



**ANNUAL FINANCIAL REPORT
2019/20
including
THE STATEMENT OF ACCOUNTS**

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APPROVAL OF THE ACCOUNTS

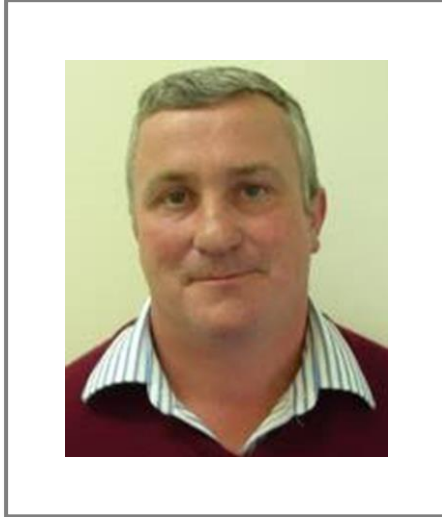
This Statement of Accounts was approved and adopted by Harborough District Council's Audit and Standards Committee at its meeting on 3rd March 2021.

A handwritten signature in black ink, appearing to read 'Paul Bremner', with a horizontal line underneath.

Councillor Dr Paul Bremner
Chairman, Audit and Standards Committee
03 March 2021

NARRATIVE REPORT

Introduction by Portfolio Holder for Finance



The Statement of Accounts sets down another successful year of delivering our priorities within available resources. The Accounts and the overall financial health of the Council demonstrate the success of the Council in responding to austerity whilst protecting services to residents and businesses and investing in our priorities (especially in the area of capital investment).

The Council has been able to continue to deliver the everyday services people value, attract inward investment and support the vulnerable. Our performance remains strong and sustained.

We continually review our services to identify opportunities for improvement, engagement with residents and businesses and for further efficiencies. This is delivered through applying robust financial discipline and rigour to our finances and how we manage and communicate them. Budgets are continually monitored and reported every quarter allowing for budget variances to be quickly addressed and opportunities identified. Robust business cases are developed for capital schemes and major change programmes.

The Council has delivered a surplus in 2019/20, delivering on stretched income targets and achieving savings and efficiency targets. The Cabinet receive regular reports and during the year have responded proactively to opportunities.

Looking forward our response to the Coronavirus outbreak is still ongoing, but I am pleased we have managed to keep critical services running, provided direct support to our most vulnerable residents via the Community Hub and supporting local food banks, and I am delighted that we have been able to pay out over £20 million in grants to small businesses.

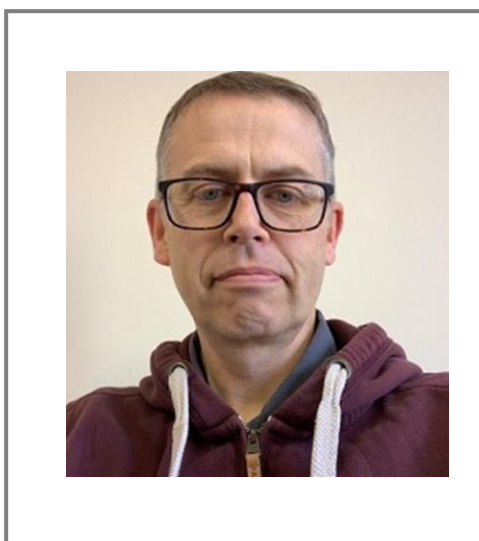
I wish to thank the Council's finance team and all the other Council officers who have produced this set of accounts. I also want to thank the Cabinet and all Members of the Council for their support in ensuring that Harborough District Council remains in robust financial health and well placed for future challenges.

Cllr James Hallam

Portfolio Holder for Finance

Introduction by the Chief Finance Officer

Welcome to the Council's Statement of Accounts for the year ended 31 March 2020 which details the financial position of the Council. The Narrative Report outlines the main issues impacting on the Council in 2019/20 and also provides a summary of the financial position at 31 March 2020.



This year the Council's accounts are required to be produced by 31 August 2020 (usually 31 May) and to be audited by 30 November 2020 (usually 31 July). This delay has been provided by the Government to take into consideration the impact of COVID 19. The External Auditor, Mazars are scheduled to commence the audit of the accounts on 3 August 2020.

The statement of accounts has been prepared in accordance with the code of practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code). It aims to provide relevant information to ensure that the financial position of the Council is presented as a true and fair view and to assure the reader of the accounts that the financial position of the Council is sound and secure. The requirements of the Code require significant disclosure notes with the consequence that the accounts are lengthy and complex. The Narrative report seeks to highlight the key issues in 2019/20 for the reader who can then seek more detailed explanations in the key financial statements and disclosure notes.

The narrative report aims to provide context to the accounts in respect of the 2019/20 financial outturn, the overall financial position of the Council and to place the Council's finances in the context of its Corporate Plan, priorities and achievements. The Council has, through continued strong financial management, contained spend within budget and retains a strong Balance Sheet to meet future challenges.

Towards the end of the financial year, the council had to react very quickly to the Covid-19 crisis. It effectively repositioned staff to provide a range of services that have directly supported its local community; especially its most vulnerable via the establishment of a community hub along with direct support for local charities and also the distribution of business grants on behalf of the government.

If you have further queries on the 2019/20 Accounts please contact the Council's Finance Team at hdcfinance@harborough.gov.uk

These Accounts have been prepared during a challenging time and alongside the Portfolio Holder I wish to thank all members, the Corporate Management Team, the wider officer cohort for their support and contributions and the finance team for producing the accounts in what is a most challenging period.

Clive Mason

Director: Finance & Assets (Responsible Financial Officer)

District Context

Harborough District spans an area of 59,178 hectares (228 square miles). The District shares boundaries with Melton, Rutland, Corby, Kettering, Daventry, Rugby, Blaby, Oadby & Wigston, Leicester and Charnwood Districts. The main urban centres are Market Harborough and Lutterworth.

There are a number of main 'A' roads that link the main urban settlements within and outside the District. The A4303/A4304 serves between Harborough and Lutterworth. The A6 links Market Harborough directly to Leicester and the A14 links to Kettering and the South. The main urban areas of the District are close to the intersection of the M1, M6 and A14. The District has major logistics hubs to the west of the District at Magna Park which due to its proximity to the major road network and the fact that 95% of all places in England are within four hours travelling distance of the District make it an ideal location for inward investment.

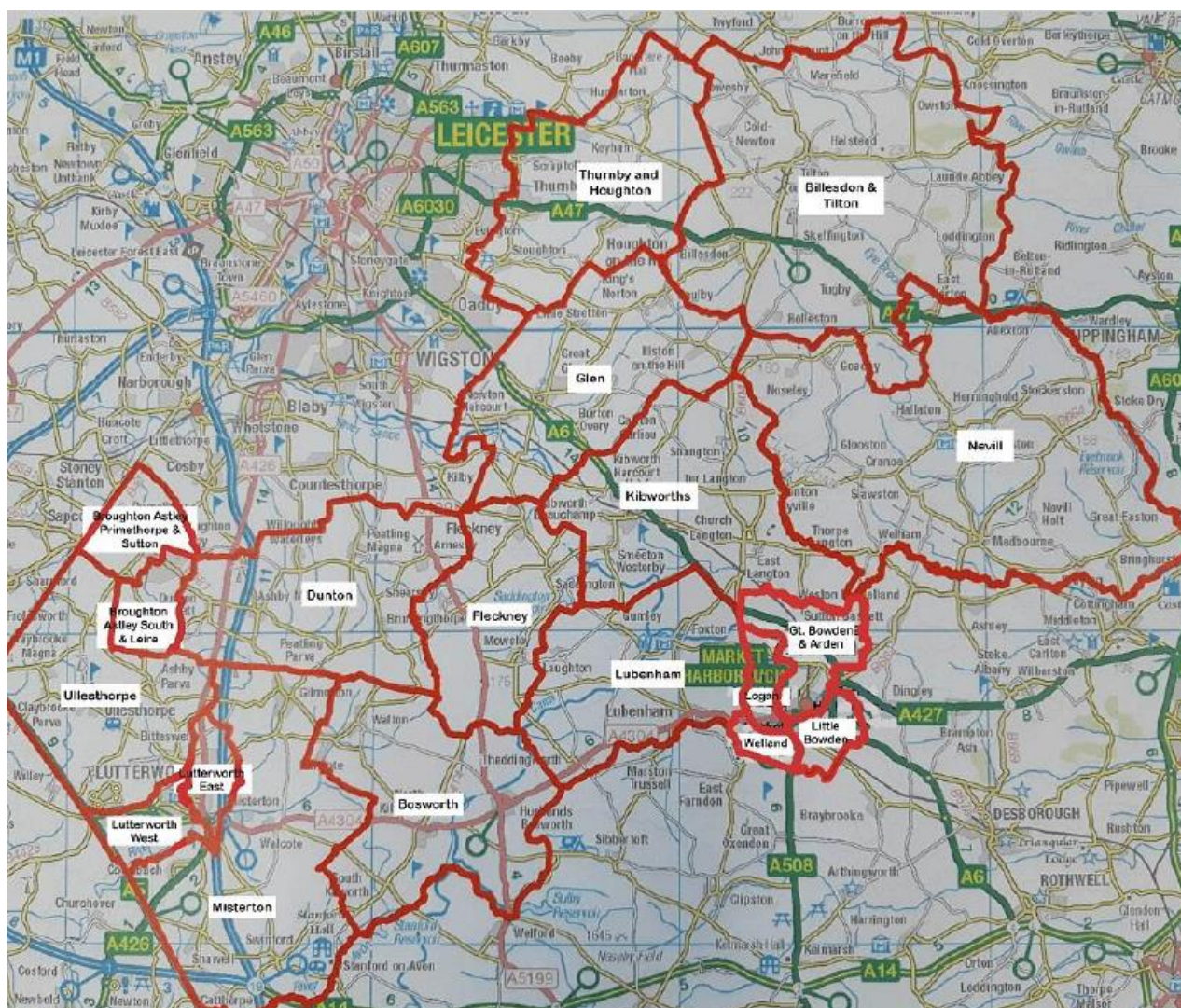
Harborough's rural nature, and its proximity to London by rail, makes it an increasingly attractive place for commuters to live. It is likely that alongside this, an increasing number of businesses setting up in Harborough have either links to, or clients in London. The current population of the District is estimated to be 91,500. The District is expecting a significant increase in the population by 2033 and has a buoyant demand for supply of housing estates. A particular challenge is the increase in the elderly population. The Council works in partnership with others through the Better Care Fund and Lightbulb Project to plan for services to meet the needs of older people.

There are approximately 5,340 active businesses within Harborough District. Businesses in Harborough District are predominantly small, 90% employ 0-9 people, only 2% of local businesses employ 50+ people. The major employers are at Magna Park near Lutterworth. The Council have pledged to do all it can to assist businesses who have been badly affected by the impact of COVID 19 and people left out of work as a result.

Levels of people claiming job seekers allowance and housing benefit are lower than the National and Leicestershire averages but have increased since the pandemic began.

Political Structure

The Council operates a Strong Leader Cabinet Model. During 2019/20 the Council comprised of 34 Members in a mixture of single and multi-member wards. This was reduced from 37 in May 2019 following adoption of the Boundary Commission recommendation.



The political make-up of the Council as at 31 March 2020 was:

Political Party	Number of Councillors
Conservative	22
Liberal Democrats	11
Labour	1
Total	34

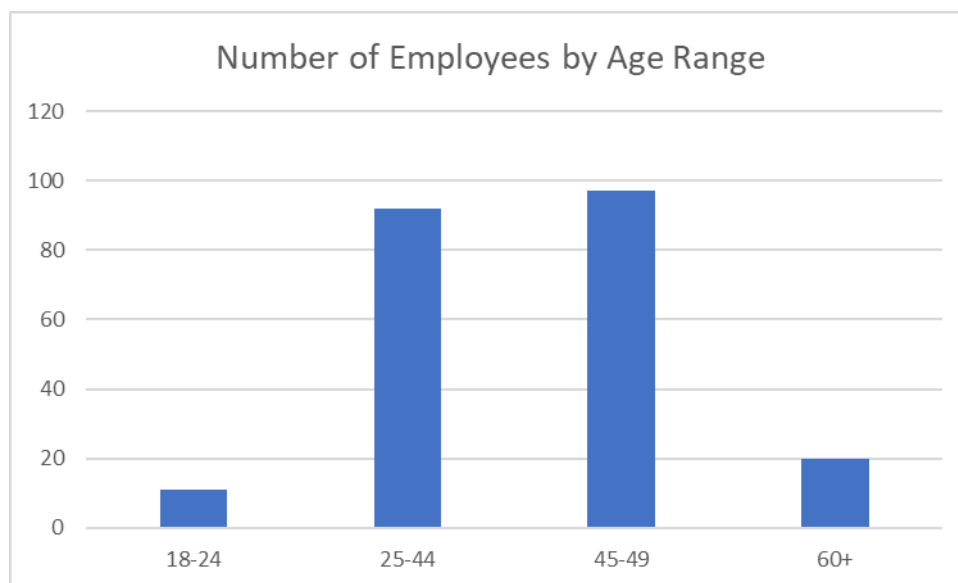
The leader of the Council during 2019/20 was Councillor Phillip King and the Portfolio holder for Finance was Councillor James Hallam.

Harborough District is represented by three MPs, Neil O'Brian, Alicia Kearns and Alberto Costa.

Council Workforce and Management Structure

The Council had 220 employees at 31 March 2020 who are primarily based at The Symington Building, Market Harborough, but also in the Leicestershire Revenue and

Benefits Partnership based in Hinckley. The Council also provide parking enforcement services to other Councils.



Of the total number of employees, 69.9% are female and 30.1% are male.

A key challenge for the Council due to its' profile of staff is succession planning to meet the needs of the Council in the future. The Council continue to invest in apprenticeships (8 in total) and in management and leadership through its Team Leader programme.

The Council is managed by the Corporate Management Team comprising of two Joint Chief Executives and four Chief Officers.

Effectiveness of Control and Governance Framework

The Council has produced its Annual Governance Statement alongside the Statement of Accounts. This demonstrates the internal control and Governance frameworks operable during 2019/20. Overall the Council's self assessment and annual Head of Internal Audit report evidence through audit, testing and assurance frameworks that the Council operated as intended in 2019/20 in order to deliver the Council's priorities. No incidences of fraud were reported or identified in year. The Council's fraud capacity is now enhanced though being part of a fraud intelligence hub led by Leicester City Council.

Council Vision and Priorities

The Council adopted the following Vision and Outcomes for 2019/20 onwards. Key Activities are detailed in the Corporate Delivery Plan:

OUR VISION

To secure a prosperous future for the people of Harborough District

The Place



An Enterprising,
Vibrant Place

The People



A Healthy, Inclusive and
Engaged Community

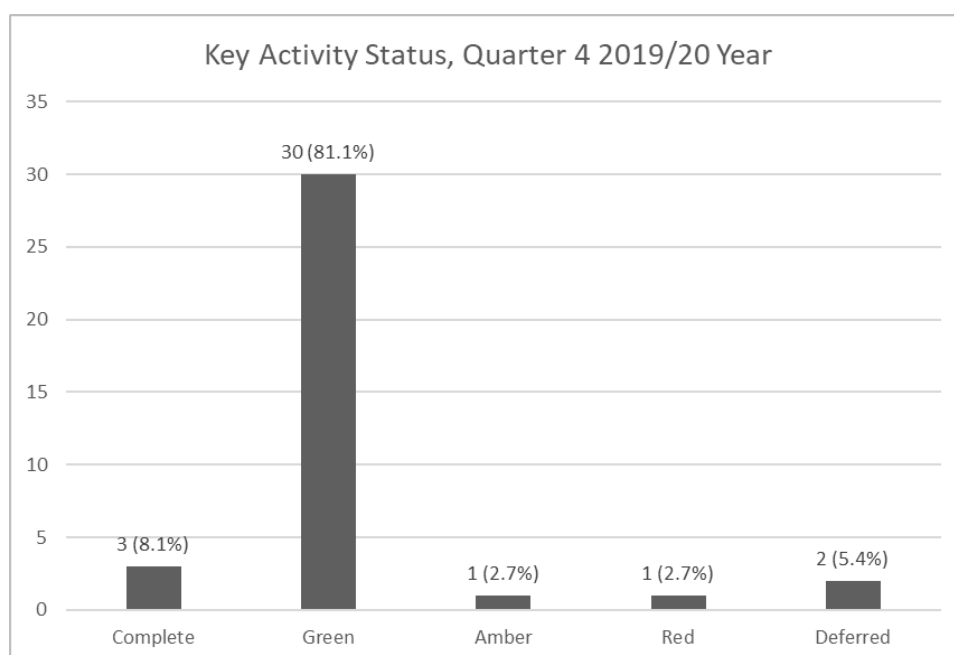
Your Council



Innovative, Proactive
and Efficient

Performance of the Council

The Council has continued to deliver its stated priorities within budget and on time. 37 Key Activities were set for 2019/20 with 89% complete or progressing in line with agreed milestones.



Key Achievements in 2019/20 against the Council priorities were:

Against the Your Council priority we have....

- Taken part in the Leicester Comedy Festival Big Weekend.
- Held the Classic Car Show which saw thousands of people flock to Market Harborough.
- Issued new streets with names to honour WW1 heroes.
- Through Harborough Market supported Plastic Free July.
- Introduced a pay to park by phone option in the Council carparks.

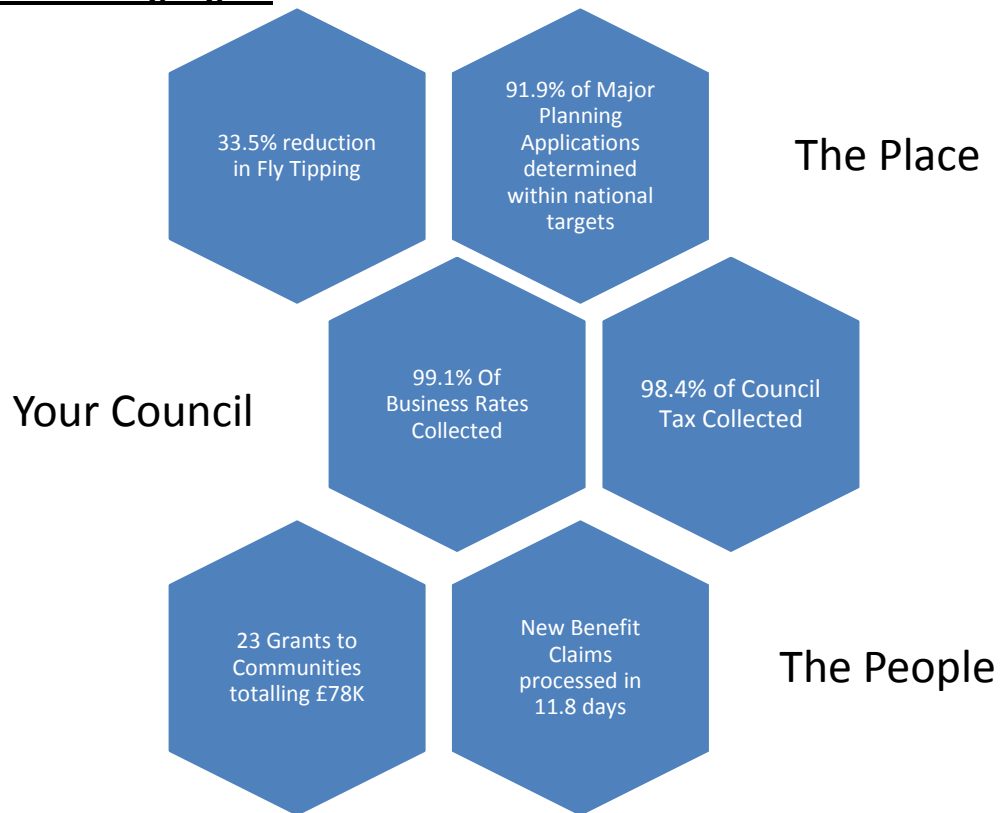
Against the People Priority we have

- Supported sporting activities across the district including 400 individuals signing up to the JUST programme.
- Improved local community infrastructure and facilities across the District by awarding almost £669K of Section 106 grants.
- Continued to work with parishes to develop Neighbourhood Plans and hold neighbourhood referendums.
- Initiated the Smarter Services Project to improve the customer experience, deliver efficiencies and maximise the use of online submission portals.
- Increased the number of referrals to the 24-hour lifeline service.

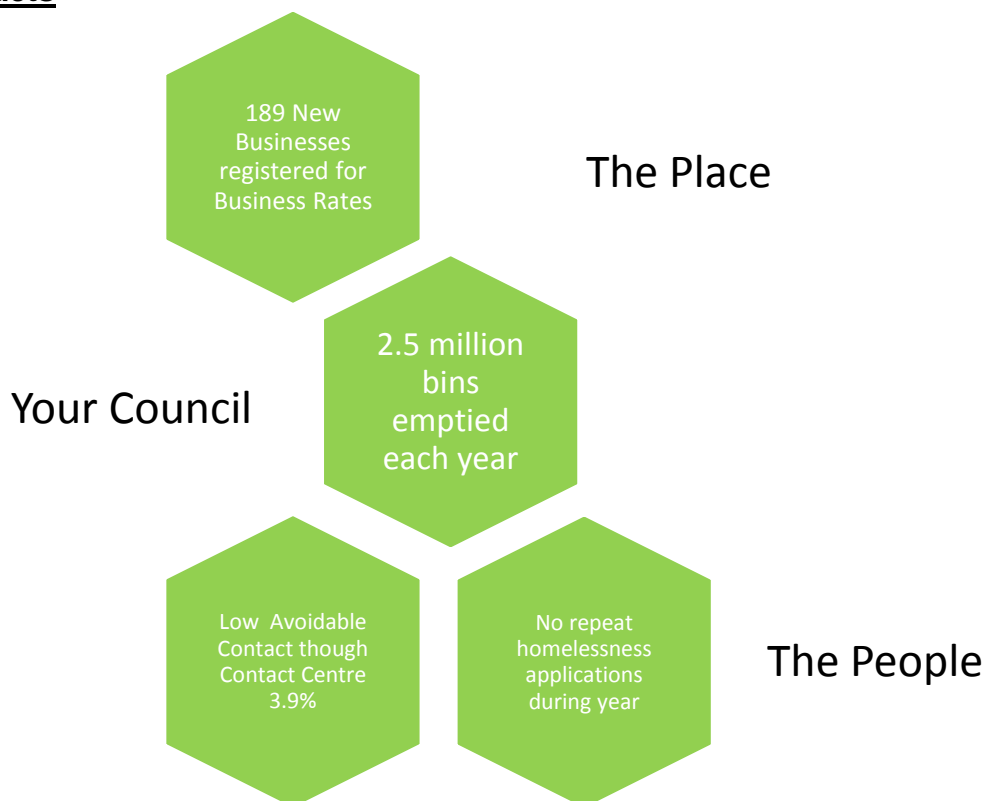
Against the Place Priority we have ...

- Finished building the Harborough Grow on Centre which is now ready for its first tenants.
- Reduced fly-tipping in the district through campaigns such as the “Tip off” campaign.
- Provided energy efficiency measures to homes in the district saving over 7000 tonnes of CO2.
- Ensured continued provision of leisure facilities.
- Organised a large number of business workshops.
- Organised a range of community events which have provided support to local businesses and promoted the district as a tourism destination.
- Market Harborough Trian Station is now sponsored by Visit Harborough

Performance Highlights



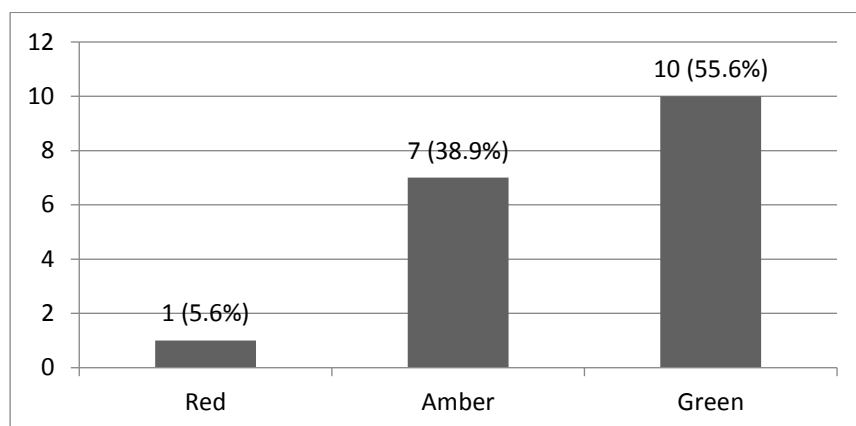
Key Facts



Council Performance has been reported quarterly to Cabinet with the Quarter 4 position being due to be considered by the Council's Cabinet on 8 September 2020.

Risk and Opportunity Management

The Council actively managed its risks during 2019/20 including the effectiveness of controls and other mitigation actions. One Risk was identified as Red (High Risk) and one Corporate Risk was closed during 2019/20.



The one red risk related to the Council not having sufficient funding to deliver its current services in the medium term. Mitigation is that the Cabinet is working through the budget for the 2020/21 year and levels of reserves are sufficient to manage any unplanned change effectively. The budget (including income and expenditure) is monitored on a quarterly basis and corrective action taken as required. Preparation for the 2021/22 budget and medium-term financial planning has started earlier than in previous years

Risks and opportunities have been reported quarterly to Cabinet with the Q4 strategic risk register yet to be considered.

Revenue Budget

During 2019/20 the Council continued to deliver its priorities and desired outcomes within the approved budget.

The majority of spend is contained within Portfolio Budgets for the day to day operations of the Council. Each portfolio has a lead Cabinet Member. The Total Direct Cost of Services by Portfolio is:

2019/20 Revenue Budget	Revised Budget	Outturn	Carry Forward Requests	Variance
	£000's	£000's	£000's	£000's
Portfolios				
Corporate	5,238	4,893	179	(166)
Communities	448	504	0	56
Strategy	888	624	73	(191)
Finance	1,379	1,828	142	591
Regulatory	4,065	3,710	4	(351)
Wellbeing	807	787	0	(20)
Total Direct Cost of Services	12,825	12,346	398	(81)

Budget variances have been reported quarterly to Cabinet with the final outturn due to be considered by the Council's Cabinet on 8 September 2020.

The Council has not been required to borrow money to fund its Capital Programme (this has been the case since 2008) and therefore has made savings in the cost of borrowing and repayment of External Debt of £264k against the budget – this was reported to the Cabinet during the year.

The Council is a member of the Leicester and Leicestershire Business Rate Pool in 2019/20 which allows local retention of business rate growth. During 2019/20 the Council was also part of a successful application to pilot 75% retention of business rates.

Revenue Reserves

The appropriations to/from reserves made during 2019/20 are:

Revenue Reserve Movements	General Fund	Earmarked Reserves	General Reserve Fund
	£000's	£000's	£000's
Opening Balance	6,723	5,869	935
Contributions to Reserves	618	1,624	268
Contribution from Reserves	0	(2,634)	(150)
Transfers between Reserves	1,897	(845)	(1,053)
Closing Balance	9,238	4,014	0

During the year, after review, a reduction in the number of reserves was made to both simplify and give greater clarity to Council on its overall position. The removed reserves were transferred to the General Fund Balance.

Details of this and the remaining earmarked reserves are shown in Note 9 of the Accounts.

The outturn has provided for a net contribution of £618k to the General Fund Balance. This is reflected in the above table and incorporates the surpluses detailed earlier in this narrative report.

Technical Adjustments

The Council monitors its budget on the basis of Net Direct Expenditure (per the table above) whilst the Accounts incorporate charges for Capital Charges and Pension Costs and other adjustments. The movements between Total Net Expenditure on Services and the Net Costs of Services in the accounts are detailed below:

	£000s
Total Net Expenditure on Services (Management Accounts)	12,346
Capital Charges	5,450
Pension Costs	936
Investment Income	393
Other Movements	35
Net Cost of Services (Statutory Accounts)	19,160

Overall, the financial performance of the Council remains strong with a healthy and stable balance sheet. There remains significant uncertainty nationally over future funding streams (detailed later in the narrative report) for which the Council's overall financial position will allow a planned response when national funding levels are announced.

Capital Investment

The Council continues to make significant investment within the District as part of an ambitious Capital Programme approved in February 2019. The Revised Budget was £11.614 million. At the end of 2019/20 £9.023 million has been spent. Further slippage of £2,393 million will be considered by the Cabinet to be carried forward into 2019/20. Therefore, there was a £198k underspend against the approved 2019/20 Capital Programme.

Key Capital Outcomes delivered during the year were:

Supporting Vulnerable People



The Council through the Lightbulb Programme spent £405k on Disabled Facilities Grants to allow people to remain in their own homes.

Promoting Economic Growth



The Council finished building the £7.8 million Harborough Grow on Centre to allow Small and Medium Enterprises (SMEs) to develop their businesses building on the success of the Harborough Innovation Centre. The Council was successful in securing £4.3 million of external funding from the ERDF and the LLEP.

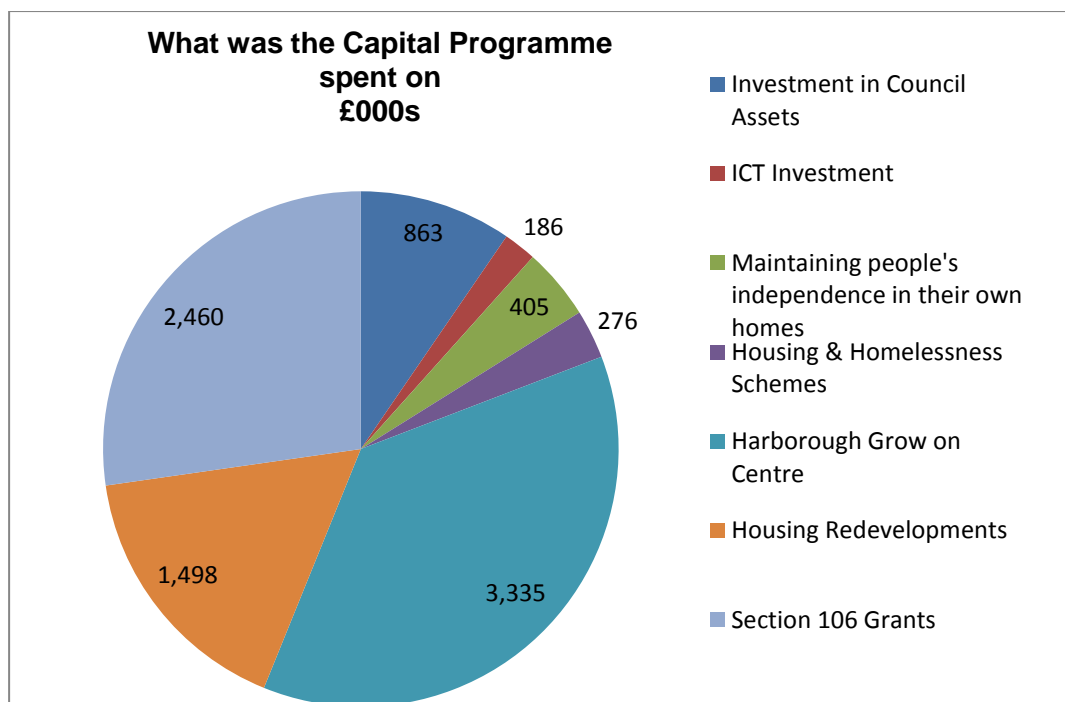
Investing in Communities



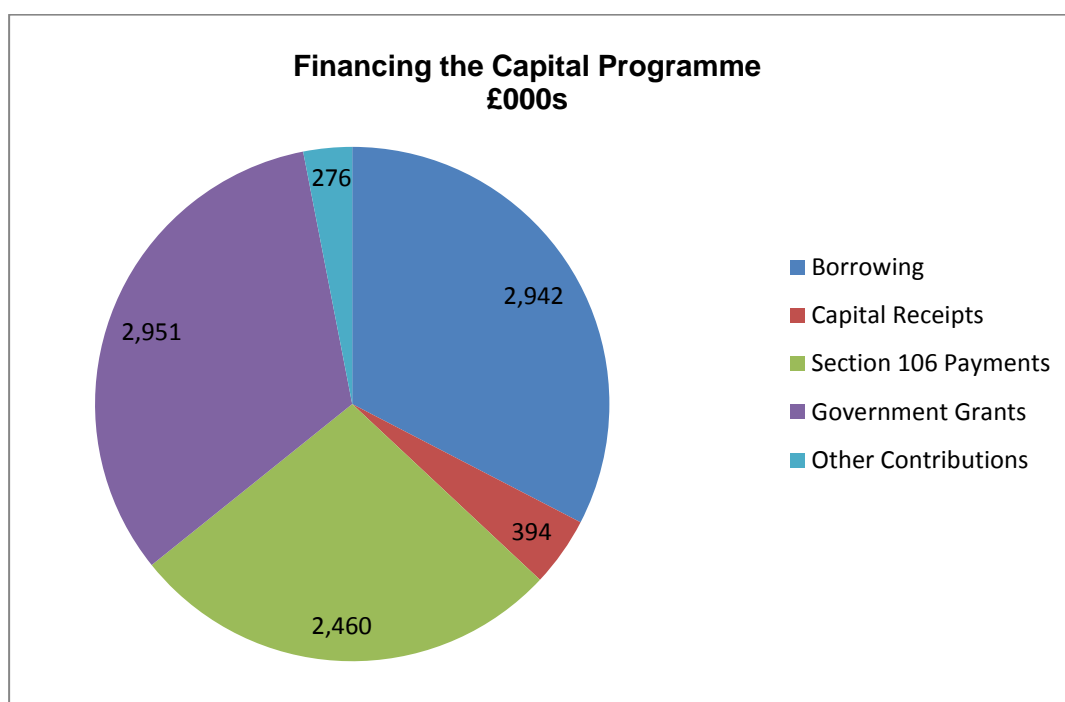
The Council has made £2.460 million of Section 106 contributions to communities during 2019/20.

Delivery of Capital Programme

The Council spent £9.023 million on Capital Schemes in 2019/20. This was less than the planned budget due to some additional slippage identified in Quarter 4.



The Capital Programme was funded as below:



The Council is currently under-borrowed through using internal investment cash rather than more expensive borrowing. The borrowing detailed above is therefore permission to borrow in the future rather than actual borrowing undertaken in 2019/20.

Financial Strategy

The Council has an approved Medium Term Financial Strategy (MTFS) to 2019/20. The overarching objective behind the MTFS is to ensure that the Council's financial resources are applied in a manner which achieves the strategic priorities set out in the Corporate Delivery Plan. By striving to ensure the costs of delivering its service objectives over the term of the strategy are commensurate with the overall forecast financial resources available, the Council can maintain the financial health of the authority in a manner which does not place an unreasonable burden on local taxpayers. The Council in 2019/20 was in year 4 of the 4 year previously agreed Efficiency Plan which secured funding guarantees from the Government over this period.

The Council's MTFS planned to use reserves and prior year surpluses to manage the impact of reductions in Government and partner organisation funding. Through robust financial management the Council has managed to add to the General Fund Balance in this period rather than drawdown resulting in a healthy financial position to address future year's funding volatility.

Indeed, through a planned efficiency and income generation programme it has been possible in recent years to propose and deliver significant savings which is greater than the reduction on Government funding – this has allowed investment in priorities.

All Councils are facing ongoing and unprecedented uncertainty which makes robust medium term financial forecasting problematic. The lack of detail on the significant changes to be made by government to the local government finance system in 2021/22 has meant that this Council has not produced a medium term financial strategy (MTFS) for the next four years. This will be developed over the course of the 2020/21 financial year and will stretch out until 2024/25. The MTFS will be based on the government's intentions on the timing, detail, and impact of future funding of local government, as well as modelling current and future service change; including the potential impact of the Coronavirus crisis on both the Corporate Plan and the Council's resources.

The Council did set a one year budget and planned to deliver £628k of savings and income generation proposals in 2020/21. The Council is seeking further net efficiencies in 2020/21 to address increased cost pressures.

In setting the budget for 2020/21 it is considered that the risk of delivery of savings and income are managed and mitigated.

Through robust financial planning, financial management and a strategic set of Corporate Priorities and outcomes the Council is confident that it will continue to operate as a Going Concern in the future.

COVID 19 Statement

Due to the COVID-19 pandemic and its impact on the Council's operations and finances the Council has been undertaking regular reports on its financial position to Cabinet. Below are highlighted the key issues as a result of Covid-19 which impacted upon the Council largely from mid-March with the main impact being in the 2020/21 financial year. The issues arising are what are known as 'non-adjusting' events as they occur after the reporting period. Anything that has impacted upon the 2019/20 financial statements will be reported in the relevant note. This information may be subject to change given the significant and variable nature of the pandemic. The Financial Statements will be updated as necessary given the fluidity of the situation, until the accounts are authorised for issue.

Service Provision - in line with government guidance, free parking was provided. Both Market Harborough and Lutterworth Leisure Centres were closed. The Council's contractor FCC has continued to provide an excellent service by continuing to keep all environmental services operating during this period. Household waste, recycling collections and green waste collections have continued unaffected. Bulky waste collections were suspended in the first week of the lockdown, however, were reintroduced during week four. Following government guidance, all rough sleepers have been offered and provided with housing by the homelessness team. In the early days of the crisis the team worked hard to rehouse those who were in accommodation such as the travel lodge that was closed with very little notice. The Council's Offices and Customer Services, Market Hall, play areas, tennis courts, bowls pavilions and public toilets were closed in accordance with Government Guidance. This situation has been kept under regular review and some of these have now reopened.

Business Support - Harborough District Council has distributed more than £20 million in grants to local businesses across the district exceeding the grant allocation from Government which will be reimbursed. The Council has also waived rental payments for three months for all its tenants who are community organisations. Also all action to recover debts was suspended to enable residents to keep their businesses during this unprecedented time.

Work Force - the Council has a well-established record of working flexibly and many staff were enabled to work from home prior to the outbreak. At the onset of the outbreak staff were encouraged to work from home where possible. On 23rd March 2020, the Government confirmed the "lockdown 'measures required people to work from home if it was possible. Staff were advised to work from home and immediate steps were taken to equip any staff who didn't have the facilities for working at home. Staff who are required to attend the Symington building were given advice on social distancing and the building was risk assessed for occupation and measures such as hand sanitiser, signage and increased cleaning routines were implemented. A limit of 20 staff was placed on the Symington Building and two members of the Corporate Management Team are on site daily.

Financial Position – the financial impact of COVID 19 on the Council is forecast to be £1.6 million, if it receives no further support from the government this will have to be met directly from Reserves. Whilst income has been reduced it is expected there is enough cash to ensure external borrowing is not required in 2020/21.

Financial Statements

- **The Comprehensive Income and Expenditure Statement** – reports the net cost for the year of all the functions for which the Council is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers. The deficit on the provision of services totalled £3.655 million (surplus of £1.140 million in 2018/19).
- **The Movement in Reserves Statement** – show the movement during the year between the Council's "usable reserves" (i.e. those that can be used to fund expenditure or reduce Council Tax) and "unusable reserves". The surplus/deficit on the Provision of Services line shows the true economic cost of providing the Council's services. Also included are adjustments to ensure the General Fund balance is only charged with statutory expenditure plus contributions to/from earmarked reserves. The Council's usable reserves total £18.392 million (£18.285 million in 2018/19).
- **The Balance Sheet** – shows the Council's overall financial position at the financial year end. It shows assets and liabilities at the top and the Council's reserves (net worth) to match them. Our Net Worth is £31.539 million (£25.244 million in 2018/19 (restated)) with the movement between years mainly accounted for by the reduction in the pension fund liability due to changes in actuarial financial assumptions. Further information on pensions can be found in Note 46 of the Statement of Accounts.
- **The Cash Flow Statement** – a summary of the cash movements during the year, demonstrating how the Council has moved to the financial position reflected on the Balance Sheet. This shows an increase in cash and cash equivalents of £485k.
- **The Collection Fund** – shows the transactions of the Council in relation to non-domestic rates and council tax. It illustrates the way in which these have been distributed to precepting authorities and the Council's General Fund.
 - **Group Accounts** - This shows the consolidation of Harborough District Commercial Services Limited.

The Accounts are prepared on the basis of an internal materiality level of £548k.

True and Fair View Override

As required by the Accounts and Audit Regulations 2015, paragraph 8.2, it is noted that the Responsible Financial Officer has not had to use the “true and fair view override”.

Summary

This Narrative Report aims to provide an overview of the Council’s financial and non financial performance for 2019/20, alongside priorities for the future that are inextricably linked to the MTFS and the need to respond to changes in financing and the delivery of Council priorities.

The Statement of Accounts for 2019/20 present a true and fair financial position of Harborough District Council for the financial year ended 31st March 2020. Up to date and proper accounting records have been maintained in accordance with the accounting policies detailed.



**Clive Mason CPFA
Responsible Financial Officer
03 March 2021**

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The authority is required:

- to make arrangements for the proper administration of its financial affairs and for one of its officers to be responsible for the administration of those affairs. In Harborough District Council, this is the Director: Finance and Assets;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the statement of accounts.

Director: Finance and Assets Responsibilities

The Director: Finance and Assets is responsible for preparing Harborough District Council's Statement of Accounts to present a true and fair view of the financial position of the authority and its income and expenditure for the year ended 31 March 2020, according to the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

In preparing the Statement of Accounts the Director: Finance and Assets has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice;

The Director: Finance and Assets has also:

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of Harborough District Council as at 31 March 2020 and its income and expenditure for the year then ended. Signed by the Director: Finance and Assets on 03 March 2021.



Clive Mason
Director: Finance and Assets
Responsible Financial Officer
03 March 2021

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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 statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

(Reanalysed) 31 March 2019				Note	31 March 2020		
Exp £'000	Income £'000	Net £'000			Exp £'000	Income £'000	Net £'000
841	(353)	488	Communities		956	(382)	574
15,097	(10,700)	4,397	Corporate		15,278	(9,966)	5,312
4,478	(1,277)	3,201	Finance		8,569	(1,191)	7,378
9,908	(5,538)	4,370	Regulatory		10,410	(6,170)	4,240
1,004	(311)	693	Strategy		822	(143)	679
3,109	(2,238)	871	Wellbeing		4,072	(3,095)	977
34,437	(20,417)	14,020	Cost of Services		40,107	(20,947)	19,160
2,187	(1,524)	663	Other Operating Expenditure	12	1,898	(564)	1,334
1,525	(595)	930	Financing and Investment Income and Expenditure	13	1,490	(737)	753
2,436	(19,189)	(16,753)	Taxation and Non-specific Grant Income	14	1,889	(19,481)	(17,592)
		(1,140)	(Surplus)/Deficit on Provision of Services	10			3,655
		(15,855)	(Surplus)/Deficit on Revaluation of Property, Plant and Equipment Assets	29			1,503
		138	Impairment Losses on Non- Current Assets charged to the Revaluation Reserve	29			0
		4,852	Remeasurement of Net Defined Benefit Liability/(Asset)	32			(9,633)
		(10,865)	Other Comprehensive (Income) and Expenditure				(8,130)
		(12,005)	Total Comprehensive (Income) and Expenditure				(4,475)

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 service' line shows the true accounting 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 charges to the General Fund (GF) Balance for Council Tax setting purposes.

The 'net increase/decrease before transfers to earmarked reserves' line shows the statutory General Fund (GF) Balance before any discretionary transfers to or from earmarked reserves are undertaken by the Council.

Reserves are reported in two categories. The first category are usable reserves, i.e. those reserves that may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves cannot be used to provide services, such as reserves that hold unrecognised gains and losses (revaluation reserve), where amounts only become available if assets are sold. Also reserves that hold timing differences shown in the Movement in Reserves Statement "Adjustments between accounting basis and funding basis under regulations."

	<u>Usable Reserves (£'000)</u>						<u>Unusable Reserves (£'000)</u>								(£'000)
	General	Earmarked	General	Capital	Receipts In	Total	Financial				Collection				
	Fund (GF)	GF	Reserves	Receipts	Advance	Usable	Instruments		Capital	Deferred	Fund		Accumul'd	Total	Total
	Balance	Reserves		Reserve	Unapplied	Reserves	Adjustment	Revaluation	Adjustment	Capital	Adjustment	Pension	Absences	Unusable	Authority
							Account	Reserve	Account	Receipts	Account	Reserve	Account	Reserves	Reserves
Balance at 31 March 2019 carried forward	6,723	5,869	935	3,736	1,022	18,285	(124)	23,551	18,685	0	423	(35,512)	(64)	6,959	25,244
Movement in reserves during 2019/20															
Surplus or (deficit) on provision of services (accounting basis)	(3,655)	0	0	0	0	(3,655)	0	0	0	0	0	0	0	0	(3,655)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	317	0	0	0	9,633	0	9,950	9,950
Total Comprehensive Income and Expenditure	(3,655)	0	0	0	0	(3,655)	0	317	0	0	0	9,633	0	9,950	6,295
Adjustments between accounting basis and funding basis under regulations	3,380	0	0	167	215	3,762	(49)	(327)	(1,185)	0	(459)	(1,729)	(13)	(3,762)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(275)	0	0	167	215	107	(49)	(10)	(1,185)	0	(459)	7,904	(13)	6,188	6,295
Transfers to/from Earmarked Reserves	2,790	(1,855)	(935)	0	0	0	0	0	0	0	0	0	0	0	0
Increase/Decrease in year	2,515	(1,855)	(935)	167	215	107	(49)	(10)	(1,185)	0	(459)	7,904	(13)	6,188	6,295
Balance at 31 March 2020 carried forward	9,238	4,014	0	3,903	1,237	18,392	(173)	23,541	17,500	0	(36)	(27,608)	(77)	13,147	31,539

Restated	Usable Reserves (£'000)						Unusable Reserves (£'000)								(£'000)
	General Fund (GF) Balance	Earmarked GF Reserves	General Reserves	Capital Receipts Reserve	Receipts In Advance Unapplied	Total Usable Reserves	Financial Instruments Adjustment Account	Capital Revaluation Reserve	Deferred Adjustment Account	Fund Capital Receipts	Collection Fund Adjustment Account	Pension Reserve	Accumul'd Absences Account	Total Unusable Reserves	Total Authority Reserves
Balance at 31 March 2018 carried forward	6,517	5,175	941	2,614	476	15,723	(1)	9,430	18,070	0	68	(28,734)	(63)	(1,230)	14,493
Movement in reserves during 2018/19															
Surplus or (deficit) on provision of services (accounting basis)	1,140					1,140								0	1,140
Other Comprehensive Income and Expenditure						0		14,463				(4,852)		9,611	9,611
Total Comprehensive Income and Expenditure	1,140	0	0	0	0	1,140	0	14,463	0	0	0	(4,852)	0	9,611	10,751
Adjustments between accounting basis and funding basis under regulations	(246)			1,122	546	1,422	(123)	(342)	615		355	(1,926)	(1)	(1,422)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	894	0	0	1,122	546	2,562	(123)	14,121	615	0	355	(6,778)	(1)	8,189	10,751
Transfers to/from Earmarked Reserves	(688)	694	(6)			0								0	0
Increase/Decrease in year	206	694	(6)	1,122	546	2,562	(123)	14,121	615	0	355	(6,778)	(1)	8,189	10,751
Balance at 31 March 2019 carried forward	6,723	5,869	935	3,736	1,022	18,285	(124)	23,551	18,685	0	423	(35,512)	(64)	6,959	25,244

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.

Restated 31 March 2019 £'000		Note	31 March 2020 £'000
51,950	Property, Plant & Equipment	15	52,910
24	Heritage Assets	16	24
208	Investment Property	17	240
73	Intangible Assets	18	82
152	Assets held for Sale	19	0
3,527	Long Term Investments	20a	3,478
1,832	Long Term Debtors	23	1,832
57,766	Long Term Assets		58,566
18,023	Short Term Investments	20c	17,014
97	Inventories	22	101
4,704	Short Term Debtors	23	3,246
2,850	Cash and Cash Equivalents	24	3,335
25,674	Current Assets		23,696
(26)	Short Term Borrowings	20a	(15)
(12,841)	Short Term Creditors	25	(14,311)
(2,899)	Short Term Provisions	26	(2,604)
(15,766)	Current Liabilities		(16,930)
(1,490)	Long Term Borrowing	20a	(1,490)
(35,512)	Pension Liability Account	46c	(27,608)
(5,428)	Grants Received in Advance	42b	(4,695)
(42,430)	Long Term Liabilities		(33,793)
25,244	Net Assets		31,539
18,285	Usable Reserves	MiRS	18,392
6,959	Unusable Reserves	27	13,147
25,244	Total Reserves		31,539



Clive Mason
Director: Finance & Assets
03 March 2021

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery.

Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (I.e. borrowing) to the authority.

2018/19 £'000		2019/20 £'000	Note
(1,140)	Net (surplus)/ deficit on the provision of Services	3,655	
7,023	Adjustments to net (surplus)/ deficit on the provision of services for non - cash movements	(5,708)	
410	Adjustments for items included in the net deficit on the provision of services that are investing or financing activities	5,650	
6,293	Net Cash flows from operating activities	3,597	
(4,530)	Investing activities	(4,958)	35
(932)	Financing activities	1,846	36
831	Net increase/(decrease) in cash and cash equivalents	485	
2,019	Cash and Cash equivalents at the beginning of the reporting period	2,850	
2,850	Cash and Cash equivalents at the end of the reporting period	3,335	24

NOTES TO THE FINANCIAL STATEMENTS

1) Summary of Significant Accounting Policies

a) General Principles

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

The accounting convention adopted in the statement of accounts is principally historical cost, modified by re-valuation of certain categories of non current assets and financial instruments.

b) Changes in accounting treatment

These policies ensure we produce our financial statements in accordance with the updated Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (based on International Financial Reporting Standards). There are no substantial changes this year.

c) Accruals of Income and Expenditure

The revenue and capital accounts of the Council are maintained on an accruals basis in accordance with the Code. That is, activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

- **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 of the contract.
- **Employee Costs** – the full cost of employees has been included for the period 1 April 2019 to 31 March 2020. The exception to this is that the reimbursement of travel expenses is made one month in arrears, so that the amount included in the accounts covers the period 1 March 2019 to 29 February 2020. This policy has been applied consistently between years, and does not have a material effect on the accounts.
- **Interest** – interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- **Supplies and Services** – the costs of supplies and services have been accrued and included in the accounts for the period to which they relate. All material sums unpaid at the year-end for goods and services received or works completed, have been accrued. The exception to this policy relates to quarterly utility payments (eg. gas,

electricity and water), which are charged at the date of the meter reading, and are not apportioned between financial years. Again this policy has been applied consistently between years and does not have a material effect on the accounts.

d) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than one month 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.

e) Contingent Assets and Liabilities

Contingent assets and liabilities arise when an event has taken place that gives the Council a possible asset or obligation, but needs another future event not controlled by the Council to confirm the asset or obligation.

Contingent assets and liabilities are not recognised in the accounts, but are instead disclosed by means of a note to the balance sheet, where the inflow of a receipt or economic benefit is probable.

f) Employee Benefits

- **Benefits payable during employment**

Short term employee benefits are those due to be settled within 12 months of the year end. They include salaries, wages and other employment related payments and are recognised as an expense in the year in which the service is rendered by the employees.

An accrual is made, where material, for the cost of holiday entitlements earned by employees but not taken before the year end which employees can carry forward into the following financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period 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 of Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

- **Termination Benefits**

Termination benefits are amounts payable as a result of the council's decision to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Net Cost of Services line in the Comprehensive Income & Expenditure Statement when the council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

- **Pension Benefits**

The Council participates in the Local Government Pension Scheme administered by Leicestershire County Council, which is accounted for as a defined benefits scheme.

The attributable assets of the scheme are measured at fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value

The attributable liabilities of the scheme are measured on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

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 on the net defined benefit liability (asset), i.e. 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:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- actuarial gains and losses – changes in the net 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

In relation to retirement benefits, statutory provisions require the General Fund Balance 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 of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

- **Discretionary Benefits**

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

g) 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.

h) Events after the Balance Sheet Date

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events

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

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

i) Financial Instruments

• Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provision of a financial instrument and are initially measured at fair value and carried at that value plus any interest due. Annual charges to the Comprehensive Income & Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for that particular financial instrument.

For the Council this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income & Expenditure Statement is the amount payable for the year in the loan agreement.

Gains or losses on the repurchase or early settlement of borrowing are credited and debited to Financing and Investment Income and Expenditure in the Comprehensive Income & Expenditure Statement in the year of repurchase/settlement.

Where premiums and discounts have been charged to the Comprehensive Income & Expenditure Statement, regulations allow the impact on balances to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid, unless the premium or discount is not material in amount. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against balances is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

• Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their 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 Council'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.

- **Financial Assets Measured at Amortised Cost**

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

Any gains or losses that arise on the derecognition of an 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 Other Comprehensive Income**

Financial assets that are measured at FVOCI are recognised on the balance sheet when the Authority becomes 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 arise in Other Comprehensive Income.

- **Financial Assets Measured at Fair Value through Profit and Loss**

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

- **Fair Value Measurements of Financial Assets**

Fair value of an asset is 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:

- (a) Instruments with quoted market prices – the market price
- (b) 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:

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

j) Foreign Currency Translation

From time to time the Council may receive income or incur expenditure in a foreign currency. In such circumstances the transaction is converted into sterling at the exchange rate in operation on the date on which the transaction occurred.

k) Government Grants and Other Contributions

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

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

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

Monies advanced as grants or contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line or Taxation and Non Specific Grant line 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 Grant Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grant Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

l) Intangible Assets (Excluding Goodwill and Development Expenditure)

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 is not 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 lines 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 of Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

m) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all 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.

- Finance leases

The Council does not presently have any assets acquired by way of finance lease.

- Operating leases

Rentals paid under operation leases are charged to the Comprehensive Income & Expenditure Statement as a cost to the services benefiting from the use of the leased property, plant or equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments.

Where the Council grants an operating lease over property, plant or equipment the asset is retained in the Balance Sheet. Rental income is credited on a straight-line basis over the life of the lease, even if this does not match the pattern of the payment, to the Other Operating Expenditure line in the Comprehensive Income & Expenditure Statement.

n) Overheads

The costs of overheads and support services are not charged to service segments in accordance with the Authority's arrangements for accountability and financial performance.

o) Property, Plant, and Equipment

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

• Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis provided that it is probable that the future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. The Council has a de minimis level for recognition as an asset, an item or a related group of items must have a minimum expenditure value of £5,000 excluding VAT.

• Measurement

Assets are initially measured at cost, comprising

- a) the purchase price
- b) any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

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

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

- Infrastructure assets, community assets and assets under construction are carried at historic cost, net of depreciation where appropriate
- All other assets are carried at fair 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 fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives and/or low values, depreciated historical cost basis is used as proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued to a five year rolling programme, although material changes to valuations are adjusted in the interim period.

To ensure all such assets have been revalued according to this policy a full revaluation

as at 31 March 2019 was completed. Increases in valuation are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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

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

- **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 impairment losses are identified, they are accounted for by:

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

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

- **Depreciation**

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

Where depreciation is provided for, assets are being depreciated using the straight-line method over their useful lives as advised by the valuer/suitably qualified officer.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

- **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 fair value less costs to sell. Where there is 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 to sell.

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to old housing disposals are payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment. 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 fixed 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.

p) Provisions

Provisions are required for any losses or liabilities which are likely or certain to be incurred, where the amounts or dates upon which they will arise are uncertain. Where applicable, these provisions are detailed in the notes to the Core Financial Statements. Provisions are charged to the appropriate service revenue account in the year that the Authority becomes aware of the obligation, based on the best estimate of the likely settlement. When expenditure is incurred it is charged to the provision set up in the balance sheet.

q) Reserves

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent useable resources for the council; these are explained in the relevant policies.

The usable capital receipts reserve is a reserve established for specific statutory purposes.

r) Revenue Expenditure Funded from Capital Under Statute

Expenditure incurred during the year that may be funded from capital under statutory provisions but does not result in the creation of non current assets is charged to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the cost of this expenditure is met from existing capital resources a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account reverses out the amounts charged so that there is no impact on the level of council tax.

s) Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost or net realisable value. 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 objectives satisfied based on the goods or services transferred to the service recipient during the financial year.

t) Value Added Tax

VAT is included in income and expenditure accounts, whether of a revenue or capital nature, only to the extent that it is irrecoverable.

u) Charges to Revenue for Non-current Assets

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

“...depreciation attributable to the assets used by the relevant service.”

“...revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.”

“...amortisation of intangible assets attributable to the service.”

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to either an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (MRP or loans fund principal), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

v) Investment Property

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 or is held for sale.

Investment Properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms length, unless the Authority can demonstrate that the carrying value is not materially different from the fair value.

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.

If a reliable fair value cannot be determined because comparable market transactions are infrequent and alternative reliable estimates of fair value are not available, then the asset should be accounted on a cost basis and depreciation continues to be charged.

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 the Capital Receipts Reserve.

w) Heritage Assets

The Council's Heritage Assets are held by the Council principally for their contribution to knowledge and/or culture. They are recognised and measured, including treatment of revaluation gains and losses, in accordance with the Council's accounting policies on Property, Plant and Equipment. Heritage Assets that are considered to be immaterial are not shown separately on the balance sheet as the cost of valuing these assets outweighs the benefit.

Heritage Assets are deemed to have an indefinite life, therefore are not depreciated as the charge made would be minimal and immaterial. Nevertheless, where there is

evidence of physical deterioration to a Heritage Asset the value of the asset will be reviewed.

x) Interests in Companies and Other Entities

The Council has a material interest in an external entity that is classified as a subsidiary and therefore group accounts have been prepared. In the Council's single-entity accounts the Council's interest is recorded as a financial asset at cost less any provision for losses.

y) 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 ourselves. Billing authorities are required by statute to maintain a separate fund (i.e. 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 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 Comprehensive Income and Expenditure Statement 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.

z) Fair Value Measurement of Non-Financial Assets

The Authority's accounting policy for the fair value measurement of financial assets is set out in section i) of this note. The Authority measures some of its non-financial assets such as surplus assets and investments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The 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 participants ability to generate economic benefits by using the asset in its highest or best use or by selling it to another market participant that would use the asset in its highest or 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.

2) Impact of accounting standards that have been issued but not yet adopted

The Code requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2019/20 Code.

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

Accounting changes that are introduced by the 2020/21 Code are as follows;

- **Amendments to IAS 28 Investment in Associates and Joint Ventures:** changes to long term interests in Associates and Joint Ventures.
- **Annual Improvements to IFRS Standards 2015-2017 Cycle**

These changes are not expected to have a material impact on the Council's single entity statements or group statements.

- **Amendments to IAS 19 Employee Benefits:** will require the remeasurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 01 April 2020 and could result in a positive, negative or no movement in the net pension liability.

The following change was introduced by the 2019/20 Code but implementation has been deferred by CIPFA/LASAAC for local government to 01 April 2021.

- **IFRS 16:** 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).

3) Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

4) Assumptions made about the Future and other Major Sources of Estimation Uncertainty

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, change in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>The Council participates in the Local Government Pension Scheme administered by Leicestershire Council as detailed in note 46. A firm of consulting actuaries is engaged by Leicestershire County Council to provide all Leicestershire authorities with expert advice about the assumptions to be applied.</p> <p>Valuations techniques are used to determine the carrying amount of pooled property funds and directly held freehold property. Where possible these valuation techniques are based on observable data but where</p>	<p>The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in a decrease in the pension liability of £6,812k. However, the assumptions interact in complex ways. During 2019/20 the Council's actuaries advised that the net pensions liability decreased by £7,904k. This is as a result of changes to actuarial assumptions.</p>

this is not possible the best available data is used.

The outbreak of COVID 19 has impacted on 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 Royal Institute of Chartered Surveyors (RICS) Red Book Global Standards. Consequently, less certainty and a higher degree of caution should be attached to the Council's share of the Pension fund property assets as at 31 March 2020.

Property, Plant and Equipment

Revaluations of the Council's Property have been completed by a firm of valuers, Wilks Head & Eve LLP, as detailed in Note 15.

Because of the reduced level of certainty, it is not possible to adjust the valuations of Land and Buildings in the Council's accounts with any meaning.

In applying the RICS Red Book Global Standards, the valuer has declared a "material valuation uncertainty" in the valuation report. This is based on the uncertainties in markets caused by COVID 19. The values in the report have been used to update the carrying value of property in these financial statements. The inclusion of material valuation uncertainty does not mean the valuation cannot be relied upon. The declaration reflects that the extraordinary circumstances caused by COVID 19 mean less certainty can be attached to the valuation. The valuer has continued to exercise professional judgement in providing the valuation and this remains the best information available to the Council.

Arrears	At the 31st March 2020, Harborough District Council had a balance for sundry debtors of £1,037k. A review of significant balances resulted in a provision of £665k (64%).	If collection rates were to deteriorate, an increase in the amount of the impairment of doubtful debts of 5% would result in an additional £52k needing to be set aside as an allowance.
Britain leaving the European Union	There is still uncertainty about the implications of Britain leaving the European Union. At the current time it is not possible to predict the agreement that will be reached at the end of the transition period. The assumption has been made that this will not significantly impair the value of the Council's assets.	Higher impairment allowances may need to be charged in the future if asset values fall and if the discount rate changes the size of the net pension liability will also vary.

5) Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Director: Finance & Assets on 17 July 2020, after due consideration of any post balance sheet events. 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 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

COVID 19 remains a concern and we are constantly reviewing the impact on the Council.

6) Prior Period Adjustments, Changes in Accounting Policies and Estimate errors

A material prior period adjustment has been made to the Council's 2018/19 published financial statements. The Council has made an amendment to the accounting for land at one of its leisure centres between Long Term Assets and the Revaluation Reserve.

The adjustment has no impact on the year end General Fund and the impact is limited to changing the Revaluation Reserve and Property, Plant and Equipment.

As a result, the Council has restated the 2018/19 opening balances as shown in the table below.

2018/19	Property Plant and Equipment £'000	Revaluation Reserve £'000	Net Impact on the CIES £'000	Net Impact on the General Fund £'000
Original opening position	35,339	(9,996)	0	0
Cumulative pre-2018/19 adjustments	(566)	566	0	0
Restated opening position	34,773	(9,430)	0	0
Original transactions	18,431	(15,375)	0	0
Change in revaluation accounting	(1,254)	1,254	0	0
Restated closing position	51,950	(23,551)	0	0

These changes are shown on the Balance Sheet and are also reflected in the Movement in Reserves Statement, and the Property, Plant and Equipment and Unusable Reserves notes.

7) Expenditure and Funding Analysis

The Expenditure and Funding Analysis 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 services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

EXPENDITURE AND FUNDING ANALYSIS

Reanalysed 31 March 2019			Note	31 March 2020		
Net Expenditure Chargeable to the General Fund £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000		Net Expenditure Chargeable to the General Fund £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
433	55	488		505	69	574
3,451	946	4,397		4,860	452	5,312
2,186	1,015	3,201		2,249	5,129	7,378
3,851	519	4,370		3,689	551	4,240
654	39	693		623	56	679
658	213	871		1,205	(228)	977
11,233	2,787	14,020		13,131	6,029	19,160
		Net Cost of Services				
1,929	(1,266)	663	12	2,209	(875)	1,334
24	906	930	13	(161)	914	753
		Financing and Investment Income and Expenditure				
(14,080)	(2,673)	(16,753)	14	(14,904)	(2,688)	(17,592)
		Taxation and Non-specific Grant Income				
(894)	(246)	(1,140)	10	275	3,380	3,655
		(Surplus)/Deficit on Provision of Services				
(12,633)		Opening General Fund Balance		(13,527)	(Note 11)	
(894)		Less Deficit on General Fund		275		
(13,527)		Closing General Fund Balance		(13,252)		

8) Notes to Movement In Reserves Statement

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

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

General Fund Balance

The general fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority 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.

Capital Receipts Reserve

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

Capital Grants Unapplied

The capital grants unapplied account (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.

2019/20	Usable Reserves (£'000)				Unusable Reserves (£'000)							
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total	Financial Instruments Adjustment	Revaluation Reserve	Capital Adjustment Account	Deferred Capital Receipts	Collection Fund Adjustment Account	Pension Reserve	Accumulated Absences Account	Total
Adjustments involving the Capital Adjustment Account												
Reversal of Items DR/CR to the CIES												
Charges for Depreciation and impairment of non-current assets	(5,421)	0	0	(5,421)	0	327	5,094	0	0	0	0	5,421
Amortisation of intangible assets	(29)	0	0	(29)	0	0	29	0	0	0	0	29
Capital grants and contributions applied	5,605	0	0	5,605	0	0	(5,605)	0	0	0	0	(5,605)
Revenue expenditure funded from capital under statute	(2,470)	0	0	(2,470)	0	0	2,470	0	0	0	0	2,470
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(410)	0	0	(410)	0	0	410	0	0	0	0	410
Insertion of items not DR/CR to the CIES												
Statutory provision for the financing of capital investment	724	0	0	724	0	0	(724)	0	0	0	0	(724)
Capital expenditure charged against the GF	0	0	0	0	0	0	0	0	0	0	0	0
Adjustments primarily involving the Capital Grants Unapplied Account												
Capital grant and contributions unapplied credited to the CIES	310	0	(310)	0	0	0	0	0	0	0	0	0
Application of grants to capital financing	0	0	95	95	0	0	(95)	0	0	0	0	(95)
Adjustments primarily involving the Capital Receipts Reserve												
Transfer of cash sale proceeds credited as part of the gain/loss on disposal / unattached receipts to the CIES	561	(561)	0	0	0	0	0	0	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	394	0	394	0	0	(394)	0	0	0	0	(394)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	0	0	0	0	0	0	0	0	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	0	0	0	0	0	0	0	0	0	0	0	0
Adjustments primarily involving the deferred Capital Receipts Reserve												
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	0	0	0	0	0	0	0	0	0	0	0	0
Adjustments primarily involving the Financial Instruments Adjustment Account												
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(49)	0	0	(49)	49	0	0	0	0	0	0	49
Adjustments primarily involving the Pension Reserve												
Reversal of items relating to retirement benefits DR/CR to CIES	(3,630)	0	0	(3,630)	0	0	0	0	0	3,630	0	3,630
Employers pension contributions and direct payments to pensioners payable in the year	1,901	0	0	1,901	0	0	0	0	0	(1,901)	0	(1,901)
Adjustments primarily involving the Collection Fund Adjustments Account												
Amount by which council tax and non-domestic rating income credited to the CIES is different from council tax and non-domestic rating income calculated in the year in accordance with statutory requirements	(459)	0	0	(459)	0	0	0	0	459	0	0	459
Adjustment primarily involving Accumulated Absences Account												
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(13)	0	0	(13)	0	0	0	0	0	0	13	13
Total Adjustments	(3,380)	(167)	(215)	(3,762)	49	327	1,185	0	459	1,729	13	3,762

2018/19	Usable Reserves (£'000)				Unusable Reserves (£'000)							
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total	Financial Instruments Adjustment	Revaluation Reserve	Capital Adjustment Account	Deferred Capital Receipts	Collection Fund Adjustment Account	Pension Reserve	Accumulated Absences Account	Total
Adjustments involving the Capital Adjustment Account												
Reversal of Items DR/CR to the CIES												
Charges for Depreciation and impairment of non-current assets	(1,592)	0	0	(1,592)	0	342	1,250	0	0	0	0	1,592
Amortisation of intangible assets	(20)	0	0	(20)	0	0	20	0	0	0	0	20
Capital grants and contributions applied	3,700	0	0	3,700	0	0	(3,700)	0	0	0	0	(3,700)
Revenue expenditure funded from capital under statute	(2,007)	0	0	(2,007)	0	0	2,007	0	0	0	0	2,007
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(941)	0	0	(941)	0	0	941	0	0	0	0	941
Insertion of items not DR/CR to the CIES												
Statutory provision for the financing of capital investment	607	0	0	607	0	0	(607)	0	0	0	0	(607)
Capital expenditure charged against the GF	89	0	0	89	0	0	(89)	0	0	0	0	(89)
Adjustments primarily involving the Capital Grants Unapplied Account												
Capital grant and contributions unapplied credited to the CIES	594	0	(594)	0	0	0	0	0	0	0	0	0
Application of grants to capital financing	0	0	48	48	0	0	(48)	0	0	0	0	(48)
Adjustments primarily involving the Capital Receipts Reserve												
Transfer of cash sale proceeds credited as part of the gain/loss on disposal / unattached receipts to the CIES	1,529	(1,514)	0	15	0	0	0	0	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	389	0	389	0	0	(389)	0	0	0	0	(389)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(18)	3	0	(15)	0	0	0	0	0	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	0	0	0	0	0	0	0	0	0	0	0	0
Adjustments primarily involving the deferred Capital Receipts Reserve												
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	0	0	0	0	0	0	0	0	0	0	0	0
Adjustments primarily involving the Financial Instruments Adjustment Account												
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(123)	0	0	(123)	123	0	0	0	0	0	0	123
Adjustments primarily involving the Pension Reserve												
Reversal of items relating to retirement benefits DR/CR to CIES	(3,501)	0	0	(3,501)	0	0	0	0	0	3,501	0	3,501
Employers pension contributions and direct payments to pensioners payable in the year	1,575	0	0	1,575	0	0	0	0	0	(1,575)	0	(1,575)
Adjustments primarily involving the Collection Fund Adjustments Account												
Amount by which council tax and non-domestic rating income credited to the CIES is different from council tax and non-domestic rating income calculated in the year in accordance with statutory requirements	355	0	0	355	0	0	0	0	(355)	0	0	(355)
Adjustment primarily involving Accumulated Absences Account												
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1)	0	0	(1)	0	0	0	0	0	0	1	1
Total Adjustments	246	(1,122)	(546)	(1,422)	123	342	(615)	0	(355)	1,926	1	1,422

9) Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the general fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts transferred back from earmarked reserves to meet general fund expenditure in 2019/20.

During the year, after review, a reduction in the number of reserves was made to both simplify and give greater clarity to Council on its overall position. The balances in removed reserves have been transferred into the general fund balance.

Reserve	Balance 1 April 2018	Transfers Out	Transfers In	Balance 31 March 2019	Transfers Out	Transfers In	Transfers to General Fund Balance	Transfers to Grants Reserve	Balance 31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund Reserve	(941)	150	(144)	(935)	150	(268)	1,053	0	0
Developer Commuted Contributions	(192)	42	0	(150)	38	0	1	0	(111)
Elections	(65)	0	(40)	(105)	105	(40)	0	0	(40)
Local Development Framework	(255)	209	(85)	(131)	22	0	0	0	(109)
Training & Development	(46)	0	0	(46)	0	0	46	0	0
Waste Performance	0	0	(19)	(19)	0	0	19	0	0
VAT Shelter	(722)	61	(10)	(671)	89	0	582	0	0
Organisational Capacity	(170)	55	0	(115)	55	0	60	0	0
New Homes Bonus	(1,147)	400	0	(747)	400	0	0	0	(347)
Asset Management	(160)	56	0	(104)	0	0	104	0	0
Revenues & Benefits	(161)	0	(50)	(211)	0	(31)	170	72	0
Business rates growth	(1,637)	1,364	(2,436)	(2,709)	1,364	(1,396)	1	0	(2,740)
Individual Electoral Registration	(58)	0	0	(58)	0	0	38	20	0
Health & Wellbeing Forum	(22)	0	0	(22)	0	0	22	0	0
Physical Activity	(24)	24	0	0	0	0	0	0	0
Recreation Development	(2)	0	0	(2)	0	0	2	0	0
Community Safety Partnership	(24)	(2)	(6)	(32)	3	0	0	0	(29)
Sure Start	(1)	0	0	(1)	0	0	0	1	0
OPCC	(2)	2	0	0	0	0	0	0	0
Energy Promotion	(5)	0	0	(5)	0	0	0	5	0
VAT Claim Reserve	(35)	0	0	(35)	0	0	35	0	0
New Homes Bonus - Locality Fund	(26)	16	(6)	(16)	14	0	0	2	0
Planning	(283)	155	(265)	(393)	189	0	0	0	(204)
Neighbourhood planning	0	54	(116)	(62)	0	(32)	0	0	(94)
Repairs Reserve	(20)	0	0	(20)	0	0	20	0	0
Air Quality Mangement	(86)	75	(10)	(21)	6	(10)	0	0	(25)
Homelessness	(32)	0	(29)	(61)	22	0	39	0	0
Harborough Grow on Centre	0	0	0	0	295	0	(295)	0	0
Special Expenses	0	0	(53)	(53)	32	(35)	0	0	(56)
Environmental Improvements	0	0	(28)	(28)	0	0	0	28	0
Whittle Plane Sponsorship	0	0	(15)	(15)	0	0	0	0	(15)
EU Exit	0	0	(17)	(17)	0	(35)	0	52	0
Land Charges	0	0	(13)	(13)	0	(10)	0	23	0
Local Lottery	0	0	(7)	(7)	0	(9)	0	0	(16)
Grants Carried Forward	0	0	0	0	0	(25)	0	(203)	(228)
	(6,116)	2,661	(3,349)	(6,804)	2,784	(1,891)	1,897	0	(4,014)

10) Expenditure and Income analysed by Nature

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

2018/19 £'000		2019/20 £'000
	Expenditure/Income	
	Expenditure	
10,167	Employee benefits expenses	11,250
26,417	Other services expenses	26,664
1,740	Depreciation, amortisation, impairment	5,500
75	Interest payments	75
1,614	Precepts and levies	1,744
(941)	Gain on the disposal of assets	(410)
39,072	Total expenditure	44,823
	Income	
(6,915)	Fees, charges and other service income	(6,726)
(242)	Interest and investment income	(392)
(7,488)	Income from council tax	(7,757)
(25,567)	Government grants and contributions	(26,293)
(40,212)	Total income	(41,168)
(1,140)	(Surplus) or Deficit on the Provision of Services	3,655

11) Expenditure and Funding Note

2019/20

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustment for Capital Purposes (Note a) £'000	Net change for the Pensions Adjustments (Note b) £'000	Other Differences (Note c) £'000	Total Adjustments £'000
Communities	17	52	0	69
Corporate	85	362	5	452
Finance	5,092	35	2	5,129
Regulatory	258	289	4	551
Strategy	0	55	1	56
Wellbeing	(300)	71	1	(228)
Net Cost of Services	5,152	864	13	6,029
Other Operating Expenditure	(875)	0	0	(875)
Financing and Investment Income and Expenditure	0	865	49	914
Taxation and Non-specific Grant Income	(3,147)	0	459	(2,688)
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	1,130	1,729	521	3,380

2018/19 (Reanalysed)

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustment for Capital Purposes (Note a) £'000	Net change for the Pensions Adjustments (Note b) £'000	Other Differences (Note c) £'000	Total Adjustments £'000
Communities	19	37	(1)	55
Corporate	89	856	1	946
Finance	1,012	3	0	1,015
Regulatory	347	172	0	519
Strategy	0	39	0	39
Wellbeing	177	36	0	213
Net Cost of Services	1,644	1,143	0	2,787
Other Operating Expenditure	(1,266)	0	0	(1,266)
Financing and Investment Income and Expenditure	0	783	123	906
Taxation and Non-specific Grant Income	(2,318)	0	(355)	(2,673)
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(1,940)	1,926	(232)	(246)

Note a) Adjustments for Capital Purposes

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

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for these assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing ie 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 without conditions or for which conditions are satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Note b) Net change for the Pensions Adjustments

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

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

Note c) Other Differences

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

- **For financing and investment income and expenditure** – the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that is 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.

12) Other Operating Expenditure

Reanalysed						
Exp £'000	Income £'000	2018/19 £'000		Exp £'000	Income £'000	2019/20 £'000
1,614	0	1,614	Precepts paid to Parish Councils	1,744	0	1,744
573	(1,514)	(941)	Disposal of Capital Interests	154	(564)	(410)
0	(10)	(10)	Income from VAT Shelter	0	0	0
2,187	(1,524)	663	Other Operating Expenditure	1,898	(564)	1,334

13) Financing & Investment Income & Expenditure

Reanalysed						
Exp £'000	Income £'000	2018/19 £'000		Exp £'000	Income £'000	2019/20 £'000
75	0	75	Interest Payable and Similar Charges	75	0	75
0	(232)	(232)	Interest receivable and Similar Income	0	(333)	(333)
			Income and Expenditure in relation to Investment Properties and changes in their Fair Value	4	(18)	(14)
3	(20)	(17)	Loss on Financial Assets at Fair Value through Profit and Loss	49	0	49
123	0	123	Impairment Allowance	167	0	167
130	0	130	Pensions Interest Costs and Expected Return on Assets	865	0	865
790	0	790	Other Investment Income	0	(59)	(59)
0	(10)	(10)	Total net deficit from Market Hall Trading Operation	330	(327)	3
404	(333)	71				
1,525	(595)	930	Financing & Investment Income & Expenditure	1,490	(737)	753

14) Taxation & Non-specific Grant Income

Exp £'000	Income £'000	2018/19 £'000		Exp £'000	Income £'000	2019/20 £'000
0	(2,613)	(2,613)	Non-ringfenced Government Grants	0	(2,481)	(2,481)
0	(2,318)	(2,318)	Capital Grant & Contributions	0	(3,131)	(3,131)
2,436	(6,770)	(4,334)	Non Domestic Rates	1,889	(6,112)	(4,223)
0	(7,488)	(7,488)	Council Tax Income	0	(7,757)	(7,757)
2,436	(19,189)	(16,753)	Taxation & Non-specific Grant Income	1,889	(19,481)	(17,592)

15)Property, Plant and Equipment

	Other Land and Buildings £'000	Vehicles, Plant&Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets under construction £'000	Total Property, Plant & Equipment £'000
Cost or Valuation							
At 31st March 2019	44,117	2,868	430	1,716	0	5,218	54,349
Additions	3,909	602	0	39	0	1,547	6,097
Revaluation Increases/ (Decreases) recognised in Revaluation reserve	285	0	0	0	0	0	285
Revaluation Increases/ (Decreases) recognised in Surplus/Deficit on provision of services	(4,410)	0	0	0	0	0	(4,410)
Derecognition - Other	0	0	0	0	0	0	0
Reclassifications:							
- to Held for Sale	0	0	0	0	0	0	0
- Other Assets	4,627	1				(4,628)	0
Other movements in Cost or Valuation	0	0	0	0	0	0	0
At 31st March 2020	48,528	3,471	430	1,755	0	2,137	56,321
Accumulated Depreciation and Impairment							
At 31st March 2019	(194)	(1,898)	(77)	(230)	0	0	(2,399)
Depreciation	(763)	(222)	(9)	(18)	0	0	(1,012)
Depreciation written out to Revaluation reserve	0	0	0	0	0	0	0
Impairment Losses / (Reversals) recognised in the Surplus / Deficit on Provision of Services	0	0	0	0	0	0	0
Impairment losses / (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Derecognition - Other	0	0	0	0	0	0	0
Other Movements in Depreciation and Impairment	0	0	0	0	0	0	0
At 31st March 2020	(957)	(2,120)	(86)	(248)	0	0	(3,411)
Net Book Value							
At 31st March 2020	47,571	1,351	344	1,507	0	2,137	52,910
At 31st March 2019	43,923	970	353	1,486	0	5,218	51,950

Comparative movements in 2018/19 (restated)

	Other Land and Buildings £'000	Vehicles, Plant&Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets under construction £'000	Total Property, Plant & Equipment £'000
Cost or Valuation							
At 31st March 2018	31,138	2,768	430	1,956	0	1,126	37,418
Additions	3	379	0	0	0	4,700	5,082
Revaluation Increases/ (Decreases) recognised in Revaluation reserve	13,194	0	0	0	0	89	13,283
Revaluation Increases/ (Decreases) recognised in Surplus/Deficit on provision of services	0	0	0	0	0	0	0
Derecognition - Other	0	(279)	0	(230)	0	0	(509)
Reclassifications:							
- to Held for Sale	(702)	0	0	0	(20)	0	(722)
- Other Assets	687	0	0	(10)	20	(697)	0
Other movements in Cost or Valuation	(203)	0	0	0	0	0	(203)
At 31st March 2019	44,117	2,868	430	1,716	0	5,218	54,349
Accumulated Depreciation and Impairment							
At 31st March 2018	(413)	(1,872)	(63)	(297)	0	0	(2,645)
Depreciation	(1,097)	(282)	(9)	(29)	0	0	(1,417)
Depreciation written out to Revaluation reserve	1,270	0	0	0	0	0	1,270
Impairment Losses / (Reversals) recognised in the Surplus / Deficit on Provision of Services	(19)	(23)	(5)	(134)	0	0	(181)
Impairment losses / (reversals) recognised in the Revaluation Reserve	(138)	0	0	0	0	0	(138)
Derecognition - Other	0	279	0	230	0	0	509
Other Movements in Depreciation and Impairment	203	0	0	0	0	0	203
At 31st March 2019	(194)	(1,898)	(77)	(230)	0	0	(2,399)
Net Book Value							
At 31st March 2019	43,923	970	353	1,486	0	5,218	51,950
At 31st March 2018	30,725	896	367	1,659	0	1,126	34,773

a) Depreciation

All assets which attract a charge for depreciation are depreciated using the straight line method, assuming no residual value. The valuers have assessed the remaining useful life of each asset as part of the valuation exercise. The Council has taken these estimated useful lives into account when calculating depreciation. For each category of asset, the useful lives used are as follows:

- Land and buildings – Buildings: minimum 10 years, maximum 50 years; Land is not depreciated (in line with the Code and standard practice);
- Vehicles plant and equipment – minimum 5 years, maximum 10 years;
- Infrastructure assets – Buildings 25 years.

Certain assets have not been depreciated for the following reasons:

- Community assets – mainly freehold land which is not depreciable.

b) Capital Commitments

At 31 March 2020, the Council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2020/21 and future years budgeted to cost £1.010m. Similar commitments at 31 March 2019 were £3.205m. The major commitments are:

Scheme	Contracted Work	£'000
Lifeline	Digitisation of system	42
	Various minor schemes	19
S106 Grant Panel Award	Refurbishment of 4 netball/tennis Courts at Robert Smyth Academy	50
S106 Grant Panel Award	Two outdoor padel tennis courts at Market Harborough Squash Club	50
S106 Grant Panel Award	Lutterworth Town Estates: Funding for new Museum building	150
S106 Grant Panel Award	Indoor archery range for Bowman of Great Glen	65
S106 Grant Panel Award	Floodlit artificial hockey pitch at Robert Smyth Academy	370
S106 Grant Panel Award	Kibworth CC: Development of pavilion	60
S106 Grant Panel Award	Lutterworth Tennis Club: Dome to cover 2 courts to allow year round play	120
S106 Grant Panel Award	Other schemes	84
		1,010

c) Valuation of Plant, Property and Equipment

The Council's policy with regard to the valuation of tangible fixed assets is that assets held in the balance sheet at fair value are formally revalued to a five year rolling programme, although any material changes to valuations are adjusted in the interim period. During 2018/19 all fixed assets were revalued to provide a baseline for the continuation of the rolling programme from 2019/20 onwards. Assets were revalued at 31 January 2020 with a valuation date of 31 March 2020.

Where not explicitly stated otherwise, revaluations have been completed by Mr G Harbord MA MRICS IRRV (Hons) a qualified valuer and a partner of Wilks Head & Eve LLP.

The significant assumptions applied in estimating fair values are:

- that good title can be shown and all valid planning permissions and statutory approvals are in place
- that the property is connected and has a right to use mains services and that sewers, main services and roads giving access to it have been adopted
- that an inspection of those parts not inspected would not reveal defects that would affect valuation
- that the testing of electrical or other services would not reveal defects that would cause the valuation to alter
- that there are no deleterious or hazardous materials or existing or potential environmental factors that would affect the valuation

Land and Buildings / Asset Held for Sale – valued in accordance with International Financial Reporting Standards as applied to the United Kingdom public sector interpreted by the current CIPFA Code of Practice for Local Authority Accounting.

The valuations are made in accordance with the Red Book Valuation, in so far as they are consistent with the IFRS standards and CIPFA interpretation, (RICS UKVS 1.12).

Any departure from these standards are listed below:

- the instant building approach has been adopted. For assets valued at depreciated replacement cost no building periods, nor consequential finance costs have been reflected in their valuations, this has been valued in accordance with UKVS 1.15 in addition to UKGN2 of the red book.

Vehicles, Plant, etc. Infrastructure, Community & AUC Assets – based on Historic Cost.

	Other Land and Buildings	VPE, Infrastructure, Community, Surplus & AUC	Assets Held For Sale	Total
	£'000	£'000	£'000	£'000
Valued at Historic Cost:				
31 March 2019		8,027		8,027
31 March 2020		5,339		5,339
Valued at Fair Value:				
31 March 2019	43,923		152	44,075
31 March 2020	45,751		0	45,751

The decrease of £4,410k included in the 'Revaluation Increases/(Decreases) recognised in Surplus/Deficit on provision of services' line relates to the revaluation of the newly built Harborough Grow on Centre. The Centre has been valued in accordance with our policy at fair value which is based on existing use value (EUV) and currently the centre has no tenants and has been valued accordingly. This has been charged against the Finance segment in the Cost of Services in the Comprehensive Income and Expenditure Statement.

16) Heritage Assets

A heritage asset is defined by the code as an asset with “historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture”.

The Council has two heritage assets;

In 2014/15 it commissioned a sculpture to commemorate the refurbishment of The Symington Building. The resulting wall art of stylised bodices “The Swedish Maidens” represents the buildings historical use as a corset factory.

In 2018/19 the Council commissioned a piece of glass artwork to commemorate 100 years of women’s rights to vote.

It is considered that this art has measurable value and is therefore recorded on the balance sheet at “build cost”.

	2019/20 £000's	2019/20 £000's
Balance at 1 April	15	24
Additions	9	0
Balance at 31 March	24	24

The Council has reviewed all remaining heritage assets and these are considered to be immaterial and are therefore not shown separately in the balance sheet. The cost of valuing these assets outweighs the benefit to the user of these financial statements.

17) Investment Properties

Land at the former Cattle Market site

The Council, as lessor, maintains an operating lease with Sainsbury’s Supermarkets Ltd for land at the former cattle market site, now used as a retail park, with integrated car parking. The freehold remains an asset of the Authority.

The lease of the land is for a period of 80 years expiring on 22 December 2071. Annual rental is the sum of one peppercorn (if demanded).

Initial cost of the asset predates 1992. Fair value, should the Council determine to sell the asset to the lessee, is £1.00, according to the terms of the lease.

The lease has been determined as an operating lease with reference to IAS17 – Classification of leases and IAS40 – Recognition.

Welland Park Cafe

The Council, as lessor, maintains an operating lease for the café premises at Welland Park. The freehold remains an asset of the authority.

The lease of the premise is for a period of 5 years expiring on 31 July 2020. Annual rental has been set at a level consistent with current market rates, with a rent review on 13 August 2018.

At the end of the lease period, vacant possession of the premises is given back to the Council.

The lease has been determined as an operating lease with reference to IAS17 – Classification of leases and IAS40 – Recognition.

Doddridge Road Office (Jubilee Memorial Hall)

The Council, as lessor, maintains an operating lease for the office premises at Doddridge Road to HF Trust Ltd. The freehold remains an asset of the authority.

The lease of the premises is for a period of 5 years expiring on 12 July 2020. Annual rental has been set at a level consistent with current market rates.

At the end of the lease period, vacant possession of the premises is given back to the Council.

The lease has been determined as an operating lease with reference to IAS17 – Classification of leases and IAS40 – Recognition.

Land at Symingtons Recreation Ground

The Council, as lessor, maintains an operating lease for a parcel of land (the former Symington Recreation Bowling Club) at the Symington Recreation Ground to Harborough Youth And Community Trust, including a building constructed under a licence to alter, which will revert back to the Council on expiry of the lease. The freehold remains an asset of the authority.

The lease of the land is for a period of 28 years expiring on 8 August 2040. Annual rental is the sum of one peppercorn (if demanded).

At the end of the lease period, vacant possession of the land (and premises) is given back to the Council.

The lease has been determined as an operating lease with reference to IAS17 – Classification of leases and IAS40 – Recognition.

	2018/19 £'000	2019/20 £'000
Balance at 1 April	156	208
Additions	0	0
Transfers from Other Land & Buildings	0	0
Disposals	0	0
Net Gain / Losses from Fair Value Adjustments	52	32
Balance at 31 March	208	240

18) Intangible Assets

	2018/19 Purchased Software Licences	2019/20 Purchased Software Licences
	£'000	£'000
Original Cost	1,183	1,213
Amortisation to 1 April	(1,142)	(1,140)
Carrying Value at 1 April	41	73
Expenditure in Year	54	38
Disposals		
- obsolete software	(22)	0
Revaluations in Year	0	0
Impairment in Year	(2)	0
Write out amortisation upon disposal	22	0
Amortisation to Revenue for year	(20)	(29)
Balance at 31 March	73	82

During the financial year the Council purchased software licences as part of the ongoing ICT Refresh programme. This included core security software.

The cost of these licences is amortised to revenue over three to five years in line with the estimated useful life of the software.

There were no internally generated intangible assets in 2018/19 or 2019/20.

19) Assets held for Sale

	Non-current	
	2018/19 £'000	2019/20 £'000
Balance at 1 April	0	152
Assets newly classified as held for sale:		
- Property, Plant & Equipment	722	0
Impairment Losses	0	0
Assets Sold	(570)	(152)
Other Movements:		
- Disposal Costs	0	0
Balance at 31 March	152	0

Asset sales in 2019/20 comprised of a newly constructed housing property at Paget Road, Lubenham developed on a former garage site.

20) Financial Instruments Balances

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability (or equity instrument) of another entity.

- Financial Assets and Liabilities**

The following categories of financial instrument are carried in the balance sheet:

Financial Assets

	Non-Current				Current				
	Investments		Debtors		Investments		Debtors		Total
	31/3/19	31/3/20	31/3/19	31/3/20	31/3/19	31/3/20	31/3/19	31/3/20	31/3/20
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value through Profit and Loss	1,377	1,328	0	0	0	0	949	122	1,450
Amortised Cost	2,150	2,150	1,832	1,832	20,873	20,349	0	0	24,331
Total Financial Assets	3,527	3,478	1,832	1,832	20,873	20,349	949	122	25,781
Non-Financial Assets	0	0	0	0	0	0	3,755	3,124	3,124
Total	3,527	3,478	1,832	1,832	20,873	20,349	4,704	3,246	28,905

The comparatives for Debtors and Creditors have been reanalysed.

Financial Liabilities

	Non-Current				Current				
	Borrowings		Creditors		Borrowings		Creditors		Total
	31/3/19 £'000	31/3/20 £'000	31/3/19 £'000	31/3/20 £'000	31/3/19 £'000	31/3/20 £'000	31/3/19 £'000	31/3/20 £'000	31/3/20 £'000
Fair Value through Profit and Loss	0	0	0	0	0	0	(34)	(41)	(41)
Amortised Cost	(1,490)	(1,490)	0	0	(26)	(15)	0	0	(1,505)
Total Financial Liabilities	(1,490)	(1,490)	0	0	(26)	(15)	(34)	(41)	(1,546)
Non-Financial Liabilities	0	0	0	0	0	0	(12,807)	(14,270)	(14,270)
Total	(1,490)	(1,490)	0	0	(26)	(15)	(12,841)	(14,311)	(15,816)

The comparatives for Debtors and Creditors have been reanalysed.

- Income, Expense, Gains and Losses**

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

	2018/19	2019/20
	Surplus or Deficit on the Provision of Services £'000	Surplus or Deficit on the Provision of Services £'000
Net gains/losses on:		
Financial assets measured at fair value through profit or loss	123	49
Financial assets measured at amortised cost	0	0
Financial liabilities measured at fair value through profit or loss	0	0
Financial liabilities measured at amortised cost	0	0
Total net gains/losses	123	49
Interest revenue:		
Financial assets measured at amortised cost	(232)	(333)
Other financial assets measured at fair value through profit or loss	0	(59)
Total interest revenue	(232)	(392)
Interest expense	75	75

- **Fair Value of Financial Assets**

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

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	31 March 2019 Fair Value	31 March 2020 Fair Value
			£'000	£'000
Fair Value through Profit and Loss				
CCLA Property Fund	Level 1	Unadjusted quoted price in active markets for identical shares	1,377	1,328

The Council holds 456,149 units in the CCLA Property Fund, the fair value has been calculated using the bid price which has been supplied by the fund manager. The other long term investment is shares in the Council's wholly owned subsidiary Harborough District Commercial Services Ltd which are carried at historic cost as group accounts are prepared.

Except for the financial assets 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 (Level 2), using the following assumptions:

- For loans from the Public Works Loan Board (PWLB) payable, new loan rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. An additional note to the tables sets out the alternative fair value measurement applying the premature repayment, highlighting the impact of the alternative valuation;
- No early repayment of 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.

	31-Mar-19		31-Mar-20	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
PWLB debt	(1,490)	(2,532)	(1,490)	(2,401)
Short term borrowing	(10)	(10)	0	0
Short term creditors	(34)	(34)	(41)	(41)
Total Liabilities	(1,534)	(2,576)	(1,531)	(2,442)

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 March 2020) arising from a commitment to pay interest to lenders above current market rates.

The council has used the new loan rate to calculate the fair value of the PWLB debt above. The fair value based on the premature repayment rate is £3,694k. These measure 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.

	31-Mar-19		31-Mar-20	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Short term investments	18,023	18,023	17,014	17,014
Long term investments	3,527	3,527	3,478	3,478
Short term debtors	949	949	122	122
Long term debtors	1,832	1,832	1,832	1,832
Total Assets	24,331	24,331	22,446	22,446

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

21) Leases

a) The Council as Lessee

- **Finance Leases**

The Council as Lessee did not hold any finance leases in 2019/20.

- **Operating Leases**

The Council held the following operating leases in 2019/20:

Control Centre Operation

The Council has a lease agreement for floor space at the Market Harborough Police Station for the Control Centre operation. A lease was signed on 8 September 2018, expiring on 7 September 2021. This is an extension of the original contract which ran from 8 September 2015 to 7 September 2018. We have given notice that we will exit this property from 8 September 2020.

Waste Contract

The Council has a 7 year contract with FCC Environment (UK) Ltd for waste collection, recycling, street cleaning and grounds maintenance, commencing on 1 April 2016 and expiring on 31 March 2023. This is an extension of the original contract which ran from April 2009 to March 2016. This has now been extended for an additional two years and will now expire 31 March 2025.

During 2016/17 the fleet of recycling vehicles exceeded 7 years of age and at this point the criteria to carry the assets as operating leases under IRRIC 4 was no longer met.

Temporary Accommodation

The Council has a 10 year lease with Platform Housing Association for a property at Denbigh Place, Lutterworth for use as temporary accommodation. This commenced 5 April 2019 and expires 5 April 2029.

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

	31 March 2019 £'000	31 March 2020 £'000
Minimum Lease Payments Due in future years are:		
Not later than one year	8	13
Later than one year and not later than five years	26	24
Later than five years	0	16
	34	53

The expenditure charged to the net cost of services line in the Comprehensive Income and Expenditure Statement during the year in relation to operating leases was:

	2018/19 £'000	2019/20 £'000
Minimum lease payments	8	18
Contingent rents	0	0
Sublease payments receivable	0	0
	8	18

b) The Council as Lessor

- **Finance Leases**

The Council as lessor did not hold any finance leases in 2019/20.

- **Operating Leases**

The Council has leased out properties under operating leases for the following purpose:

- for the provision of community services, such as the library and sports facilities.
- for economic development purposes to provide suitable affordable accommodation for local businesses.
- to earn commercial rentals

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

	31 March 2019 £'000	31 March 2020 £'000
Minimum Lease Payments Due in future years are:		
Not later than one year	95	84
Later than one year and not later than five years	86	290
Later than five years	52	325
	233	699

22)Inventories

Consumable Stores	2018/19 £'000	2019/20 £'000
Balance at 1 April	89	97
Purchases	33	28
Recognised as an expense in the year Written Off	(25)	(24)
Balance at 31 March	97	101

23)Debtors

Short Term

	Reanalysed 2018/19 £'000	2019/20 £'000
Trade Receivables	1,424	373
Accrued Income	505	1,051
Collection Fund Debtors	480	386
Other Receivable Amounts	2,295	1,436
Total	4,704	3,246

Long Term

	2018/19 £'000	2019/20 £'000
Loan to Subsidiary Company	1,832	1,832
Total	1,832	1,832

24)Cash and Cash Equivalents

	2018/19 £'000	2019/20 £'000
Cash held by the Authority	1	1
Bank Current Accounts	2,849	3,334
Total	2,850	3,335

25)Creditors

	Reanalysed 2018/19 £'000	2019/20 £'000
Trade Payables	(139)	(41)
Accrued Expenditure	(2,315)	(2,686)
Collection Fund Creditors	(8,380)	(7,507)
Other Payables	(2,007)	(4,077)
Total	(12,841)	(14,311)

26)Provisions

Due to the localisation of Business Rates, which became effective from 1 April 2013, the Council has set aside a provision for any potential liabilities as a result of Business Rate payers' appeals against rateable valuations. The Council is responsible for a 37.5% (40% 2018/19) share of this liability.

During 2019/20 a thorough review of the provision was undertaken reflecting settlement of a number of appeals by the Valuation Office and an assessment of potential liabilities in the future.

Business Rates Appeals Provisions	2018/19 £'000	2019/20 £'000
Balance at 1 April	(3,750)	(2,899)
Reduced Provision	851	295
Balance at 31 March	(2,899)	(2,604)

27) Unusable reserves

Restated	Note	31 March 2019 £'000	31 March 2020 £'000
Financial Instruments Adjustment Account	28	124	173
Revaluation Reserve	29	(23,551)	(23,541)
Capital Adjustment Account	30	(18,685)	(17,500)
Collection Fund Adjustment Account	31	(423)	36
Pensions Reserve	32	35,512	27,608
Accumulated Absences Account	33	64	77
Total Unusable Reserves		(6,959)	(13,147)

28) Financial Instruments Adjustment Account

	2018/19 £'000	2019/20 £'000
Balance at 1 April	1	124
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		
- Statutory override on Long Term Investment	123	49
Balance at 31 March	124	173

29) Revaluation reserve

Restated	2018/19 £'000	2019/20 £'000
Balance at 1st April	(9,430)	(23,551)
Upward revaluation of assets	(15,326)	(317)
Downward revaluation of assets	725	0
	(14,601)	(317)
Impairment losses not charged to the surplus / deficit on the provision of services	138	0
Accumulated Gains on Assets sold or scrapped	(13)	0
Difference between fair value depreciation & historical cost depreciation	355	327
Balance at 31st March	(23,551)	(23,541)

30) Capital Adjustment Account

	2018/19 £'000	2019/20 £'000
Balance as 1st April	(18,070)	(18,685)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
Charges for depreciation & impairment of non current assets	1,596	5,421
Amortisation of Intangible assets	20	29
Revenue Expenditure funded from Capital under Statute	2,007	2,470
	3,623	7,920
Adjusting amounts written out of the Revaluation Reserve	(343)	(327)
Disposal of assets Gains / (Losses)	941	410
Revaluation Losses on property, plant and equipment	(3)	0
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(389)	(394)
Capital expenditure charged against the General Fund balances	(89)	0
Capital grants & contributions credited to the Comprehensive Income & Expenditure statement that have been applied to capital financing	(3,700)	(5,605)
Application of grants to capital financing from the Capital Grants Unapplied Account	(48)	(95)
Statutory provision for the financing of capital investment charged against the General Fund balances	(607)	(724)
	(4,833)	(6,818)
Balance as 31st March	(18,685)	(17,500)

31) Collection Fund Adjustment Account

	2018/19 £'000	2019/20 £'000
Balance at 1 April	(68)	(423)
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(355)	459
Balance at 31 March	(423)	36

32) Pension Reserve

	2018/19 £'000	2019/20 £'000
Balance as 1 April	28,734	35,512
Actuarial (gains) or losses on pensions assets and liabilities	4,852	(9,633)
Reversal of items relating to retirement benefits credited to the Surplus of Provision of Services in the Comprehensive Income and Expenditure Statement	3,501	3,630
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,575)	(1,901)
Balance as 31 March	35,512	27,608

33) Accumulated Absence Account

	2018/19 £'000	2019/20 £'000
Balance at 1 April	63	64
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		
- Change in Absence Liability	1	13
Balance at 31 March	64	77

34) Cash Flow Statement – Operating Activities

	2018/19 £'000	2019/20 £'000
Interest received	232	333
Interest paid	(75)	(75)
Dividends received	0	59
	157	317

35) Cash Flow Statement – Investing Activities

	2018/19 £'000	2019/20 £'000
Purchase of property, plant and equipment, investment property and intangible assets	(5,145)	(6,135)
Purchase of short-term and long-term investments	(3,982)	0
Other payments for investing activities	0	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,122	168
Proceeds from short-term and long-term investments	3,475	1,009
Other receipts from investing activities	0	0
Net cash flows from investing activities	(4,530)	(4,958)

36) Cash Flow Statement – Financing Activities

	Reanalysed 2018/19 £'000	2019/20 £'000
Cash receipts of short and long-term borrowing	0	0
Other receipts from financing activities	0	1,856
Repayments of short and long-term borrowing	(10)	(10)
Other payments for financing activities	(922)	0
Net cash flows from financing activities	(932)	1,846

37) Cash Flow Statement – Reconciliation of Liabilities arising from Financing Activities

	01 April 2019 £'000	Financing Cashflows £'000	Acquisition £'000	Non-Cash Changes £'000	31 March 2020 £'000
Long Term Borrowing	(1,490)	0	0	0	(1,490)
Short Term Borrowing	(26)	10	0	1	(15)
Total Liabilities from Financing Activities	(1,516)	10	0	1	(1,505)

	01 April 2018 £'000	Financing Cashflows £'000	Acquisition £'000	Non-Cash Changes £'000	31 March 2019 £'000
Long Term Borrowing	(1,511)	10	0	11	(1,490)
Short Term Borrowing	(15)	0	0	(11)	(26)
Total Liabilities from Financing Activities	(1,526)	10	0	0	(1,516)

38) Discontinued Operations

There were no operations discontinued during the current or previous year.

39) Members Allowances

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

	2018/19 £'000	2019/20 £'000
Allowances	288	273
Expenses	34	39
Total	322	312

40) Remuneration of Senior Officers

The Council is required to disclose the number of officers whose remuneration in the year amounted to £50,000 or more, starting at that level and rising in bands of £5,000. For this purpose, remuneration is deemed to be the total of all sums paid to or receivable by an officer, sums due by way of expense allowances, and the monetary value of benefits received other than in cash. Pension contributions payable by either the employee or the Council are excluded. The following tables both include senior officers of the Council.

Remuneration Band	2018/19 No.	2019/20 No.
£50,000 to £54,999	8	8
£55,000 to £59,999	3	3
£60,000 to £64,999	1	0
£65,000 to £69,999	0	2
£70,000 to £74,999	0	0
£75,000 to £79,999	0	0
£80,000 to £85,999	0	0
£85,000 to £89,999	0	0
£90,000 to £94,999	0	0
£95,000 to £99,999	2	2
£100,000 to £104,999	0	0

The remuneration of Senior Officers whose salary was more than £50,000 in 2019/20 is as follows:

Post Holder		Salary, Fees and Allowances £	Expense Allowances £	Pension Contributions £	Total £	Note £
Joint Chief Executive	2019/20	95,848	1,805	29,703	127,356	
	2018/19	93,969	1,380	27,241	122,590	
Joint Chief Executive	2019/20	95,848	1,733	29,703	127,284	
	2018/19	93,969	1,460	27,241	122,670	
Chief Officer Governance (previously Head of Legal & Democratic Services)	2019/20	66,785	1,413	20,697	88,895	
	2018/19	58,976	2,100	17,097	78,173	
Chief Officer Planning & Regeneration (previously Head of Planning & Regeneration)	2019/20	66,785	777	20,697	88,259	
	2018/19	58,976	516	17,097	76,589	
Chief Officer Communities & Wellbeing	2019/20	17,312	276	5,365	22,953	A
Chief Officer Communities & Wellbeing (Interim) (previously Head of Communities)	2019/20	55,471	1,065	17,191	73,727	A
Head of Communities (pro-rata)	2019/20	54,354	249	7,061	61,664	A
	2018/19	47,180	597	13,677	61,454	
Head of Finance & Corporate Services and Section 151 Officer (now Chief Officer Finance & Assets and Section 151 Officer)	2019/20	24,257	144	7,125	31,526	B
	2018/19	58,976	774	17,097	76,847	
Head of Environmental Services, Economic Development & Major Projects	2019/20	33,460	152	5,684	39,296	C
	2018/19	56,611	1,367	16,412	74,390	
Total	2019/20	510,120	7,614	143,226	660,960	
Total	2018/19	468,657	8,194	135,862	612,713	

No amounts included in the above table are outside the Council's policies in respect of Salary, Benefits, Expenses, Redundancy or Pensions.

Notes

There was a change in Senior Officer titles to Chief Officer (4 posts) and areas of responsibility in 2019/20, and a further change of title to Director in 2020/21.

A The original post holder left on 12 September 2019. In the table above Salary, fees and allowances includes £30,721 compensation for loss of office.

This post was covered on an interim basis by the Community Partnerships Service Manager, for whom the table above shows a full years remuneration.

The new post holder started on 02 January 2020.

B The post holder left on 11 August 2019 and the new permanent post holder started during April 2020. There were 2 interim post holders who were paid through agencies.

C The post holder left on 25 July 2019 and the responsibilities of this post have since been split over the other Chief Officer posts.

41) External Audit Cost

Harborough District Council incurred the following costs in relation to the audit of the statement of accounts:

	2018/19 £'000	2019/20 £'000
Fees payable with regard to external audit services carried out by the appointed auditor	33	33
	33	33

42) Grant Income and Other Contributions

- a) In 2019/20, Harborough District Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement.

	2018/19 £'000	2019/20 £'000
Credited to Taxation and Non-Specific Grant Income		
NNDR Baseline	(1,703)	(1,879)
NNDR Income	(3,904)	(2,874)
Small Business Rate Relief Section 31 Grant	(1,163)	(1,359)
Revenue Support Grant	(8)	0
New Homes Bonus	(2,460)	(2,472)
Other MHCLG	(145)	(9)
Other Capital Grant and contributions	(2,318)	(3,131)
	(11,701)	(11,724)
Credited to Services		
Rent Allowance Subsidy	(9,113)	(8,149)
Housing Benefit Admin Grant	(169)	(158)
NNDR Cost of Collection	(127)	(127)
Other MHCLG	(372)	(183)
DWP	(155)	(113)
Leicestershire County Council	(81)	(103)
Other Specific grants	(117)	(167)
Disabled Facilities / Lightbulb Project	(467)	(403)
Other REFCUS	(1,509)	(2,365)
	(12,110)	(11,768)

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

Capital Grants Receipts in Advance	31/03/2019 £'000	31/03/2020 £'000
S.106 Developer Contributions	(5,138)	(4,484)
Other Capital Grant	(252)	(173)
Other Capital Contribution	(38)	(38)
	(5,428)	(4,695)

43) Related Party Transactions

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

- a) **Central Government** has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants, and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). See note 42 Grant Income for further information.

b) Other public bodies –

	Expense £'000	Income £'000	Balance Outstanding £'000
Blaby District Council	520	(51)	60
Charnwood Borough Council	482	(6)	(28)
Hinckley & Bosworth Borough Council	824	(659)	(88)
Leicestershire County Council Parking Enforcement	43	(297)	(92)
Leicestershire County Council Recycling	0	(269)	0
Leicestershire County Council Lift and Roof Contribution (The Symington Building)	0	0	(59)
Leicestershire County Council Service/Other	140	(21)	(440)
Leicestershire County Council Trade Waste	190	0	85
Total	2,199	(1,303)	(562)

Blaby District Council provides a building control service as part of a partnership comprising of five Councils.

Charnwood Borough Council provides contact centre services.
Hinckley & Bosworth Borough Council provide a Revenues and Benefits service as part of a partnership comprising of three Councils.

c) Members of the Council have direct control over the Council's financial and operating policies. All contracts were entered into in full compliance with the Council's Standing Orders. All transactions are recorded in the Register of Members' Interests which is open to public inspection. See note 39 for Member Allowance details. During 2019/20 there were no significant payments to or receipts from parties in which Members had an interest.

d) Officers of the Council reported no related party transactions apart from that noted in e) below.

e) Entities controlled by the Council

The Council controls Harborough District Commercial Services Ltd through its ownership of 100% of the shares of the company (2,150,000 ordinary shares of £1 each). 2018/19 was the first year of operation. The Council has provided a loan facility to the company of up to £2,522,500 and up to £100,000 solely for working capital purposes. On 15 March 2019 a long term (40 years) loan of £1,832,141 was made towards the acquisition of property. Interest is charged at 6%.

One of the Council's Joint Chief Executives, Norman Proudfoot, is the sole director of the company.

Harborough District Commercial Services Ltd has been consolidated into the Council's Group Accounts.

44) Capital Expenditure and Sources of Finance

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 Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred by the authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2018/19 £'000	2019/20 £'000
Opening Capital Financing Requirement	5,942	8,262
<u>Capital Expenditure:</u>		
Property, Plant and Equipment	5,082	6,097
Investment Properties	0	0
Intangible Assets	54	38
Heritage Assets	9	0
Revenue Expenditure Funded from Capital Under Statute	2,007	2,470
Harborough District Commercial Services	3,982	0
<u>Sources of Finance:</u>		
Capital Receipts	(388)	(394)
Government Grants & Other Contributions	(3,748)	(5,269)
Sums set aside from Revenue (including MRP)	(4,678)	(724)
Closing Capital Financing Requirement	8,262	10,480
Movement in Year	2,320	2,218
<u>Explanation of Movements in Year:</u>		
Increase in underlying need to borrow (supported by Government financial assistance)	0	0
Increase/(Decrease) in underlying need to borrow (unsupported by Government financial assistance)	2,320	2,218
Increase/(Decrease) in Capital Financing Requirement	2,320	2,218

45) Termination Benefits

Termination Benefits Band	2018/19 No.	2019/20 No.
£0 to £20,000	1	0
£20,000 to £40,000	1	2

In 2019/20 the Authority terminated two contracts with a total value of £52k (2018/19 2 contracts with a value of 42k).

46) Local Government Pension Scheme

a) Participation in the Pension Scheme

Harborough District Council offers retirement benefits to its staff as part of their terms and conditions of employment. Though these benefits are not payable until employees reach retirement, the Council is committed to making the payments which need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme administered by Leicestershire County Council. This is a defined benefit pension scheme, which means that the Council and employees pay contributions into a fund, calculated at a level estimated to balance the pension liabilities with investment assets. In addition the Council has made arrangements for the payment of added years to certain retired employees outside the provisions of the scheme, the estimated outstanding liability for which was £0.962m at 31 March 2020 (£1.099m at 31 March 2019).

b) Transactions Relating to Post-employment Benefits

The cost of retirement benefits is accounted for in the reported cost of services when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the general fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the general fund balance via the Movement in Reserves Statement during the year.

	Local Government Pension Scheme		Discretionary Benefits (Unfunded)	
	2018/19	2019/20	2018/19	2019/20
	£'000	£'000	£'000	£'000
<u>Service Cost</u>				
Current Service Cost	2,080	2,671		
Past Service Cost (including curtailments)	631	94	0	0
Total Service Cost	2,711	2,765	0	0
<u>Financing & Investment</u>				
Interest income on scheme assets	(1,273)	(1,197)		
Interest cost on defined benefit obligation	2,032	2,035	31	27
Total net interest	759	838	31	27
Total Post Employment Benefits charged to the surplus or deficit on the provision of services	3,470	3,603	31	27
<u>Remeasurements of the Net Defined Liability comprising:</u>				
Return on plan assets excluding amounts included in net interest	1,357	(5,517)		
Actuarial losses arising from changes in demographic assumptions	0	2,623		
Actuarial losses arising from changes in financial assumptions	(6,229)	7,762		
Other	20	4,765		
Total remeasurements recognised in other comprehensive income	(4,852)	9,633	0	0
Total Post Employment benefits charged to the Comprehensive Income & Expenditure Statement.	(1,382)	13,236	31	27
<u>Movement in Reserves Statement:</u>				
Reversal of net charges made to the surplus on provision of services	(3,470)	(3,603)	(31)	(27)
Employers' contributions payable to the scheme	1,504	1,829		
Retirement benefits payable to pensioners			71	72

The cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure in the actuarial gains or losses on pensions assets and liabilities line was at 31 March 2020 a loss of £17.451m and at 31 March 2019 was a loss of £27.084m.

The Actuary has projected the total Pension Expense for the year to 31 March 2021 at £1.819m.

c) Pensions Assets and Liabilities recognised in the Balance Sheet

The updated underlying assets and liabilities for retirement benefits attributable to Harborough District Council at 31 March are set out in the table below.

	31 March 2019 £'000	31 March 2020 £'000
Fair value of employer assets	49,709	45,536
Present value of funded liabilities	(84,122)	(72,182)
Present value of unfunded liabilities	(1,099)	(962)
Net Pensions Liability	(35,512)	(27,608)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The net pension liability of £27.608m has a substantial impact on the net worth of the authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit will be made good by increased contributions to the scheme over the remaining working life of employees, in the light of the performance of the fund as assessed by the scheme actuary.

A reconciliation of present value of scheme liabilities is calculated as follows:

	Local Government Pension Scheme		Discretionary Benefits (Unfunded)	
	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000
Opening fair value of scheme liabilities at 1 April	74,845	84,122	1,142	1,099
Current Service Cost	2,080	2,671		
Interest Cost	2,032	2,035	31	27
Contributions by Members	348	372		
Remeasurement gain				
Actuarial losses arising from changes in demographic assumptions	0	(2,623)		
Actuarial losses arising from changes in financial assumptions	6,232	(7,670)	(3)	(92)
Other experience	(20)	(4,765)		
Losses / (Gains) on Curtailments	0	0		
Past Service Costs	631	94		
Estimated Unfunded benefits Paid			(71)	(72)
Benefits Paid	(2,026)	(2,054)		
Closing Balance at 31 March	84,122	72,182	1,099	962

The reconciliation of the movement in fair value of Scheme Assets is shown below.

	2018/19 £'000	2019/20 £'000
Opening fair value of scheme assets at 1 April	47,253	49,709
Interest income on plan assets	1,273	1,197
Contributions from employees into the scheme	348	372
Contributions by the Employer	1,504	1,829
Remeasurement gain:		
Return on assets excluding amounts included in net interest	1,357	(5,517)
Benefits Paid	(2,026)	(2,054)
Closing fair value of scheme assets at 31 March	49,709	45,536

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy.

Expected yields on fixed interest investments are based on gross redemption yields at the balance sheet date and returns on equities reflect long term real rates of return in the respective markets.

Pension Scheme assets are comprised of:

Asset category	Period ended 31 March 2019				Period ended 31 March 2020			
	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Percent age of Total Assets %	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Percent age of Total Assets %
Equity Securities:								
Consumer	127.1		127.1	0%	116.5		116.5	0%
Manufacturing	37.2		37.2	0%	34.1		34.1	0%
Energy & Utilities	104.5		104.5	0%	95.8		95.8	0%
Financial Institutions	157.7		157.7	0%	144.5		144.5	0%
Health & Care	36.6		36.6	0%	33.5		33.5	0%
Information Technology	41.9		41.9	0%	38.3		38.3	0%
Other	360.4	-	360.4	1%	330.2	-	330.2	1%
Debt Securities:								
UK Government	4,201.0	7.9	4,208.9	8%	3,848.3	7.2	3,855.5	9%
Other	643.8	-	643.8	1%	589.7	-	589.7	1%
Private Equity:								
All	-	2,292.2	2,292.2	5%	-	2,099.8	2,099.8	5%
Real Estate:								
UK Property	-	3,715.4	3,715.4	7%	-	3,403.5	3,403.5	8%
Investment Funds and Unit Trusts:								
Equities	19,965.0	-	19,965.0	41%	18,288.9	-	18,288.9	40%
Bonds	2,100.5	-	2,100.5	4%	1,924.2	-	1,924.2	4%
Hedge Funds	4.1	-	4.1	0%	3.8	-	3.8	0%
Commodities	-	1,758.1	1,758.1	4%	-	1,610.5	1,610.5	4%
Infrastructure	-	2,614.3	2,614.3	5%	-	2,394.8	2,394.8	5%
Other	4,976.0	5,139.3	10,115.3	21%	4,558.3	4,707.9	9,266.2	20%
Derivatives								
Interest Rate	-		0.0	0%	-		0.0	0%
Foreign Exchange	(63.2)		(63.2)	0%	(57.9)		(57.9)	0%
Cash and Cash Equivalents:								
All	1,489.2	-	1,489.2	3%	1,364.1	-	1,364.1	3%
	34,181.8	15,527.2	49,709.0	100%	31,312.3	14,223.7	45,536.0	100%

d) Basis for Estimating Assets & Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. This assessment has been undertaken by Hymans Robertson, an independent firm of actuaries, estimates being based on the latest full actuarial valuation of the scheme as at 31 March 2020.

The main assumptions used in their calculations are:

	Local Government Pension Scheme		Discretionary Benefits (Unfunded)	
	2018/19	2019/20	2018/19	2019/20
Mortality assumptions				
Longevity at 65 for current pensioners				
Men	22.1	21.5	22.1	21.5
Women	24.3	23.8	24.3	23.8
Longevity at 65 for future pensioners				
Men	23.8	22.2		
Women	26.2	25.2		
Economic assumptions				
Rate of inflation	2.50%	1.90%	2.50%	1.90%
Rate of increase in salaries	3.50%	2.40%		
Rate of increase in pensions	2.50%	1.90%	2.50%	1.90%
Rate for discounting scheme liabilities	2.40%	2.30%	2.40%	2.30%
Take-up of option to convert annual pension into retirement grant	50.00%	50.00%		

Mortality assumptions are derived from the PFA92 and PMA92 life expectancy tables, projected to calendar year 2033 for non pensioners and 2020 for pensioners. Based on these assumptions, the average future life expectancies at age 65 are summarised above.

Under the projected unit method current service costs will increase for any scheme where the age profile of the active membership is significantly rising, as the members of the scheme approach retirement age. This is not currently the case in this Authority.

Change in assumptions at 31 March 2020:	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount rate	9%	6,812
0.5% increase in the Salary Increase Rate	1%	831
0.5% increase in the Pension Increase Rate	8%	5,912

Further information can be found in Leicestershire County Council's Pension Fund Annual Report, which is available on request from Leicestershire County Council, Glenfield, Leicester.

47) Contingent Liabilities

There are the following contingent liabilities:

a) Municipal Mutual Insurance Limited (MMI)

Municipal Mutual Insurance (MMI) is an insurance company limited by guarantee and not having a share capital, which was established by a group of local authorities and incorporated under the Companies Acts 1862 to 1900 on 13 March 1903. The Company suffered substantial losses between 1990 and 1992. These losses reduced MMI's net assets to a level below the minimum regulatory solvency requirement. In September 1992 MMI ceased to write new, or to renew, general insurance business.

The Company is subject to a contingent Scheme of Arrangement under section 425 of the Companies Act 1985 which became effective on 21 January 1994. On 13 November 2012, the directors of the Company concluded that the terms of the Scheme of Arrangement should be triggered.

A levy notice was issued based on 25% of the value of total claims carried forward exceeding £50,000 to 31 March 2020. This was a total of £8,799, which has all been paid in previous years.

The Scheme Administrators will continue to review on an annual basis and may incur costs in the future.

48) The Nature and Extent of Risk Arising from Financial Instruments

a) Key Risks

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

b) Overall Procedures for Managing Risk

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

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
 - The Council's overall borrowing;

- Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum exposures the maturity structure of its debt;
 - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

These are required to be reported and approved at or before the Council's annual Council Tax setting budget. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members.

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

c) Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The following significant inputs, assumptions and estimation techniques have been used in calculating impairment loss allowances:

- a simplified approach using a credit matrix has been applied to trade receivables and lease receivables, and repayment reviewed at 30 April 2020.
- an expected credit loss model using historic default rate data from the three main credit agencies was applied to short term investments and repayment reviewed at 30 April 2020.
- an assessment of the loan to the wholly owned subsidiary company concluded there was 0% chance of default.

d) Liquidity risk

The Council has ready access to borrowings from the Money Markets and the Public Works Loans Board to cover any day to day cash flow need. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Instead the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters.

The maturity analysis of financial liabilities is as follows:

	2018/19 £'000	2019/20 £'000
Less than one year	10	0
Between one and two years	0	0
Between two and five years	22	22
Between five and ten years	0	0
Between two and twenty years	0	0
More than twenty years	1,468	1,468
	1,500	1,490

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

e) Market risk

- **Interest rate risk** - The Council has limited exposure to interest rate movements on its borrowings and investments. But movements on interest rates have a complex impact. For instance, a rise in interest rates would have the following effects:
 - Borrowings at variable rates – the interest credited to the Surplus or Deficit on the Provision of Services will rise
 - Borrowings at fixed rates – the fair value of the liabilities borrowings will fall
 - Investments at variable rates – the interest credited to the Surplus or Deficit on the Provision of Services will rise
 - Investments at fixed rates – the fair value of assets will fall.

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.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The Finance Services team will monitor market and forecast interest rates within the year to adjust exposures appropriately.

If all interest rates had been 1% higher with all other variables held constant the financial effect would be:

	£000s
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	(286)
Impact on Surplus or Deficit on the Provision of Services	(286)

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

- **Price risk** - The Council, excluding the pension fund, does not generally invest in instruments with this type of risk. It does have an investment in a property fund which is classified as fair value through profit or loss meaning that all the movements in price will impact on gains and losses recognised in the Surplus or Deficit on the Provision of Services subject to a statutory override given by the Ministry of Housing, Communities and Local Government for the years to 31 March 2023.
- **Foreign exchange risk** - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

49) Trust Funds

The Council acts as administrator for several small trust funds, which total £2k. These funds do not represent assets of the Council and they have not been included in the Balance Sheet.

50) Material Items of Income and Expense

Where items are not disclosed on the face of the Comprehensive Income and Expenditure statement the code requires a separate note to provide information.

Expenditure	2018/19 £'000s	2019/20 £'000s
Housing Services - Rent Allowances	9,471	8,492

51) Leicester and Leicestershire Business Rates Pool

The Local Government Finance Act 2012 introduced the business rates retention system from 1 April 2013. The new arrangements enable local authorities to retain a proportion of the business rates generated in their area. Billing authorities collect rates on behalf of Central Government (50%), Major Preceptors – Leicestershire County Council (9%) and the Leicestershire, Leicester and Rutland Combined Fire Authority (CFA) (1%) – and themselves (40%).

The Government calculated two “baselines” for each local authority – a funding baseline and a rates baseline. Where the funding baseline is higher than the rates baseline the authority requires a “top-up” and is not subject to a levy on any business rates growth. Where an authority’s rates baseline is higher than its funding baseline, the authority is in a “tariff” position and will contribute to a central fund which is redistributed to “top-up” authorities. This is the case for Harborough District Council.

“Tariff” authorities are subject to a levy on any real terms growth in business rates at a maximum rate of 50%. In non-Pooled areas the tariff is payable to the Government and will be used to fund “safety net” payments to authorities which have seen significant reductions in business rates income. The safety net is currently activated if retained rates fall below 92.5% of the funding baseline for the authority.

Authorities were invited to form Pools. For tariff and top-up purposes and also regarding levy and safety net calculations, the Government treats a Pool as if it were a single entity.

Leicestershire County Council along with Leicester City Council, the CFA and all Leicestershire District Councils agreed to operate a pooling agreement for business rates levies and safety net payments for 2019/20, the Leicester and Leicestershire Pool (LLP). Leicestershire County Council was the lead authority for the LLP.

The Pool was based on a “no better, no worse” position, with District Councils paying any levies into the Pool and any safety net payments being made from the Pool. Amounts were set aside for a contingency for future safety nets and any further income above that level was to be passed to the Leicester and Leicestershire Economic Partnership (LLEP).

For 2019/20 the members of the pool made a successful application to pilot 75% business rates retention, again Leicestershire County Council is the lead. The allocation principles ensure that the LLP is left in exactly the same position it would have been in if there was not a pilot, and the additional surplus available for allocation according to the

principles of the pilot. The initial retention shares are Central Government 25%, Harborough District Council 37.5%, Leicestershire County Council 36.5% and CFA 1%.

The Pool and pilot surplus at the end of 2019/20 has been retained by the Pool and will be distributed in agreement with the LLEP Agreement

52)Date of Authorisation

The Statement of Accounts was authorised for issue by C Mason, Director: Finance & Assets on 17 July 2020, and revised on 03 March 2021 after due consideration of any post balance sheet events.

COLLECTION FUND

Reanalysed							
2018/19 £'000 Council Tax	2018/19 £'000 NNDR	2018/19 £'000 Total		2019/20 £'000 Council Tax	2019/20 £'000 NNDR	2019/20 £'000 Total	Note
(60,212)	0	(60,212)		(64,350)	0	(64,350)	2
0	(44,836)	(44,836)		0	(44,093)	(44,093)	3
(60,212)	(44,836)	(105,048)		(64,350)	(44,093)	(108,443)	
59,659	0	59,659		63,278	0	63,278	4
0	20,136	20,136		0	10,797	10,797	
0	3,624	3,624		0	15,763	15,763	
0	403	403		0	432	432	
0	16,145	16,145	0	16,218	16,218		
0	127	127	0	127	127		
112	3	115	7	12	19		
25	129	154	184	42	226		
0	(2,129)	(2,129)	0	(302)	(302)		
1,269	5,378	6,647	381	2,198	2,579	5	
61,065	43,816	104,881	63,850	45,287	109,137		
(1,274)	156	(1,118)	(421)	(864)	(1,285)		
853	(1,020)	(167)	(500)	1,194	694		
(421)	(864)	(1,285)	(921)	330	(591)		

NOTES TO THE COLLECTION FUND

1. General

The Collection Fund shows the transactions of the billing authority in terms of Council Tax and Business Rates, and demonstrates how the income from these sources is distributed to precepting authorities and the General Fund. The surplus or deficit on the Collection Fund at the year end is distributed to, or made good by contributions from, the billing and precepting authorities on the basis of estimates of such outturn made on the 15 January preceding.

2. Council Tax Income and the Council Tax Base

Council Tax income is derived from charges according to the value of residential properties that have been classified into 8 valuation bands. Individual charges are determined by dividing the demands and precepts of the Council, the County Council, the Police and Crime Commissioner and the Fire Authority by the Council Tax base. The Council Tax base is the total number of properties in each valuation band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts. The Band D Council Tax for 2019/20 was £1,799.63 (£1,721.06 in 2018/19). The charge for all other bands is calculated by multiplying the Band D charge by the appropriate ratio for each band.

Income from Council Taxpayers in 2019/20 was £64.3m.

The Council Tax Base used for setting the 2019/20 Council Tax was calculated as follows:

	Dwellings in Banding List	Net effect of premiums and discounts	Adjusted Amount for Council Tax Band	Proportion of Band D Tax	Equivalent Band D Dwellings (to one decimal place)
AR	0	1.7	1.7	5/9	1.7
A	4,425	(2,466.0)	1,959.0	6/9	1,959.0
B	8,579	(3,214.8)	5,364.2	7/9	5,364.2
C	7,738	(1,781.0)	5,957.0	8/9	5,957.0
D	6,242	(210.5)	6,031.5	1	6,031.5
E	6,101	908.4	7,009.4	11/9	7,009.4
F	3,453	1,312.6	4,765.6	13/9	4,765.6
G	2,504	1,506.6	4,010.6	15/9	4,010.6
H	230	187.6	417.6	18/9	417.6
Irrecoverable allowance					(355.2)
Tax Base for the Calculation of Council Tax					35,161.4

* - adjustments include Disabled Persons Exemptions, Exempt Properties and Discounts.

3. Business Rate Income

The Council collects National Non-Domestic Rates (NNDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government. In previous financial years the total amount due, less certain allowances, was paid to a central pool (the NNDR pool) administered by Central Government, which, in turn, paid to Local Authorities their share of the pool, such shares being based on a standard amount per head of the local adult population.

In 2013/14, the administration of NNDR changed following the introduction of a business rates retention scheme which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to the central pool, local authorities retain a proportion of the total collectable rates due.

In 2019/20 the Council was part of a successful application to pilot 75% business rates retention designed to give local authorities greater control over the money they raise locally.

The business rates shares payable for 2019/20 were estimated before the start of the financial year as £10.797m to Central Government, £16.195m to the Preceptors and £16.195m (plus £23k Renewable Energy Disregard) to Harborough District Council. These sums have been paid in 2019/20 and charged to the collection fund in year.

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect Harborough District Council pays a tariff to the value of £12.344m via the Pool.

The total income from business rate payers collected in 2019/20 was £44.1 m (£44.8m in 2018/19).

The rate multiplier set by the Government for 2019/20 was 50.4p or 49.1p for small businesses (in 2018/19 was 49.3p or 48.0p for small businesses).

The total rateable value as at 31 March 2020 was £109,956,142 the equivalent at 31 March 2019 being £106,376,063.

5. Precepts and Demands on the Collection Fund – Council Tax

	2018/19 £'000	2019/20 £'000
Harborough District Council	7,436	7,650
Leicestershire County Council	43,074	45,436
Leicestershire Police and Crime Commissioner	6,906	7,849
Leicestershire, Leicester & Rutland Combined Fire Authority	2,243	2,343
	59,659	63,278

• Collection Fund Surpluses – Council Tax

The precepts above are shown net of the contribution towards previous years estimated surpluses, which comprise the following:

	2018/19 £'000	2019/20 £'000
Harborough District Council	163	48
Leicestershire County Council	911	275
Leicestershire Police and Crime Commissioner	146	44
Leicestershire, Leicester & Rutland Combined Fire Authority	49	14
	1,269	381

6. Collection Fund Balances

The balance carried forward on the Collection Fund at 31 March 2020 comprises a Council Tax surplus of £921k (£421k surplus at 31 March 2019). Any surplus or deficit relating to Council Tax must be shared between the Council and the major precepting authorities in proportion to the value of the precepts or demands which they each levy. The share owed to major precepting authorities at 31 March 2020 is £809,071 and this appears as a creditor on the balance sheet (£368,739 as at 31 March 2019). The Council's own share of the Council Tax surplus, £111,495 is shown in the net worth section of the balance sheet (£52,337 surplus at 31 March 2019).

Also included in the Collection Fund for 2019/20 is an amount of £302k (£2,129k 2018/19) related to a decrease in the provision for appeals for NNDR. The council has accounted for our share of this provision, which cumulatively amounts to £2,604k (£2,899k 2018/19). The remainder relates to preceptors' shares.

GROUP ACCOUNTS

The CIPFA Code of Practice requires that where the Council has material financial interests and a significant level of control over one or more entities, it should prepare group accounts. The aim of these statements is to give an overall picture of the Council's financial activities and the resources employed in carrying out those activities.

The following statements consolidate the financial transactions of Harborough District Commercial Services Ltd, incorporated on 2 January 2019, with the Council.

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Restated 31 March 2019				31 March 2020		
Exp £'000	Income £'000	Net £'000		Exp £'000	Income £'000	Net £'000
841	(353)	488	Communities	956	(382)	574
15,097	(10,700)	4,397	Corporate	15,278	(9,966)	5,312
4,550	(1,288)	3,262	Finance	8,620	(1,462)	7,158
9,908	(5,538)	4,370	Regulatory	10,410	(6,170)	4,240
1,004	(311)	693	Strategy	822	(143)	679
3,109	(2,238)	871	Wellbeing	4,072	(3,095)	977
34,509	(20,428)	14,081	Cost of Services	40,158	(21,218)	18,940
2,187	(1,524)	663	Other Operating Expenditure	1,898	(564)	1,334
1,525	(595)	930	Financing and Investment Income and Expenditure	1,490	(627)	863
2,436	(19,184)	(16,748)	Taxation and Non-specific Grant Income	1,889	(19,481)	(17,592)
		(1,074)	(Surplus)/Deficit on Provision of Services			3,545
		(15,855)	(Surplus)/Deficit on Revaluation of Property, Plant and Equipment Assets			1,062
		138	Impairment Losses on Non- Current Assets charged to the Revaluation Reserve			0
		4,852	(Actuarial Gains)/Losses on Pension Assets/Liabilities			(9,633)
		(10,865)	Other Comprehensive (Income) and Expenditure			(8,571)
		(11,939)	Total Comprehensive (Income) and Expenditure			(5,026)

GROUP MOVEMENT IN RESERVES STATEMENT

	<u>Usable Reserves (£'000)</u>						<u>Unusable Reserves (£'000)</u>								(£'000)
	General	Earmarked	General	Capital	Receipts In	Total	Financial	Collection							Total
	Fund (GF)	GF	Reserves	Receipts	Advance	Usable	Instruments	Capital	Deferred	Fund	Accumul'd	Total		Unusable	Authority
	Balance	Reserves		Reserve	Unapplied	Reserves	Account	Reserve	Account	Receipts	Account	Reserve	Account	Reserves	Reserves
Balance at 31 March 2019 carried forward	6,657	5,869	935	3,736	1,022	18,219	(124)	23,551	18,685	0	423	(35,512)	(64)	6,959	25,178
Movement in reserves during 2019/20															
Surplus or (deficit) on provision of services (accounting basis)	(3,545)	0	0	0	0	(3,545)	0	0	0	0	0	0	0	0	(3,545)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	758	0	0	0	9,633	0	10,391	10,391
Total Comprehensive Income and Expenditure	(3,545)	0	0	0	0	(3,545)	0	758	0	0	0	9,633	0	10,391	6,846
Adjustments between accounting basis and funding basis under regulations	3,380	0	0	167	215	3,762	(49)	(327)	(1,185)	0	(459)	(1,729)	(13)	(3,762)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(165)	0	0	167	215	217	(49)	431	(1,185)	0	(459)	7,904	(13)	6,629	6,846
Transfers to/from Earmarked Reserves	2,790	(1,855)	(935)	0	0	0	0	0	0	0	0	0	0	0	0
Increase/Decrease in year	2,625	(1,855)	(935)	167	215	217	(49)	431	(1,185)	0	(459)	7,904	(13)	6,629	6,846
Balance at 31 March 2020 carried forward	9,282	4,014	0	3,903	1,237	18,436	(173)	23,982	17,500	0	(36)	(27,608)	(77)	13,588	32,024

Restated	<u>Usable Reserves (£'000)</u>						<u>Unusable Reserves (£'000)</u>								(£'000)
	General	Earmarked	General	Capital	Receipts In	Total	Financial	Collection		Accumul'd		Total	Unusable	Total	Authority
	Fund (GF)	GF	Reserves	Receipts	Advance	Usable	Instruments	Capital	Fund	Pension	Absences	Unusable			
	Balance	Reserves		Reserve	Unapplied	Reserves	Adjustment Account	Revaluation Reserve	Adjustment Account	Adjustment Account	Reserve	Account	Reserves	Reserves	Reserves
Balance at 31 March 2018 carried forward	6,517	5,175	941	2,614	476	15,723	(1)	9,430	18,070	68	(28,734)	(63)	(1,230)	14,493	
Movement in reserves during 2018/19															
Surplus or (deficit) on provision of services (accounting basis)	1,074	0	0	0	0	1,074	0	0	0	0	0	0	0	1,074	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	14,463	0	0	(4,852)	0	9,611	9,611	
Total Comprehensive Income and Expenditure	1,074	0	0	0	0	1,074	0	14,463	0	0	(4,852)	0	9,611	10,685	
Adjustments between accounting basis and funding basis under regulations	(246)	0	0	1,122	546	1,422	(123)	(342)	615	355	(1,926)	(1)	(1,422)	0	
Net Increase/Decrease before Transfers to Earmarked Reserves	828	0	0	1,122	546	2,496	(123)	14,121	615	355	(6,778)	(1)	8,189	10,685	
Transfers to/from Earmarked Reserves	(688)	694	(6)	0	0	0	0	0	0	0	0	0	0	0	
Increase/Decrease in year	140	694	(6)	1,122	546	2,496	(123)	14,121	615	355	(6,778)	(1)	8,189	10,685	
Balance at 31 March 2019 carried forward	6,657	5,869	935	3,736	1,022	18,219	(124)	23,551	18,685	423	(35,512)	(64)	6,959	25,178	

GROUP BALANCE SHEET

Restated 31 March 2019 £'000		31 March 2020 £'000
51,950	Property, Plant & Equipment	52,910
24	Heritage Assets	24
4,188	Investment Property	4,661
73	Intangible Assets	82
152	Assets held for Sale	0
1,377	Long Term Investments	1,328
0	Long Term Debtors	0
57,764	Long Term Assets	59,005
18,023	Short Term Investments	17,014
97	Inventories	101
4,640	Short Term Debtors	3,246
2,850	Cash and Cash Equivalents	3,335
25,610	Current Assets	23,696
(26)	Short Term Borrowings	(15)
(12,841)	Short Term Creditors	(14,265)
(2,899)	Short Term Provisions	(2,604)
(15,766)	Current Liabilities	(16,884)
(1,490)	Long Term Borrowing	(1,490)
(35,512)	Pension Liability Account	(27,608)
(5,428)	Grants Received in Advance	(4,695)
(42,430)	Long Term Liabilities	(33,793)
25,178	Net Assets	32,024
18,219	Usable Reserves	18,436
6,959	Unusable Reserves	13,588
25,178	Total Reserves	32,024



Clive Mason
Director: Finance & Assets
03 March 2021

GROUP CASH FLOW STATEMENT

2018/19 £'000		2019/20 £'000
(1,074)	Net (surplus)/ deficit on the provision of Services	3,545
6,957	Adjustments to net (surplus)/ deficit on the provision of services for non - cash movements	(5,598)
410	Adjustments for items included in the net deficit on the provision of services that are investing or financing activities	5,650
6,293	Net Cash flows from operating activities	3,597
(4,530)	Investing activities	(4,958)
(932)	Financing activities	1,846
831	Net increase/(decrease) in cash and cash equivalents	485
2,019	Cash and Cash equivalents at the beginning of the reporting period	2,850
2,850	Cash and Cash equivalents at the end of the reporting period	3,335

NOTES TO THE GROUP ACCOUNTS

1) General

Where figures in the group accounts differ materially from the Council's single entity accounts, the relevant explanatory notes have been prepared on a consolidated basis. The notes below give information on the areas that have materially changed on consolidation of the Council's wholly owned subsidiary company Harborough District Commercial Services Ltd (HDCS) into the Council's accounts.

2) Group Accounting Policies

The accounting policies of HDCS have been aligned with the Council's accounting policies contained in note 1. Any statutory adjustments between accounting basis and funding basis included in the Council's accounting policies do not apply to the subsidiary company.

3) Inclusion within the Group Accounts

The relation the Council has with an entity over which it has varying degrees of control or influence is classified into the categories of subsidiary, associate or joint venture. The meaning of these terms is outlined below:

Subsidiary – A subsidiary is an entity including an unincorporated entity such as a partnership that is controlled by another entity (the Council), known as the parent. HDCS is classified as a subsidiary of Harborough District Council and has therefore been consolidated.

Associate – An associate is an entity over which an investor (the Council) has significant influence.

Joint Venture – A joint venture is a joint arrangement whereby the parties have joint control over the arrangement have rights to the net assets of the arrangement.

The Council does not have any material associate or joint venture arrangements with any other entities.

4) External Audit Fee

As well as the £33k incurred by Harborough District Council in relation to the audit of the statement of accounts, an additional £10k was payable to the appointed auditor regarding the audit of HDCS.

5) Consolidation of HDCS

HDCS has been consolidated on a line by line basis with all intra-group transactions and balances removed.

HDCS prepares its year end accounts to the same reporting date, 31 March 2020 as the Council.

The impact of the Companies activities upon the reserves of the Group are as follows:

	31 March 2019 £'000	In year movement 2019/20 £'000	31 March 2020 £'000
Harborough District Council Profit and Loss Reserve	(66)	110	44
Total	(66)	110	44

In light of the above it is considered unnecessary to produce an Expenditure and Funding Statement for the Group.

The Assets and Liabilities of the Company at the Balance Sheet Date are as follows:

2019/20	HDCS Limited £'000	Inter Company £'000	Group Adjustments £'000
Investment Property	4,421	0	4,421
Company Share Capital/Council Investment	(2,150)	2,150	0
Long term loan debtor/creditor	(1,832)	1,832	0
Debtor - Intercompany	115	(115)	0
Creditors	(69)	0	(69)
Revaluation Reserve	(441)	0	(441)
Total	44	3,867	3,911

2018/19	HDCS Limited £'000	Inter Company £'000	Group Adjustments £'000
Investment Property	3,980	0	3,980
Company Share Capital/Council Investment	(2,150)	2,150	0
Long term loan debtor/creditor	(1,832)	1,832	0
Debtors	11	0	11
Creditor - intercompany	(75)	75	0
Total	(66)	4,057	3,991

GLOSSARY OF TERMS

ACCRUALS

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

ACQUIRED OPERATIONS

Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. Acquired operations are those operations of the local authority that are acquired in the period.

ACTUARIAL GAINS AND LOSSES

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

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

ASSETS UNDER CONSTRUCTION

These are assets that are not yet available for use, for example a building that is in the process of being built and not yet able to be occupied.

CAPITAL EXPENDITURE

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

CASH EQUIVALENTS

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

COMMUNITY ASSETS

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

CONSISTENCY

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

CONTINGENCY

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

CORPORATE AND DEMOCRATIC CORE

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

CURRENT SERVICE COSTS (PENSIONS)

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

CURTAILMENT

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

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

DEFINED BENEFIT SCHEME

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

DEFINED CONTRIBUTION SCHEME

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or a percentage of pay. The employer will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

DEPRECIATION

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

DISCONTINUED OPERATIONS

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

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

Operations not satisfying all of the above conditions are classified as continuing.

DISCRETIONARY BENEFITS

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

EVENTS AFTER THE BALANCE SHEET DATE

Those events, whether favourable or unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is authorized for issue.

EXCEPTIONAL ITEMS

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

EXPECTED RATE OF RETURN ON PENSIONS ASSETS

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

FAIR VALUE

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

FINANCE LEASE

A finance lease is one that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. It should be presumed that such a transfer of risks and rewards occurs if at the start of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

GOING CONCERN

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

GOVERNMENT GRANTS

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

IMPAIRMENT

A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

INFRASTRUCTURE ASSETS

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

INTEREST COST (PENSIONS)

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

INVENTORIES

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

- Goods or assets purchased for resale;
- Consumable stores;
- Raw materials and components purchased for incorporation into products for sale;
- Products and services in intermediate stages of completion;
- Long-term contract balances; and
- Finished goods.

INVESTED RIGHTS

In relation to a defined benefit scheme, these are:

- For active members, benefits to which they would be unconditionally entitled to on leaving the scheme;
- For deferred pensioners, their preserved benefits;
- For pensioners, pensions to which they are entitled.

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

INVESTMENTS (NON-PENSIONS FUND)

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments other than those relating to the pensions fund, which do not meet the above criteria should be classified as current assets.

INVESTMENTS (PENSIONS FUND)

The investments of the pensions fund will be accounted for in the statements of that Fund. However, authorities (other than town parish councils, community councils and district councils in Northern Ireland) are also required to disclose, as part of the transitional disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

INVESTMENT PROPERTIES

Interest in land and/or buildings:-

- in respect of which construction work and development have been completed; and

- which is held for its investment potential, any rental income being negotiated at arm's length.

LIQUID RESOURCES

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

LONG-TERM CONTRACT

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

NET BOOK VALUE

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

NET CURRENT REPLACEMENT COST

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

NON-DISTRIBUTED COSTS

These are overheads for which no user now benefits, and should not be apportioned to services.

NON-OPERATIONAL ASSETS

Fixed assets held by a local authority but not used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

OPERATING LEASES

A lease other than a finance lease.

OPERATIONAL ASSETS

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

PAST SERVICE COST

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

PRIOR YEAR ADJUSTMENTS

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

PROJECTED UNIT METHOD

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

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

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

PROPERTY, PLANT & EQUIPMENT (PPE)

Property, Plant and Equipment (used to be Tangible Fixed Assets) that yield benefits to the local authority and the services it provides for a period of more than one year.

PRUDENCE

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

RESEARCH AND DEVELOPMENT

Expenditure falling into one or more of the following broad categories:

- Pure (or Basic) Research:- experimental or theoretical work undertaken primarily to acquire new scientific or technical knowledge for its own sake rather than directed towards any specific aim or applications;
- Applied research:- original or critical investigations undertaken in order to gain new scientific or technical knowledge directed towards a specific practical aim or objective;
- Development:- use of scientific or technical knowledge in order to produce new or substantially improved materials, devices, products or services, to install new processes or systems prior to the commencement of commercial production or commercial applications, or to improve substantially those already produced or installed.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either:

- An employer's decision to terminate an employee's employment before the normal retirement date; or
- An employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Revenue Expenditure Funded from Capital under Statute (REFCUS) represents expenditure that may be capitalised under statutory provisions, but does not result in the creation of tangible assets.

SCHEME LIABILITIES

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

SETTLEMENT

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

- A lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- The purchase of an irrevocable annuity contract sufficient to cover vested benefits; and
- The transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

USEFUL LIFE

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

Independent auditor's report to the members of Harborough District Council

Report on the financial statements

Opinion

We have audited the financial statements of Harborough District Council and its subsidiary ('the Group') for the year ended 31 March 2020, which comprise the Comprehensive Income and Expenditure Statements, the Movement in Reserves Statements, the Balance Sheets, the Cash Flow Statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Harborough District Council and the Group as at 31st March 2020 and of the Council's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Effect of the COVID-19 pandemic on the valuation of land, buildings and investment properties

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council's land and buildings and the valuation of the Council's share of Leicestershire Pension Fund's property assets. As disclosed in Note 4 of the financial statements, the Council's and Pension Fund's valuers included a 'material valuation uncertainty' declaration within their reports as a result of the Covid-19 pandemic. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Officer: Finance & Assets' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Officer: Finance & Assets has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at

least twelve months from the date when the financial statements are authorised for issue.

Other information

The Chief Officer: Finance & Assets is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Chief Officer: Finance & Assets for the financial statements

As explained more fully in the Responsibilities of the Chief Officer: Finance & Assets, the Chief Officer: Finance & Assets is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view. The Director of Resources is also responsible for such internal control as the Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Officer: Finance & Assets is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Chief Officer: Finance & Assets is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on Harborough District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, Harborough District Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in April 2020, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Council

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for


securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Use of the audit report

This report is made solely to the members of Harborough District Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

We certify that we have completed the audit of Harborough District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.



Mark Surridge

For and on behalf of Mazars LLP

Birmingham

15 March 2021