

## Appendix 2

### Brief Commentary on the 2020/21 Statement of Accounts

#### Balance Sheet

The Balance Sheet is particularly technical, which is unavoidable given the requirement to observe the Code of Practice and the complex capital accounting, financial instrument and pension reporting standards. This includes substantial 'unusable' reserves that are required to translate the council's activities from its funding basis to an a standardised International Financial Reporting basis. There are explanatory notes to the Balance Sheet in the Statement of Accounts.

#### Non-Current Assets

The value of total non-current assets has decreased marginally from £2.057 billion as at 31 March 2020 to £2.036 billion as at 31 March 2021 (please see Note 10 Non-Current Assets, page 50 for details). The valuation of many non-current assets is subject to a wide range of market factors and/or assumptions, particularly where no obvious comparator market or assets exist.

#### Borrowing

In accordance with the CIPFA Code on Treasury Management, the management of the council's borrowing portfolio is based on a consolidated approach and not by individual services. At 31 March 2021, the council's level of borrowing was £274 million, a net increase in the year of £8 million (please see the Balance Sheet, page 18).

#### Investments

At 31 March 2021, the council held investments of £151 million (31 March 2020 £150 million). Investments are made by the in-house treasury team and the council's external cash manager. The council uses an external cash manager to take advantage of investment opportunities in specialist markets not covered by the in-house team, such as government stock (please see Note 12 Financial Instruments, page 59).

#### Pension Liability

The estimated pension liability (net of pension assets) for future pension payments increased in 2020/21 by £143 million from £273 million at 31 March 2020 to £416 million at 31 March 2021. This change is due to changes in the actuarial assumptions such as long-term investment yield and life expectancy of pensioners. The values included in the council's accounts in relation to post-employment benefits have no effect on the council tax requirement as the liability is offset by an unusable Pensions Reserve (please see Note 25 Defined Benefit Pension Scheme, page 84).

#### Provisions

Provisions have been made in the accounts for liabilities existing at the 31 March 2021 that are reasonably certain and can be estimated with reasonable accuracy. Provisions include (please see Note 15 Provisions, page 67 for full details):

- Voluntary Severance provision – The provision is to meet the costs of expected severance packages resulting from a review of the staffing impacts of approved savings. The provision at 31 March 2021 is £0.300 million.
- Business Rates Appeals provision - The council has made provision for its share of the amount that it anticipates to repay ratepayers in the future following successful appeals against the rating lists. The provision at 31 March 2021 is £5.691 million.

## Reserves

The council holds two categories of reserves:

- **Unusable Reserves** – these reserves derive from accounting adjustments and policies, and are not available to the council to use to provide services. They include reserves that hold unrealised gains and losses where amounts would only become available for use if the assets were disposed of. It also includes reserves for timing differences between what is required from a statutory accounting basis to be charged to the General Fund and HRA funds and what is required to be funded from council tax, locally retained non-domestic rates, and general grants. These reserves include the revaluation reserve, pension reserve and the capital adjustment account. The level of unusable reserves as at 31 March 2021 was £1.206 billion (please see the Balance Sheet, page 18 and Note 9 Unusable Reserves, page 48, for details).

**Usable Reserves** – these reserves can be used by the council for investment or to provide services and/or reduce local taxation, subject to the need to maintain a prudent level of reserves and any statutory or contractual limitations on their use. These reserves include the General Fund and HRA working balance, general reserves, capital reserves relating to capital receipts and capital grants not yet applied and earmarked reserves which have been set aside by the council for specified purposes. The level of General Fund working balance and general reserves held at 31 March 2021 was £19 million. The minimum level of working balance and general reserves deemed appropriate by the council's Chief Finance Officer is £9 million, which represents approximately 4% of net budget or 3 weeks council tax income. The level of HRA working balance stands at £8 million as at 31 March 2021 which is in excess of the recommended minimum level of balances of £3 million. Please see Note 8 Usable Reserves, page 47, for full details.

Usable reserves and provisions are reviewed during the annual budget setting and accounts closure processes to ensure that there is both the ongoing requirement for funds to be set aside and that the levels are adequate and appropriate. The reviews are reported to members as part of the General Fund budget proposals and, following the closure of the accounts, in the TBM Provisional Outturn report.

## Collection Fund

The Collection Fund is a separate fund recording the expenditure and income relating to council tax and non-domestic rates. As at 31 March 2021, there was a deficit of £81 million on the Collection Fund due to the impact of Covid-19 infection control restrictions (please see Collection Fund Statement and Notes, page 96).