

Commentary on the Accounts**Balance Sheet (BS)**

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. There are explanatory notes to the Balance Sheet in the Statement of Accounts.

Non-Current Assets

The value of total non-current assets (including current assets held for sale) has increased from £2,019.401 million as at 31 March 2019 to £2,057.388 million as at 31 March 2020. The in-year movement in non-current assets is detailed in note 9 to the core financial statements. It should be noted that 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. The movement of £37.987 million includes the following:

- An increase of £92.795 million in respect of capital expenditure (CAPEX) incurred on Property, Plant & Equipment (PPE), heritage assets and intangible assets which reflects the significant capital investments made;
- Upward revaluations of PPE, heritage and assets held for sale of £63.784 million;
- Depreciation, impairment and revaluation losses of £113.771 million;
- Upward movement in the fair value of investment properties of £2.049 million;
- Disposal of non-current assets of £6.870 million.

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 2020, the council's level of borrowing (including the bank overdraft) was £280.218 million, an increase in the year of £8.280 million. The council has raised new loans of £20.303 million and repaid £9.861 million during 2019/20. Note 11 to the accounts provides further information on borrowings.

Investments

At 31 March 2020, the council held investments of £149.808 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.

The level of investment has decreased in-year by £3.126 million. Note 11 to the financial statements provides further information on investments.

Pension Liability

The estimated pension liability (net of pension assets) for future pension payments decreased in 2019/20 by £80.849 million from £353.823 million at 31 March 2019 to £272.974 million at 31 March 2020.

There are a number of contributory factors to the decrease in the pension liability; these are detailed in the Pensions Liability section of the Narrative Report.

The council also recognises a reserve for the estimated net pension liability. Therefore, amounts 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 a Pensions Reserve.

Details of the Pension Liability can be found in note 24 to the financial statements.

Provisions

Provisions have been made in the accounts for liabilities existing at the 31 March 2020 that are reasonably certain and can be estimated with reasonable accuracy. Significant provisions are included for the following:

- 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 as at 31 March 2020 is £0.316 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 as at 31 March 2020 is £6.201 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 perspective 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 2020 was £1,425.881 million. Note 7 to the accounts provides further information on unusable reserves.
- 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 received which have not yet been utilised, 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 2020 was £8.990 million. The level of working balance and general reserves deemed appropriate by the council's Chief Finance Officer is £9 million, approximately 4% of net budget or 4 weeks council tax income. In addition, there are also General Fund earmarked reserves of £47.101 million as at 31 March 2020.

The level of HRA working balance stands at £7.657 million as at 31 March 2020, which is in excess of the recommended minimum level of balances of £3 million. In addition, there are also HRA earmarked reserves of £2.020 million as at 31 March 2020. The HRA reserves are primarily ring-fenced for council dwelling provision.

Notes 6 and 8 to the accounts provide further information on usable reserves.

Usable reserves and provisions are reviewed during the budget setting and the 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 2020, there was a deficit of £2.115 million on the Collection Fund in respect of council tax and a surplus of £4.136 million in respect of non-domestic business rates.

