suitably experienced and qualified and comply with the CIPFA Statements on their respective roles.
- No issues were raised through the Counter Fraud and Corruption and Whistleblowing Policies.
- There were no data security breaches/lapses during the financial year.
- Internal Audit are required to comply with the Public Sector Internal Audit Standards. As part of this requirement, Internal Audit are required to complete an annual self-assessment against the Standards and produce a Quality Assurance & Improvement Programme(QAIP) which identifies areas for improvement both to ensure compliance with the Standards and other quality areas. The self-assessment against the standards and the QAIP are reported to the Audit & Governance Committee.
- The Ombudsman report on the enquiries and complaints received in 2019/20 was reported to the Audit & Governance Committee in October 2020.
- The Performance Management Framework ensures that the Financial Health Check is reported to Cabinet on a quarterly basis and made readily available on the Authority's website.
- The Authority is currently compliant with the PSN Code of Connection. The compliance process includes assessments against governance, service management, information assurance conditions and technical controls and assures access to the Public Services Network. Our current compliance certificate expires in December 2021, the renewal process will be started prior to that to ensure continuity of PSN services.
- An annual update report is presented to the Audit & Governance Committee on the use of RIPA powers. During 2020/21, no RIPA authorisations were made.
- To assist in a more co-ordinated approach to managing projects, a Corporate Project Management template and process is now in place.
- A self-assessment of the Audit & Governance Committee's effectiveness was completed in February 2021.
- The Chairs of the Audit & Governance and Scrutiny Committees submitted their Annual Reports to Full Council.
- The Authority complies with the Transparency Code.
- Counter fraud work continues to be completed with the retained expertise of in-house staff to investigate corporate fraud.
- Internal Audit completes an annual assessment of the risk of fraud which is reported to the Audit & Governance Committee annually. The counter fraud plan and risk assessment were reported to the

Committee in October 2020 and it was concluded that the Authority has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

- In compliance with the Localism Act 2011, a report was presented to Full Council in September 2020 advising them of the number of complaints received regarding Members Conduct.
- The review of the Constitution and Scheme of Delegation was approved by Council in December 2020. It will be due to be refreshed in the Summer 2021.
- The Anti-Money Laundering Policy was reviewed and approved by the Audit & Governance Committee in November 2019 and a new Prevention of Tax Evasion Policy was approved by the Audit & Governance Committee in October 2020.
- A new Diversity and Equality Scheme (2020-24) was formally approved by full council in October 2020. The annual Pay Policy was approved by Council in October 2020, this had been delayed due to the Council's response to COVID-19.
- The authority has continued to progress implementation of the organisation's response to the General Data Protection Regulations (GDPR). The Data Protection Officer continues to raise its awareness of GDPR across the authority. As part of wider IT Governance work, policies and procedures have been reviewed or are being developed to meet our obligations under the GDPR and to ensure a robust governance framework is in place for our ICT systems and information assets. The Information Security Policy has been rolled out across the authority with this becoming a mandatory requirement for new starters. The authority's Corporate Privacy Notice along with Departmental Fair Processing Notices have been developed with reviews being undertaken when necessary. Information on our website has been reviewed and is due to be updated with guidance to support our customer's rights of access to their data. Work is progressing with suppliers to ensure the security and compliance of personal data held within our software systems. A programme of cyber security training has been completed across the authority with further bite size communications to be issued over the coming months.
- Partnership working arrangements continued to strengthen and further develop with both our statutory and community and voluntary sector partners. The response to the pandemic was unprecedented and has created a good foundation for closer links and partnership work as we move into recovery.
- The Tamworth Advice Centre commissioned through the partnership team continues to provide valuable generalist debt and specialist advice to our most vulnerable citizens and will be re-commissioned in 2021/22.
- We value our community and voluntary sector and the work they do within our community. In 2020/21, despite lockdown we awarded grants through our Community Grants and Councillor Grants Programme to aid community response to the pandemic. Full details can be found on our website:

[https://www.tamworth.gov.uk/sites/default/files/misc\\_docs/2020-21\\_Grants.pdf](https://www.tamworth.gov.uk/sites/default/files/misc_docs/2020-21_Grants.pdf)

- Through the Staffordshire Commissioner's Office for Police Fire and Crime Locality Deal Fund the Community Safety Partnership, various organisations were funded. A total of £48,200 to address partnership priorities around hate crime, community COVID-19 response, ASB dispute resolution and early intervention for young people at risk of criminal exploitation.
- The Place Based Approach continues to grow and further develop; this is a collaborative partnership approach through the County Council Building Resilient Families programme that uses multi skilled teams, universal services, voluntary sector organisations, and communities at the right time to improve outcomes for children, young people, vulnerable people and our community. As part of this Place Based Approach we have been working in partnership to identify community and voluntary sector organisations that can offer children, families and vulnerable people help and support at the earliest opportunity.
- Financial resilience is and has been the key requirement for local authorities at any time, but in the current crisis it has assumed unprecedented importance. Perhaps the biggest difficulty with the pandemic is that there is no certainty about time scales; it is impossible to draw any conclusions about how long it will continue to impact on and the lasting effect for the Council's finances. During the COVID-19 crisis the Council will have lost income and other resources which will significantly impact on the potential sustainability of the organisation and the impact is likely to be long term, as will be the case across many Local Government organisations. Whilst the full extent of this cannot be known at present it will be necessary for the Council to take an accelerated approach towards the development and implementation of an effective sustainability strategy.
- The Authority has both a moral and legal obligation to ensure a duty of care for children and adults with care and support needs across its services. We are committed to ensuring that all children and adults with care and support needs are protected and kept safe from harm whilst engaged in services organised and/or provided by the Council. We do this by:
  - Having a Safeguarding Children & Adults at Risk of Abuse & Neglect Policy and procedures in place;
  - Having Safeguarding Children & Adults Processes which give clear, step-by-step guidance if abuse is identified;
  - Safeguarding training programme in place for staff and members;
  - Carrying out of the appropriate level of Disclosure and Barring Service (DBS) checks on staff and volunteers;
  - Working closely with Staffordshire Safeguarding Children's Board & Staffordshire & Stoke-on-Trent Adult Safeguarding Partnership; and Staffordshire Police.

- The Authority recognises that it has a responsibility to take a robust approach to slavery and human trafficking. In addition to the Authority's responsibility as an employer, it also acknowledges its duty as a Borough Council to notify the Secretary of State of suspected victims of slavery or human trafficking as introduced by section 52 of the Modern Slavery Act 2015. The Authority is committed to preventing slavery and human trafficking in its corporate activities and to ensuring that its supply chains are free from slavery and human trafficking. The Authority has included modern slavery and human trafficking information within the corporate safeguarding policy and training.

[https://www.tamworth.gov.uk/sites/default/files/community\\_docs/Modern\\_Slavery\\_Statement\\_2019-20.docx](https://www.tamworth.gov.uk/sites/default/files/community_docs/Modern_Slavery_Statement_2019-20.docx)

The Council will continue to develop and strengthen its approach to modern slavery trafficking in 2021/22.
- The Tamworth Vulnerability Partnership continues to meet each week and the Council is also committed to the Multi Agency Risk Assessment Conference (MARAC) to ensure that partner organisations are working together to coordinate efforts to support high risk victims of domestic abuse, children, young people, families and vulnerable people across Tamworth.
- Finally, full Council in March 2020 approved urgency provisions regarding governance for urgent decision making in light of the COVID-19 crisis and the Council has gone on to fully adopted the provisions included within the Regulations for The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020, by holding virtual meetings from June 2020.

## Declaration

We have been advised on the implications of the result of the review of the effectiveness of the Governance Framework by the Audit & Governance Committee and that the arrangements continue to be regarded as fit for purpose. The issues which remain outstanding from previous years' Annual Governance Statements are detailed at **Annex 1** with actions to address them. No additional governance issues were highlighted during 2020/21. Other minor issues highlighted through the assurance gathering process have been noted with planned actions to address these issues. Monitoring of the completion of all these issues will be completed through reporting to the Audit & Governance Committee.

We propose over the coming year to take steps to address those matters raised to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operations as part of our next review.

Signed

J Oates

A Barratt

Leader

Chief Executive

Date

On behalf of the Authority

This information can be produced on request in other formats and languages. Please contact Internal Audit Services on 01827 709234 or email [enquiries@tamworth.gov.uk](mailto:enquiries@tamworth.gov.uk)

*This is an electronic copy without an electronic signature. The original was signed as dated above and a copy can be obtained from the Executive Director Finance*



## Annex 1

### Significant Governance Issues

The significant governance issues identified in relation to previous iterations of our Annual Governance Statement, which remained significant issues for us during 2020/21 and are detailed below:

No	Issue	Previous Action	Update 2020/21
1	<p><b>Medium Term Financial Strategy (MTFS)</b></p> <p>Whilst actions have been taken to ensure that the MTFS remains balanced, this is still a significant risk to the Authority. Revenue Support grant will be removed around 2020. Opportunities and risks associated with the 100% Business Rates Retention will need to be identified. The increasing demands of our customers also need to be considered.</p>	<p>Work is also continuing on a number of actions to address the financial position in future years:</p> <ul style="list-style-type: none"> <li>• Recruitment freeze – there is a robust challenge / re-justification process in place for all vacant posts with a requirement to investigate alternative options including restructuring to fill vacancies / looking at what we can stop doing;</li> <li>• Spend freeze – A review of the underspend position is undertaken annually with a view to drive out as many savings as possible. In addition, it has been recommended that there is an immediate suspension of all non-essential</li> </ul>	<p>When the budget and MTFS for 2020/21 were approved, future levels of funding for the Council were uncertain pending the most significant changes in Local Government funding for a generation. The reforms were planned to be in place by 2020/21 but were deferred until 2021/22. The Government has confirmed that the longer-term reforms for the local government finance system (including the move to 75% <b>Business Rates Retention</b> and <b>Fairer Funding Review</b> of Relative Needs and Resources) will be deferred again as a result of the COVID-19 pandemic, although no timescales have been released. In addition, the next planned national <b>Business Rates Revaluation</b>, planned for 2021 has now been deferred to 2023.</p> <p>As a nation we are likely to feel the consequences of the COVID-19 pandemic, and the measures to contain and mitigate its effects, for years to come.</p>

No	Issue	Previous Action	Update 2020/21
		<p>spending and that the budget be revised to remove these budgets following the preparation the first quarterly monitoring report. Managers will be required to review their budgets and identify all non-essential spending for 2020/21 as part of the quarter 1 projections at 30 June 2020.</p> <ul style="list-style-type: none"> <li>• Alternative investment options to generate improved returns of c. 4% to 5% p.a. (plus asset growth);</li> <li>• Review of reserves (including ensuring adequate provision for the funding uncertainties) / creation of fund for transformation costs (if needed);</li> <li>• Targeted Savings – to identify potential areas for review in future years; and</li> <li>• Review and rationalisation of IT systems.</li> </ul>	<p>At the same time, several important sources of local authority income including Council Tax, Non domestic (business) rates, fees and charges, rents and investment returns have, to a greater or lesser extent, been subject to reduction or suspension.</p> <p>In light of the projected impact of COVID-19 on the Council's Medium Term Financial Strategy, an immediate suspension of all non-essential spending was approved by Cabinet on 9th July and that Managers review their budgets and identify all non-essential spending for 2020/21 and approval sought for the budget to be revised to remove these.</p> <p>No one can know what the effect of the COVID-19 crisis will have on the economy and ultimately the impact for the Council's finances. It will be many months before we have a clearer idea on how the economy has been affected – including any lasting effects for individual businesses and their employees. Social distancing measures remain in place – impacting mainly on the Council's ongoing income receipts.</p> <p>During the crisis the Council has lost income which will significantly impact on the potential sustainability of the organisation, as will be the case across many Local Government organisations. Whilst the full extent of this cannot be known at present it will be necessary for the Council to take an accelerated approach towards the development</p>

No	Issue	Previous Action	Update 2020/21
			<p>and implementation of an effective sustainability strategy, linked to an overall vision for the organisation.</p> <p>Cabinet on 22<sup>nd</sup> October 2020 approved the Recovery and Reset programme which aims to consider how we can tackle the financial challenges facing the council as a result of the coronavirus pandemic. This will include reviewing services, reducing waste demand on services (basically this is any action or step in a process that does not add value to the customer), exploring opportunities for income generation and identifying any further savings.</p> <p>The overriding goal is to make sure our organisation remains fit for the future, while protecting services to the most vulnerable in our community. The Recovery and Reset programme outlines that this work be split into eight projects.</p>
2	<p><b>Regeneration/Capital Projects</b></p> <p>The Authority needs to ensure that capital projects are managed effectively to ensure that they are delivered and grant monies are spent appropriately and timely.</p>	<p>Re-profiling of capital scheme spend from 2019/20 into 2020/21 is forecast at c. £21m (c.£39m 2018/19) relating mainly to Housing Regeneration Schemes, Acquisitions and Commercial Investments.</p> <p>It is anticipated that this spend will</p>	<p>Re-profiling of capital scheme spend from 20/21 into 2021/22 is forecast at c. £27.5m relating mainly to new affordable Housing development, housing capital works, Disabled Facilities Grants, Acquisitions and Commercial Investments.</p> <p>It is anticipated that this spend will now occur during</p>

No	Issue	Previous Action	Update 2020/21
	<p>There is a risk that developers will not develop timely in accordance with the Local Plan need.</p>	<p>now occur during 2020/21 but the situation will be closely monitored and any potential issues will be highlighted at the earliest opportunity.</p> <p>As part of the MTFS, Council in February 2020 approved the updated Capital Strategy which sets out the Council's approach to capital investment and the approach that will be followed in making decisions in respect of the Council's Capital assets.</p> <p>Capital investment is an important ingredient in ensuring the Council's vision is achieved and given that capital resources are limited it is critical that the Council makes best use of these resources – including the development of a long term strategic plan to address the identified maintenance and repairs backlog for corporate assets.</p> <p>It is recognised that significant further work is required in this area in order to deliver a robust capital strategy, in 2020/21, the Asset Management Plan is to be reviewed and updated, with an up to date stock condition survey (with</p>	<p>2020/21 but the situation will be closely monitored. The housing regeneration programme completed in January 2021; some housing capital projects have been impacted by COVID-19 where non-essential works were placed on hold.</p> <p>As part of the MTFS, Council in February 2021 approved the updated Capital Strategy which sets out the Council's approach to capital investment and the approach that will be followed in making decisions in respect of the Council's Capital assets.</p> <p>Capital investment is an important ingredient in ensuring the Council's vision is achieved and given that capital resources are limited it is critical that the Council makes best use of these resources – including the development of a long term strategic plan to address the identified maintenance and repairs backlog for corporate assets.</p> <p>It is recognised that significant further work is required in this area in order to deliver a robust capital strategy, and the updated Asset Management Plan is nearing completion, with an up to date stock condition survey (with appropriate budget provision approved within the MTFS) planned. This should set out the detailed capital resources /expenditure required to maintain assets, together with the associated timeframe, to inform options appraisal and feed into the capital strategy for ASSG/CMT review of potential schemes.</p>

No	Issue	Previous Action	Update 2020/21
		<p>appropriate budget provision approved within the MTFS). This should set out the detailed capital resources /expenditure required to maintain assets, together with the associated timeframe, to inform options appraisal and feed into the capital strategy for ASSG/CMT review of potential schemes.</p> <p>The Tinkers Green and Kerria regeneration project is progressing with anticipated completion during 2020.</p>	
3	<p><b>Welfare &amp; Benefit Reform</b></p> <p>There is a risk of reduced income corporately due to welfare reform changes (including council tax support scheme and Universal Credit with further austerity measures from the Welfare reform Act 2015). As well as the potential for reduced income and an increase in bad debts, there are additional impacts arising from increased needs in services – eg homelessness, requirement for additional</p>	<p>The Council has experienced an impact from Welfare Benefit Reform and is able to evidence an increase in rent arrears to the implementation of Universal Credit. A Corporate Working Group has been established to ensure an organisation wide approach and the Council has been pro-active in seeking positive working relationships with DWP. The issue has been the subject of examination by the Council’s scrutiny committees. Any impact in relation to homelessness has been less apparent and the Council has been</p>	<p>Income levels have been largely maintained in 2020/21 (due to the mitigations put in place) despite the COVID-19 crisis.</p> <p>The Corporate Working Group has continued to meet to take forward an organisation wide approach including preparations for implementation of the Debt Respite Scheme (Breathing Space). Following a tender process in 2020, further work is being commissioned around corporate debt to secure a one council approach focusing on not only the management of multiple debt households but seeking to understand how resources are better aligned to secure VFM.</p>

No	Issue	Previous Action	Update 2020/21
	<p>support to vulnerable people, increased issues of ASB etc meaning an increase in demand on 3<sup>rd</sup> sector and statutory agency services.</p>	<p>successful in its proactive approach to implementation of the Homelessness Reduction Act and has achieved a significant reduction in the use of bed and breakfast accommodation thereby reducing costs and social harm.</p> <p>Income levels have been largely maintained without reduction in 2019/20 (due to the mitigations put in place) however, the COVID-19 crisis likely to now have a significant effect on future income and welfare spending (which we cannot quantify at the moment).</p> <p>Work is being commissioned around corporate debt to secure a one council approach focusing on not only the management of multiple debt households but seeking to understand how resources are better aligned to secure VFM.</p> <p>A corporate task and finish group is being established around vulnerability which will map base line data to support forecasting around likely impacts which will then inform actions.</p>	<p>Third Sector Support and Vulnerability Strategy is one of the Recovery and Reset Programme projects – Recognising that one of the most positive outcomes to the Pandemic is the overwhelming ability of ‘anchor organisations and communities’ to mobilise and support each other, this project will explore how the Council’s commissioning framework can be aligned to build on these foundations going forward and how we define and develop our vulnerability strategy, building on the baseline assessment commissioned over the summer.</p>

# GLOSSARY

## **Accrual**

A sum included in the accounts for income or expenditure in relation to the financial year, but not received or paid as at 31<sup>st</sup> March.

## **Amortisation**

A measure of the cost of economic benefits derived from intangible fixed assets that are consumed during the period.

## **Balances**

The total sum available to the Council, including the accumulated surplus of income over expenditure. Balances form part of the Council's reserves.

## **Balance Sheet**

This shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council.

## **Business Rates Retention Scheme**

This was introduced with effect from 1<sup>st</sup> April 2013, and requires the Council to operate a Collection Fund to account for Business Rates in a similar way to Council Tax. Rather than collecting Business Rates on behalf of the Government, the Council can now retain a share of the Business Rates it collects, and pays out a share to Government, Staffs County Council and the Staffordshire Commissioner (Fire and Rescue).

## **Capital Adjustment Account**

This reserve reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.

## **Capital Expenditure**

Expenditure on the acquisition and enhancement of significant fixed assets that will be of use or benefit to the Council in providing its services beyond the year of account e.g. land and buildings.

## **Capital Financing Requirement**

This represents the Council's underlying need to borrow for capital purposes.

## **Capital Grants Unapplied**

The Capital Grants Unapplied Account (Reserve) 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.

## **Capital Receipts**

Proceeds from the sale of assets e.g. land or buildings, which may be used to finance new capital expenditure or are payable to the Central Government Housing Capital Receipts Pool.

**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.

**Cash and Cash Equivalents**

Cash includes bank balances and on demand deposits. Cash Equivalents are short term, highly liquid investments where the date of maturity is three months or less from the date of acquisition that are readily convertible to cash with an insignificant risk of change in value.

**Cash Flow Statement**

This shows the changes in cash and cash equivalents of the Council during the reporting period.

**CIPFA**

The Chartered Institute of Public Finance and Accountancy (CIPFA) is the professional body for accountants working in the public sector.

**Code of Practice**

The Code of Practice on Local Authority Accounting in the United Kingdom is produced by CIPFA and complied with by local authorities in the production of the financial statements.

**Collection Fund**

A fund administered by the Borough Council into which Business Rates and Council Tax monies are received and paid out to Government and precepting authorities.

**Collection Fund Adjustment Account**

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Business Rates income in the Comprehensive Income and Expenditure Statement as it falls due compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

**Community Assets**

The class of fixed assets held by the Council in perpetuity that have no determinable useful life and may have restrictions on their disposal, such as parks, historical buildings, works of art, etc.

**Component Accounting**

Where a Property, Plant or Equipment asset has major components, with a cost significant in relation to the overall cost of the asset; materially different useful lives; and/or different methods of depreciation, the components are separately identified and depreciated.

**Comprehensive Income and Expenditure Statement**

This statement shows the total income received and expenditure incurred by the Council during the year in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

**Contingency**

The sum of money set aside to meet unforeseen expenditure.

**Contingent Assets**

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

### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation, subject to uncertain future events not wholly within the Council's control. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### **Creditors**

Amounts owed by the Council for work done, goods received or services rendered which have not been paid for by the end of the financial year.

### **Current Service Cost**

An estimate of the true economic cost of employing people in a financial year.

### **Debtors**

Amounts due to the Council for work done or services supplied, for which income has not been received by the end of the financial year.

### **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.

### **Depreciation**

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time or obsolescence through technical or other changes.

### **Exceptional Items**

A material item of income or expenditure, significant to an understanding of the Council's financial performance, disclosed separately within the CIES or in a note to the accounts.

### **Expected Credit Loss Model**

The Expected Credit Loss Model was introduced under IFRS 9 Financial Instruments, and applies to financial assets, lease receivables and contract assets.

### **Fixed Assets**

Tangible assets that yield benefits to the Council for a period of more than one year.

### **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 on 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 (however, the balance 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.

**IFRS**

International Financial Reporting Standards (IFRS) are a set of accounting standards used for the production of accounts from 2010/11 onwards. The introduction of IFRS is intended to make the Statement of Accounts more robust and comparable with other local authorities and the wider public sector.

**Intangible Assets**

Non-financial assets that do not have physical substance but are controlled by the Council as a result of past events or through custody or legal rights (e.g. software licences).

**Investment Property**

Under IFRS, investment property is defined as a property which is held exclusively for revenue generation or for the capital gains that the asset is expected to generate - not used directly to deliver the Council's services.

**Joint Operations**

These are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity.

**Leasing**

A method of financing capital expenditure where rental charges are paid over a specified period of time. There are two main types of leasing arrangements:

- (a) finance leases which transfer all the risks and rewards of ownership of a fixed asset to the lessee and such assets are included within the fixed assets in the Balance Sheet;
- (b) operating leases where the ownership of the asset remains with the lessor and annual rental is charged direct to the revenue account.

**Liabilities**

Amounts due to individuals or organisations which will have to be paid some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

**Major Repairs Reserve**

The Major Repairs Reserve represents the long term average amount of capital spending required to maintain the HRA Council housing stock in its current condition.

**Materiality**

An item is material if its omission, non disclosure or misstatement could be expected to lead to a distortion of the view given by the financial statements.

**Minimum Revenue Provision**

The minimum amount which must be charged to a revenue account each year and set aside to repay debt, presently 4% of the General Fund Capital Financing Requirement. No MRP is required for the Housing Revenue Account.

**Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

**National Non Domestic Rates (NNDR)**

The tax paid on non domestic properties, set annually by Government. In previous years, this tax was collected by billing authorities and paid over to the Government, with the Council receiving a share of the national pool as part of its resources used to meet total net expenditure. Under the

new scheme introduced with effect from 1<sup>st</sup> April 2013, local authorities now retain a proportion of the Business Rates generated in their area.

### **Non Current Assets Held For Sale**

Non Current Assets held for sale are those where the value of the asset will be recovered mainly by selling the asset rather than through its continuing use.

### **Pension Reserve**

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

### **Post Balance Sheet Events**

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

### **Precept**

This is a demand for payment made by Staffordshire County Council, Staffordshire Commissioner (Police and Crime) and Staffordshire Commissioner (Fire and Rescue). The payment is met from the Council's collection fund and is based on the Council Tax base.

### **Prior Period Adjustments**

Those material adjustments applicable to prior years, arising from changes in accounting policies or from the correction of material errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

### **Provision**

An amount set aside to meet a liability that is likely to be incurred, and a reasonable estimate can be made, charged as an expense to the appropriate service line in the CIES.

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

A government agency that provides longer-term loans to local authorities, at interest rates below market rate. It also acts as a lender of last resort (at a higher rate of interest).

### **Related Party**

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

One party has direct or indirect control of the other party; or

The parties are subject to common control from the same source; or

One party has influence over the financial and operational policies of the other party, to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or

The parties, in entering a transaction, are subject to influence from the same source, to such an extent that one of the parties to the transaction has subordinated its own separate interests.

### **Remuneration**

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

### **Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

This is expenditure that is defined as Capital but where there is no matching asset in the accounts - legislation allows the treatment of some expenditure as capital where it does not result in the creation of a fixed asset. An example of this is where grants are awarded to third parties for capital expenditure.

**Revaluation Reserve**

This reserve records the net gain from revaluations of the Council's plant, property and equipment, and Intangible Assets, made after 1<sup>st</sup> April 2007.

**Revenue Expenditure**

The day-to-day expenditure incurred by the Council in providing services. It is financed by government grants, non-domestic rates, Council Tax and fees and charges.

**Revenue Support Grant (RSG)**

A general government grant in support of local authority expenditure.

**Specific Grants**

Government Grants to local authorities in aid of particular projects or services.

**Usable Reserves**

The purpose of each usable reserve is detailed below:

*General Fund Balance*

These funds are available to meet the future running costs for the Council for non-housing services.

*Housing Revenue Account*

This reserve holds funds that are available to meet future running costs relating to the Council's housing stock.

*Capital Receipts Reserve*

This reserve holds all of the Council's receipts generated from the disposal of Non Current Assets and although this is in the usable reserves section, this reserve can only be used to finance new capital investment or to repay debt.

*Major Repairs Reserve*

This reserve is to meet the capital investment requirements of the Council's housing programme.

*Capital Grants Unapplied*

This reserve is used to hold capital grants without conditions or where conditions have been satisfied, but the grant has yet to be used to finance capital expenditure.

*Earmarked Reserves – General Fund / Housing Revenue Account*

Earmarked Reserves are amounts set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years. Further details of the significant reserves within this heading are shown in Note 10.

## **Appendix to Comprehensive Income and Expenditure Statement**

### **Chief Executive**

- Chief Executive
- Electoral Process
- Audit & Governance
- Joint Waste Arrangement

### **Assistant Director Growth & Regeneration**

- Strategic Planning & Development
- Environmental Health
- Economic Regeneration
- Tourism
- Tamworth Castle

### **Executive Director Organisation**

- Executive Director Organisation
- Legal Services
- Democratic Services
- Land Charges
- Mayoralty

### **Assistant Director People**

- Human Resources
- Payroll
- Customer Services
- Communications and Public Relations
- Information Technology

### **Assistant Director Operations & Leisure**

- Streetscene
- Arts & Events
- Community Leisure
- Environmental Management

### **Executive Director Finance**

- Executive Director Finance

### **Assistant Director Finance**

- Corporate Finance
- Procurement
- Corporate Risk
- Revenue Services
- Benefits

## **Executive Director Communities**

Executive Director Communities

### **Assistant Director Partnerships**

Partnerships

Community Safety

Safeguarding

Private Sector Housing

Strategic Housing

### **Assistant Director Neighbourhoods – General Fund**

Civil Contingencies

Street Wardens

CCTV

### **Assistant Director Neighbourhoods – HRA**

Landlord Services

### **Assistant Director Assets – General Fund**

Commercial Property

Facilities Management

### **Assistant Director Assets - HRA**

Asset Management and Investment

## **HRA Summary**

## **Housing Repairs**

**Independent auditor's report to the Members of Tamworth Borough Council**  
**Report on the Audit of the Financial Statements**

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