# STATEMENT OF ACCOUNTS

## 2020-2021

Warwickshire County Council

# Warwickshire County Council Statement of Accounts

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# Introduction

I am pleased to introduce our Financial Accounts for 2020/21. The purpose of these accounts is to present a true and fair view of the financial results of our activities for the year and the value of our assets and liabilities at the end of the year. This narrative report is set out in five parts. The first provides some key information on what the Council does, how it does it and its plans for the future. The second part provides further detail on how we plan to resource the Council's activities. This section also considers the factors in the external environment that influence our decisions and highlights some of the key risks that we have identified to delivery of our priorities. The third part summarises our financial and other performance in 2020/21 and our effectiveness in the use of our resources, while the fourth part describes our outlook moving forward into the new financial year. It includes some of the key pressures facing the Council over the next few years and the changes taking place in the Council to respond to those challenges. Finally, this report explains how the Financial Accounts for 2020/21 are prepared and set out.

The Covid-19 Pandemic has had profound impacts, globally and locally, for public health, the economy, society and the environment. It has challenged the County Council to deliver a range of new services at short notice and provide existing services in different ways whilst reducing income generation opportunities and causing delays in the delivery of some of our key revenue and capital projects. Alongside responding to the immediate challenge presented by the pandemic we have been working on delivering our recovery strategy to ensure the Council, residents and Warwickshire as a whole emerges from the pandemic stronger than ever. Our efforts were supported by additional government funding of £75.5m allowing us to continue this crucial work beyond the end the current financial year. The result is a highly unusual financial year with the impact of Covid visible throughout our financial statements.

**Rob Powell**
Strategic Director for Resources

# Organisational overview

In February 2020 our 2020-2025 Council Plan was approved. It is a single, policy-led plan with a clear and compelling vision for Warwickshire, setting out clearly where we need to get to by 2025 and how we are going to get there. The Council Plan provides the necessary framework to deliver on our ambitions, through change management and innovation, and to ensure clear line of sight delivery of the Council's core purpose and outcomes.

**To make Warwickshire the best it can be, sustainable now and for future generations**

**PRIORITY OUTCOME**

**Warwickshire's communities and individuals are supported to be safe, healthy and independent**

- Support our most vulnerable and disadvantaged children, providing early support, before situations become complex
- Support the most vulnerable and disadvantaged adults in Warwickshire to enjoy life; achieve and live independently
- Support Warwickshire residents to take responsibility for their own health and wellbeing and reduce the need for hospital or long term health care
- Work with communities to promote safety, prevent harm and reduce crime and disorder across Warwickshire

**PRIORITY OUTCOME**

**Warwickshire's economy is vibrant and supported by the right jobs, training, skills and infrastructure**

- Support communities and businesses to develop the digital skills and tools they need in an increasingly digital economy
- Attract economic investment and maximise the rate of employment, business growth and skill levels in Warwickshire
- Increase reuse, recycling and composting rates and reduce waste across Warwickshire
- Manage and maintain Warwickshire's transport network in a safe, sustainable and integrated way
- Support and enable children and young people to access a place in a high quality education setting and achieve their full potential

**SUPPORTED BY**

**Making the best use of resources**

- Put our resources in the right place to support the organisation's priorities and balance the books
- Develop our workforce so that it has the right skills and capabilities to get the job done
- Pursue leadership excellence and high performance at all levels
- Reduce demand and reduce cost through innovative service design and focussed prevention interventions
- Make it easy for customers to access our information and services so they have a positive experience of our services

As part of our response to climate change, we make sure our work is in-line with the UN Sustainable Development Goals

SUSTAINABLE DEVELOPMENT GOALS

Alongside the Council Plan is Warwickshire's Covid-19 Recovery Plan, creating a clear strategy for a future where we must balance our ongoing response to the pandemic with implementing our strategic approach to recovery. Both documents are supported by a rolling five-year medium-term financial strategy. This helps us to plan ahead, so we are able to meet our spending requirements, taking into account Government grants, Business Rates and Council Tax income. The financial strategy helps us to ensure our financial resilience and medium-term financial sustainability, so we can continue to provide high quality services to our residents.

There are a number of key themes to the strategy, setting out our areas of focus:

1. tackling climate change in the Council's operations and ways of working, and across the county and its communities;
2. implementation of the Council's commercial strategy and shaping places to ensure the Council maximises the use of its assets while creating a strong economy and infrastructure for Warwickshire; and
3. reducing the demand for our services through investing in the preventative agenda; scoping innovation and development ideas; and progressing internal change.

We are becoming more commercially minded in the delivery of our services. This is a key driver of our change programme and will help us make better use of our resources to deliver the outcomes our residents have helped prioritise.

We use reserves to manage financial risk and promote financial sustainability. Any reserves not needed to manage financial risk are used for time-limited investment to support the delivery of the Council's objectives, to deliver savings and to reduce demand in future years.

The medium-term financial strategy will require regular reviews in order to remain dynamic, robust, ambitious and deliverable, and will be updated at least annually.

Politically, Warwickshire County Council has 57 councillors, who are elected every four years. The last elections were held on 6 May 2021. The current political composition of the Council is 42 Conservative members, 6 Labour members, 5 Liberal Democrat members, 3 Green Party members and one Independent. The Council makes its decisions via a Cabinet of nine members including the Leader of the Council, Cllr Izzi Seccombe OBE. Warwickshire's Councillors are responsible for setting the strategic direction of the Council and for scrutinising performance. Further details of the governance arrangements in the Council are included in the Annual Governance Statement, included within this document.

Organisationally, Warwickshire operates through three Directorates: Communities (including Fire and Rescue and Education), People (including Public Health) and Resources. Each Directorate is headed by a Strategic Director who sits on the Council's Corporate Board along with the Chief Executive. Services within each Directorate have plans in place which correspond to the budget set for them by Council and the key outcomes within the Council Plan. Each service has Key Performance Indicators which are monitored and included in quarterly performance reports to Directorate Leadership Teams and Members.

At the end of the year we had the equivalent of 4,031 full-time employees and just under a third of our spending each year is on staffing. This is an increase of 226 full-time employees from last year. Planned organisational change and pandemic response has resulted in a strengthening of our teams in several areas including Children and Families and the Commissioning Support Unit. Warwickshire's employees are responsible for translating Councillors' strategic decisions into actions. Our Workforce Strategy sets out the key principles to ensure we have a workforce that is fit for purpose to deliver the Council Plan.

The Council collaborates with a number of external partner organisations to plan and deliver its intended outcomes. These include the neighbouring councils of Coventry City Council, Solihull Metropolitan Borough Council, and the five Warwickshire District and Borough Councils. We are a non-constituent member of the West Midlands Combined Authority and a member of the Coventry and Warwickshire Local Enterprise Partnership. We work closely with local NHS organisations and a number of other bodies, including:

- Central government departments and ministries;
- National and local voluntary and community sector organisations, and charities;
- Academy schools and academy trusts in Warwickshire;
- Local universities and other academic organisations;
- Local industry and businesses; and
- Town and parish councils in Warwickshire.

Further details of the Council's key priorities, plans and outcomes are available in the Council Plan.

# Resourcing our activities

The medium-term financial strategy underpins the delivery of the Council Plan and is agreed as part of the budget-setting process which concludes in February each year. Taking a medium-term approach allows for a more coordinated and planned approach to prioritisation and allows services to focus on delivery knowing the financial limits and constraints within which they are required to operate. Within the budget resolutions, the Council confirms and applies a number of fundamental financial strategies and policies.

## Revenue and capital spending

We spend our resources in two ways, through revenue and capital spending. Broadly, our revenue spending relates to income received in year and spending on items used in the year. Most of our salary costs are included in revenue expenditure. Our capital spending relates to items we have bought, created, or improved and which will be used for more than one year. An annualised amount is charged to our revenue accounts to reflect the economic use of assets each year to provide services. This accounting charge does not reduce our revenue resources but borrowing to fund our capital expenditure does.

Revenue allocations are made to services through a process which balances demand forecasts, inflation and other price increases, commitment to our statutory duties and the investment choices which the Council wishes to make to improve services or reduce costs. By law, we must set a balanced budget which ensures that the Council meets not only its existing commitments but also remains on a firm footing for the future.

| **Revenue Resources**<br>Original budget at start of year | **2020/21**<br>£m | **2021/22**<br>£m |
|---|---|---|
| Business Rates | 71.2 | 67.7 |
| Council Tax | 286.4 | 293.0 |
| **Total Unconditional Revenue Resources** | **357.6** | **360.7** |
| Specific Government Grants | 79.7 | 84.3 |
| Adult Social Care Levy | 27.2 | 30.7 |
| Customer and Client Receipts | 115.4 | 131.2 |
| Dedicated Schools Grant | 238.0 | 246.3 |
| **Total Revenue Resources** | **817.9** | **853.2** |

Adult social care is the second largest area of revenue spending after schools. Each year since 2016-17 the Government has permitted local authorities to levy an additional amount on top of their normal council tax increase each year, with this additional funding to be ring-fenced for use in adult social care. We have taken the additional levy (2% for each year between 2016/17 and 2020/21, and 1% in 2021/22) and have increased the resources available to deliver adult social care by at least the amount raised this way.

The figures shown above for specific government grants include a number of grants which come with conditions that limit our discretion in how they can be used. The largest of these is the Dedicated Schools Grant which we receive from government to meet the cost of funding schools and relevant pupil-related services; this is presented separately in the table above. We are continuously reviewing how we deploy these resources for maximum strategic effectiveness.

Our capital spending power is the combination of external income which must be spent on capital (such as specific grants or contributions and the receipts from the sale of our assets) and the extent to which the Council is willing to meet the costs associated with borrowing money from its revenue resources.

| **Capital Resources**<br>Budget for the year after adjusting for previous year's outturn | **2020/21**<br>£m | **2021/22**<br>£m | **2022/23 and later**<br>£m |
|---|---|---|---|
| Capital Grants and Contributions | 109.6 | 148.8 | 97.3 |
| Receipts from the Sale of Assets | 35.0 | 29.2 | 52.8 |
| Direct Application of Revenue Resources | 1.6 | 1.4 | 0 |
| Borrowing (to be repaid from revenue resources) | 1.7 | 39.9 | 107.9 |
| Total Capital Resources | 147.9 | 219.3 | 258.0 |

Note to table - Borrowing is increasing due to the investments outlined in the section on major developments on Page 27.

Our capital allocations are made in line with our Capital Strategy, which includes two key elements: capital maintenance works to ensure our assets continue to be fit for purpose and able to support the provision of services; and capital investment to create and develop new assets. Each element has a number of strands that ensure a clear focus on the purpose of capital spending and the prioritisation of proposals, underpinned by specific service asset management strategies.

Allocations included in the maintenance programme meet one of the following three criteria:

- Maintaining our assets to ensure services can continue to be delivered;

- Statutory health and safety and other regulatory requirements; and
- Annual equipment and/or vehicle replacement programmes.

Our annual maintenance programme includes allocations from the government grants received for schools and highways maintenance plus revenue funding used for the replacement of vehicles, where this is more cost effective than leasing the vehicle. We also finance some maintenance from borrowing.

Investment schemes are, by their nature, not routine and so are only considered if they move the organisation towards the delivery of our outcomes or are invest-to-save schemes. Where we have discretion in how to apply capital financing, we use a structured evaluation process that assesses:

- What we are trying to achieve for the Warwickshire residents, businesses and visitors by investing in particular assets;
- The contribution of the new assets to the delivery of corporate outcomes;
- The financial costs and benefits over the short, medium and long term; and
- The risks inherent in the delivery of the scheme itself and the expected benefits, with a focus on better up-front planning and timetabling.

Investment schemes may be funded by any of the sources in the above table, and often a combination of these.

## Savings and efficiencies

The resource estimates shown above reflect the impact of the pandemic and the broader economic outlook. The council has a strong track record of delivering savings and this has served us well this year through some undoubtedly challenging financial times. The Council Plan and the Medium-Term Financial Strategy aims to further this success, maintaining strategies of investment for longer term savings and finding new ways of working rather than upfront cuts to decrease input. The key themes are better procurement, improvements in efficiency, increased income and delivering reductions in demand. The Medium-Term Financial Strategy tasks the authority with finding £48.2m of savings over the next 5 years.

## Reserves

Reserves are resources we have accumulated over time and set aside for a particular purpose as part of an integrated approach to the effective financial management of the authority over the short, medium and long term.

We hold reserves to:

- Ensure future events outside of our control do not undermine the authority's overall financial position or impact on service delivery;
- Plan for the effective use of resources over time for a specific purpose;
- Ensure we meet funding conditions (set either by an external funding body or a specific decision of Members) in our use of any available resources; and
- Retain any other accumulated underspends prior to decisions on their use.

Our budget is set to include anticipated levels of reserves added or drawn down in the year; these plans may change as the year progresses to react to emerging pressures or other events and are approved in our quarterly monitoring process. Some reserves are held at a corporate level to support overarching risks and strategies.

The level of general reserves is consistent with the overall financial environment and the key financial risks faced by the Council. These risks are assessed at least annually and take account of circumstances at the time of assessment as well as trends into the future.

The Medium-Term Financial Strategy includes the planned use of £32.6m of the Available-for-Use reserve.

| **Reserves Balances** at start of year | **2020/21** £m | **2021/22** £m |
|---|---|---|
| Management of Risk | 22.5 | 18.8 |
| Available to Use Reserve | 11.8 | 42.0 |
| Earmarked Reserves | 66.5 | 78.9 |
| General Reserves | 21.2 | 21.4 |
| Specific Investment (including Covid funding) | 56.8 | 70.2 |
| Schools | 14.2 | 21.3 |
| Total Reserves | 193.0 | 252.6 |

Note to Table – Reserves have increased as a result of the revenue underspends/overspends shown on page 22.

## Borrowing and investments

We undertake treasury management activities in a prudent and flexible manner so as to ensure we retain sufficient liquid funds to provide for day-to-day cashflow requirements whilst funding our capital spend at the lowest cost. These activities are managed within an overall framework determined by the Treasury Management Strategy which is updated and approved by Members annually. Interest income and expenditure as a result of investments or borrowing is reflected in our revenue budgets. Our budget does not rely on income streams from service investment activities.

## Pensions

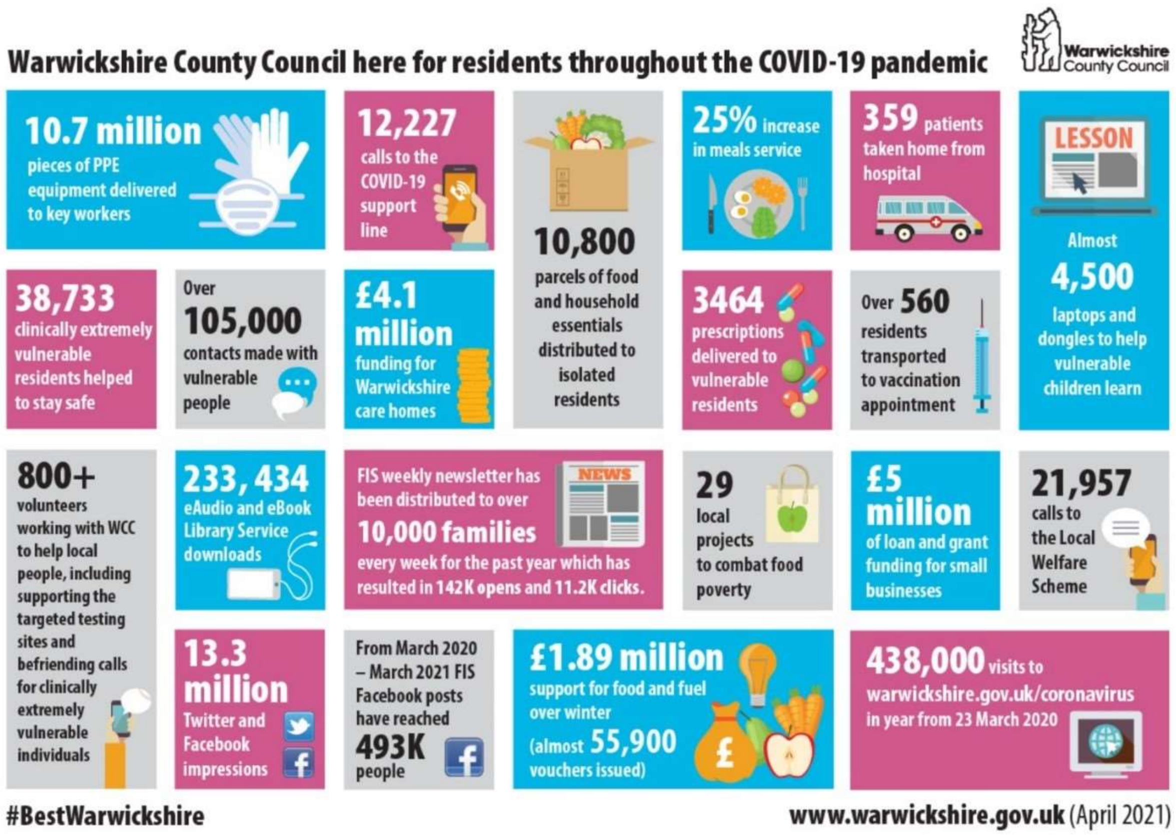
The majority of the Council's employees are members of the Warwickshire Local Government Pension Scheme, and the Council administers the fund that supports the Scheme. As a defined benefit scheme, the Scheme is shown as a long-term liability in our accounts. However, statutory arrangements for funding this deficit are in place, including increased contributions over the working life of employees, and means that our financial position remains healthy.

Both the accounts for the County Council and the Pension Fund are included in this document, though they are operated as independent entities. The County Council's accounts reflect the pension disclosures relating only to its own employees. This includes disclosures for those staff with alternative pension schemes, such as Teachers and Firefighters.

## Management of Risk

The successful delivery of the Council Plan and our sustainability into the future are dependent on our ability to manage and respond to the risks we face. Many potential issues will remain on the strategic risk register and be regularly monitored, while others are actively managed to reduce the risk or its impact. Further information can be found in the Annual Governance Statement section within this document.

# Our performance in 2020/21




We have been operating in an emergency planning capacity since March 2020 when the nation went into the first lockdown in response to the Covid-19 pandemic, quickly reprioritising our service offer to concentrate on supporting our communities, particularly the most vulnerable. As the pandemic has progressed, we have been agile in our approach responding to the changing landscape in Warwickshire moving from a response phase into recovery, developing a comprehensive Recovery Plan alongside our Medium-Term Financial Strategy. Our workforce has been responsive to these needs and, as reprioritisation has occurred, capacity has been released resulting in staff being redeployed to other services supporting the response and recovery effort most effectively.

### Our response to the pandemic

Throughout the pandemic our Public Health colleagues have worked closely with partners. During the first wave of the pandemic, we led a partnership approach, including Borough and District Councils and Military Planners, and community and voluntary sector organisations, which provided food and other support to Clinically Extremely Vulnerable people who were shielding, distributing 10,500 food and household essentials parcels. Support was also provided through a dedicated shielding hotline handling 4,700 calls; 1,700 prescription deliveries were arranged; 200 welfare calls were undertaken by Fire and Rescue, and emotional and mental health support was provided through a range of initiatives. Across Warwickshire 21,000 shielding people were offered support in various forms.

Our response to the second and third waves of the pandemic has been different, reflecting better intelligence and data around those shielding and their needs. Improved access to food through supermarkets and other food suppliers has resulted in the direct supply of food being minimal, but we have continued to provide the extended support and have funded a range of external agencies including Citizens Advice; homeless support providers and befriending services to use their specialist skills to further support those shielding.

We have, and still do, provide advice to schools; care homes; event organisers; workplaces; retail and entertainment venues to enable them to provide Covid-19 safe environments. We collated data to help target key activity and manage the spread of the virus and continued to keep the residents of Warwickshire up to date with key information and guidance on the pandemic, our social media campaign proving extremely successful with 164,309 followers and likes across active WCC accounts.

At the outset of the pandemic, it became clear that ensuring access to appropriate PPE for Council staff and social care providers across Warwickshire would be both critical and extremely challenging. In response we established a PPE Team who undertook several activities including modelling likely demand, sourcing, maintaining, storing, and distributing PPE. Additionally, we offered mutual aid to other public sector organisations, including the health sector, assisting them to meet their PPE needs and expanding this offer to education, services supporting those experiencing homelessness and/or domestic violence, funeral directors and others.

The Covid-19 pandemic significantly impacted the delivery of health and social care. Essential services adapted to continue to deliver in Covid-19 secure ways and to keep their staff and customers healthy and safe. Services redesigned their offer, maximising delivery through virtual or digital means. Taking a partnership approach, we maintained and strengthened the health and care system in Warwickshire to support people leaving hospital who still required care services. We provided more homecare to help people to remain in their own homes. We worked with our providers to ensure that there was good availability of care home places and, where appropriate, people were supported to leave hospital and move to or return quickly into care homes. This work was recognised by the Local Government Association as a Covid-19 good practice case study.

As part of our response to the pandemic the council supported over 250 adult social care providers. Additional and direct financial support upwards of £21.5m was provided to the adult social care market to ensure provider viability, and to address a significant number of issues, for example infection control and staffing capacity. Several funding streams supported this including: the Emergency Response Fund, the Infection Control Fund, the Rapid Testing Fund, the Workforce Capacity Fund, and the Provision of PPE.

We have also supported providers with advice and practical support on areas such as Hand Hygiene assessments, access to testing, PPE, set up a staffing agency database to access emergency staffing and set up a recruitment campaign linking with the national campaign to recruit staff to social care.

## Maintaining our core work through the pandemic

Our ability to deliver services to residents has been significantly affected by the pandemic, but we have been creative and innovative in changing our ways of working so that we could continue to deliver our services and support residents at this challenging time.

Our Children's and Families Service continues to engage and support our families by completing virtual visits; doorsteps and garden visits; shared virtual online tools with families; went on socially distanced walks and completed drawings with chalk in parks. We have experienced an increase in the number of children in care across this year to 776 from 679 in 2020 and this is partly due to delays in court processes making it harder to return children home or move children out of care.

Alongside our continuing support to children in care our care-experienced young people are being engaged online through workshops; education; youth clubs; 1 to 1 support and mental health support groups. A virtual bike project was set-up to give young people a positive focus, this project and its lead Youth Worker were recognised for the outstanding contribution to young people as part of West Midlands Employers (WME) #EverydayHeroes campaign. The pandemic and national lockdowns have impacted on the availability of employment and training opportunities for our care experienced young people so an additional careers officer to support then has been engaged.

Education of our children has been severely affected by Covid-19. Inspection and examination frameworks were paused from reporting at this time nationally, many of our school children had to receive their education from home. 246 academies and special schools remained open for children of keyworkers. Ongoing support is being provided to head teachers and school leaders including support with schools' risk assessments and preparation of guidance to keep schools open. Further support to schools includes the establishment of an online learning resource for pupils and providing IT equipment.

As a result of the move to new devices we have been able to donate around 600 surplus, pre-owned laptops to help our communities. 300 were allocated through the Councillor scheme whereby communities can request a device and we are able to provide them to those that will benefit most. A further 300 were released to organisations who support disadvantaged children to help with their learning from home during the lockdowns.

The Customer Service Centre switched to working from home almost overnight in the early days of the first lockdown. The way they handle calls has been completely transformed using Teams Chat to answer questions and queries whilst they are talking to customers. The Centre answered 222,183 calls over the year and we are proud that customer satisfaction levels have remained at 87%, despite a 5.1% increase in service calls August to March 2020/21, compared to the same period the previous year.

To comply with Government guidance on how to be Covid-19 safe in the workplace we needed to change the way we deliver some of our services in the community. For example, to keep our Country Parks and Household Waste and Recycling Centres safe, we introduced a successful online booking system to manage the number of people coming to the sites.

Libraries have not been able to fully open for much of the year, but 'Click and Collect' has allowed us to continue to provide books to our customers, with 900% increase in the use of our e-services for books and magazines. We have been innovative in offering events online such as Meet the Author and children's activities such as Rhyme Time. A doorstep service has also been offered to those customers who usually use our mobile libraries further supporting vulnerable communities. School Libraries Service is a traded service and has continued to meet the needs of its subscribed schools, introducing new e-based services as well as books directly to the schools.

Although our Registration Service conducted 720 marriages and 49 civil partnerships, the Service has been affected during the periods of lockdown with all weddings except those taking place 'due to exceptional circumstances' being cancelled. This has led not only to disappointment for many couples but also budget pressures as income targets will not be met. Births and deaths registrations have been able to continue, albeit in a modified form.

Investment in infrastructure has continued and we have a growing programme of council and developer highways, bridges and traffic signal schemes including the Transforming Nuneaton project and the Historic Bridge Maintenance Programme and an ambitious programme of cycle schemes. During 2020/21 we successfully recruited 20 new staff to enable delivery of its expanding programme. During this period, Phase 1 of the Stanks Island Scheme was completed and works under the main construction contract for the A46 Stoneleigh Junction scheme were started.

A planned review and subsequent reduction of our property portfolio by 2 sites in Warwick, was possible earlier than anticipated due to our staff working successfully from home. A review of the use of our office space is currently underway to ensure our future office accommodation meets the needs of a more agile workforce.

We established a Warwickshire Property Development Group of companies in March 2021 enabling us to change our approach to asset disposal to generate capital receipts. Instead, we will look to use alternative routes to market and engage in a wider range of development activity enable us to better deliver our key goals for and achieve a greater level of overall financial return than its current disposal/development projections.

The Nuneaton Education Strategy continues to develop and supports the goal of making the town a place where people want to live and which offers children the best possible start in life, including a god education. At present some schools within Nuneaton have the lowest performance within Warwickshire. The strategy aims to help schools and raise standards as well as working with businesses and colleges to increase career options and to give young people valuable, relevant and interesting work experience, increasing their employability.

With Covid-19 restrictions leading to reduced traffic on the roads this year there has been a subsequent reduction in the number of killed and seriously injured on our roads**.** Across the year there were 211 killed and seriously injured which is a 31.9% reduction from last year's 310. Many of our face-to-face road safety education services have been affected and we have had to go online with several of our courses including our schools programme which has resulted in the team being able to deliver to more children. Our Bikeability course which is the Cycling Proficiency Test designed to give the next generation of children the skills and confidence to ride their bikes on today's roads has run successful courses during the summer holidays.

Crime rates have reduced from 74.26 per 1,000 population in 2019/20 to 63.28 in 2020/21. Whilst the reductions are positive this has been affected greatly by lockdown restrictions. We have experienced a change in levels of some crime categories for example an increase in reports of hate crime as part of Black History Month during October: this may also be due to raised awareness of how to report such crimes. Violence without injury is a current area of concern with an increasing trend in some categories such as assault without injury, malicious communications and stalking harassment and controlling and coercive behaviour offences which are the result of a recent Home Office recording change. In the last year there has been an increased risk associated with domestic abuse as the lockdown has reduced victims' ability to make report incidents and seek help and support.

We have provided a comprehensive online training offer to residents and local businesses this year including presentation on Prevent, Business crime, Lesbian, Gay, Bi and Transgender (LGBT) awareness, lockdown scams, vaccination scams and Black Lives Matter.

Waste targets continue to be met: 51.5% of household waste is projected to be reused, recycled or composted compared which is above the 50% target. 60% has been achieved so far at the Household Waste Recycling Centres which is in line with our target for these. We have continued our award-winning behavioural change initiatives across the county including Slim Your Bin and Home Compost workshops which are now online. Residents' behaviours appear to have changed and we have seen a reduction in green waste and residual waste at the recycling centres, and an increase in these wastes for the Districts' and Boroughs' kerbside collections.

## Awards and Inspections

Despite the pandemic of our services and achievements have been recognised formally this year.

Our work with providers in supporting people to leave hospital and move to or return quickly into care homes was recognised by the Local Government Association as a Covid-19 good practice case study.

The National Leaving Care Bench Marking Forum awarded us with the Best Project Award for our Baby Box project which supports new and expectant parents who are care leavers. The project, led by care-experienced employees and apprentices at the council, was set up to provide useful supplies to young people who have recently become parents.

One of our Family Support Workers, a care leaver and previously an Unaccompanied Asylum Seeker, won Champion of the Year Award for his contribution to supporting young care leavers. He also came second in the Best Public Speaker Award.

We received a Gold Employers Award from the Armed Forces Covenant which recognises our support to the Armed Forces and demonstrates a forces-friendly approach to our recruitment process. Gold Employers are recognised for having distinct HR policies for Reservists, Cadet Forces Adult Volunteers, veterans and Military spouses plus their efforts to advocate externally the benefits of working with Defence by promoting the Armed Forces Covenant.

Our Legal Services team won two awards at this year's national Lawyers in Local Government Awards, Governance Legal Team of the Year Award and a team member winning Legal Professional of the Year.

We passed our LEXEL inspection which is a legal practice quality mark for client care, compliance and practice management. It sets the standard for client care; risk management; people management; structure and strategy; financial management; information management as well as file and case management.

We won the NDL Community Awards for mobile apps in the category "Driving Value - Making multiple uses of the technology across the organisation". Our apps were developed to capture data regardless of mobile signal and can record high resolution photographs, GPS data and digital signatures. This has enabled colleagues in Social Care; Highways, Property and Fire and Rescue to work more efficiently and effectively and collect thousands of records and photos safely and securely.

We were recertified with ISO 1401 (Environmental Management System) recognising our systems to control the environmental impact of our work and service delivery, both immediately and longer term.

Her Majesty' Inspectorate for Constabularies and Fire and Rescue Services has recently conducted an inspection focused on the Warwickshire Fire and Rescue Services' response to the Covid-19 pandemic. The feedback in the report is positive and reflects the part that the Service has played alongside Warwickshire County colleagues; Public Health England; the NHS and Warwickshire Police. A comprehensive service-wide reinspection is taking place in March and April 2021, the outcome of this inspection will be published October/November 2021.

## Our recovery from the pandemic

Our Recovery Plan was developed during 2020 and sets out short-term priority actions for recovery from Covid-19 laying the foundations for longer term recovery going into 2021/22 and beyond. The plan has a clear strategy and ten priorities, aligned to our existing long-term vision and the outcomes we set out in our Council Plan to 2025. We have already started our work, with partners, to aid our recovery. Some of these priorities are set out below with the supporting actions we are taking.

### *Contain the virus and promote physical and mental health and wellbeing*

In November 2020 we were approached by the Department of Health and Social Care (DHSC) who asked us to establish Targeted Testing Sites across the County where asymptomatic members of our communities can easily access Lateral Flow Tests. This allows residents to ensure they are not carrying the Covid-19 virus and transmitting it to others unknowingly as they go about their daily lives. On 7 December 2020 our first site in Water Orton opened and was quickly followed by 5 more in the other Districts and Boroughs of Warwickshire. By the end of March 2021 154,616 tests had been conducted of which there were 1,232 positive results where we were able to encourage those people affected to self-isolate. We have since supplemented this offer to support mobile and workplace testing, as well as supporting other community groups with access to Home Testing such as places of worship and become collection points for Home Testing Kits. Our offer has received positive feedback from DHSC.

We recognise that the pandemic continues to have a profound impact on mental health and well-being and we have worked with our partners to strengthen our support to children and adults. To support children and young people a 24hr 7 days a week Crisis Help Line was implemented, and we are also piloting a peer support mental wellbeing app for children and young people in schools. We delivered webinars on suicide prevention and self-harm reduction in children and young people to over 1,000 professionals and carers last year. A new website was created to improve access to information and support for people who are experiencing suicidal thoughts, or who are concerned about someone they care about and for those who have been bereaved by suicide: https://www.dearlife.org.uk/. Alongside this initiative a Realtime Surveillance Co-ordinator was appointed to work in the Coroner's office to improve provision of information and support related to the impact of suicides.

### *Help our children and young people catch up on their education*

Warwickshire pupil's attainment levels have been above the national and statistical neighbour averages however, disadvantaged pupil's attainment levels are below national average but either above or in line with statistical neighbours. Using the DfE and WCC laptop scheme over 3,000 laptops, alongside other electronic equipment, have been provided to our most vulnerable children particularly in primary schools to that they are able to catch up on their education. These devices have also provided children with the chance to communicate where they would usually feel isolated and disconnected. Working with local schools we have helped ensure provision of a summer activities programme and giving support for Lateral Flow device testing within schools ahead of reopening in 2021.

There has been extensive work underpinning our priorities to ***Support business and grow the economy*** **and** ***stimulate job creation and skills.***

Covid-19 has had a negative impact on our economy over the last year, as it has everywhere. We commissioned economic and social development research which has outlined to us the potential impact of the pandemic locally. Our tourism industry is particularly affected and is worth over £1 billion to the local economy, employing 20,000 people. Food and beverage services, retail and accommodation sectors that employ a large proportion of younger people have all been significantly adversely affected by the pandemic. Unemployment rates and economic growth figures are always reported at a delay, whilst we know these will have been negatively affected by the pandemic, we will not see the full impact until later in 2021.

We developed an Economic Recovery Programme to complement our usual business support services and programmes. To date over 1,200 businesses have been supported and £4 million of loans and grants awarded. Of these businesses, 835 received intensive support to start and grow or sustain their business in Warwickshire.

In August, we established the new "Survive, Sustain and Grow" programme for businesses most impacted by Covid-19. The programme – which provides intensive, one-to-one support through a network of specialist or industry-specific consultants – had supported 154 businesses by the end of March helping safeguard 242 jobs in the Warwickshire economy.

In September we launched the Retail and Hospitality Recovery and Investment Fund. This supported small businesses in the retail and hospitality sectors with the costs of capital investments which help sustain the business, safeguard jobs and support future growth. We had 192 applications for a total grant request amount of £1,090,194. We allocated £222,437 of funding in total to 40 businesses. We extended our training programme to help retail and hospitality businesses reach and connect customers through online and social media tools. The popular workshop programme – which is delivered by Coventry and Warwickshire Chamber of Commerce in conjunction with Stories Marketing – supported over 100 small businesses during the year.

The Covid-19 Adapt and Diversify grant scheme, introduced in February 2021, offers grants of £2,500 to £5,000 to access specialist external advice and up to £20,000 for projects which involve specialist advice and/or the purchase of equipment or the refurbishment of property. It is open to all retail, hospitality, tourism and leisure businesses and certain other identified businesses in their supply chains that have also been affected by Covid-19. Applicants must be able to demonstrate the impact and have clear plans to adapt and diversify their business. 145 applications were received in Round 1 and over £600,000 was awarded to 52 small businesses. Round 2 was launched in April.

Our focus on Apprentices in the county remains strong and we lead by example with currently 77 apprentices employed at Warwickshire County Council including schools.

Another successful initiative this year was the "Buy and Eat Local" campaign which aimed to ensure local businesses were supported by us promoting their offers to the local community. It was a marketing campaign which helped various businesses across Warwickshire by promoting their services via local Facebook groups and council webpages.

We extended our Employee Assistance Programme to support business owners and the employees of high street small and micro-businesses (employing 10 or less) to provide information and a confidential telephone number for help with mental health and well-being.

The Tech Challenge fund, launched by the County Council in November 2020, supports three digital initiatives across the county which boost support for town centre businesses. Funding was available for projects within the range of £10,000 to £80,000 for a mixture of new or existing solutions.

We have developed the Warwickshire Investment and Recovery Fund which was approved in June 2021 by Cabinet to mitigate the economic issues caused by Covid-19. Our proposals aim to support our communities; helping to power the economy through the next 5 years with £140m gradually being invested on a repayable basis.

With the pandemic resulting in phased lockdowns affecting businesses within Warwickshire and especially town centres we have had to look at ways to help with reopening of town centres in a way that complies with the latest government guidance on social distancing. We collaborated with Warwick District Council, Royal Leamington Spa Town Council and Business Improvement District (BID) Leamington to support the safe reopening and recovery of town centres, including Leamington, by implementing temporary changes to road layouts. These schemes created a safe space for social distancing allowing businesses to operate and the public to return safely to town centres.

We have established a ***Climate Change*** Programme of wide-ranging activity. This includes tackling our carbon emissions by decarbonising our estate and fleet, supporting Warwickshire communities to reduce their carbon emissions through Green Shoots community grant scheme, Switch and Save energy buying scheme, Solar Together buying scheme, installing electric charging points, safe and active travel schemes for schools to promote cycling and walking, and continuing strategic countywide activity in areas like waste, flood prevention, transport policy and planning development.
Clearly climate change is a long-term challenge that requires significant partnership working. We have established partnership working through our Climate Emergency Cross Party Group, and with Borough and District Councils through the Warwickshire Local Councils Climate Emergency Partnership and the Climate Change All Councils Officer Group.
We continue to explore more and more opportunities to deliver this Programme, which continues to need long term financial planning, resourcing, partnerships and expertise.

***Develop our people and future ways of working***

Our People Strategy outlines our commitment to creating a workplace that promotes health and wellbeing in our people. We want to support our staff with this in the best way that we can. Throughout the last year we have helped our staff in several ways including regular check in surveys to gauge how people are doing and signing up to the Thrive at Work programme. Despite the challenging times we have been experiencing, we were pleased that our staff engagement score increased to 76%, compared to 70% in the previous year. More widely, colleagues have embraced our focus on employee engagement with gains in communications, ability to take responsibility for performance, opportunities for personal development and growth and wellbeing all seeing gains of over 10 percentage points when compared with the previous survey.

Sickness levels have improved significantly in the year to 31 March 2021. This indicator is based on a rolling 12-months, over which period our sickness absence levels have reduced to 7.45 days per Full Time Equivalent (FTE) employee from 10.9 days per FTE in the year to 31 March 2020. In this period we have initiated a

Sustainable and Resilient Workforce project which builds on our earlier work in equipping managers to manage our people and their attendance effectively and focusing on wellbeing. In parallel with these activities we have benefited for a sizeable proportion of our workforce operating largely from home and in line with central government guidance.

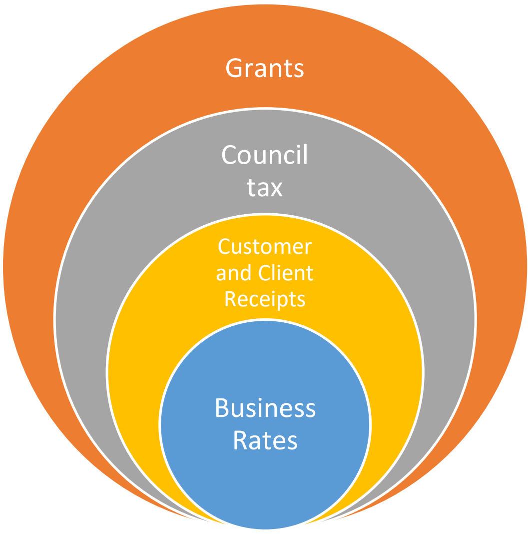
## Ongoing Challenges

The Covid-19 pandemic has had profound impacts, globally and locally, for public health; the economy; society and environment, highlighting and compounding existing challenges. The ever-changing Covid-19 landscape poses significant and ongoing challenges for us and we are conscious that we must continue to take an agile approach to our decision making and our organisational priorities, so we support the communities of Warwickshire in the best way to recover as quickly as possible.

# Financial performance

## Revenue income and expenditure

Our total revenue income from all sources in 2020/21 was £926.1million.

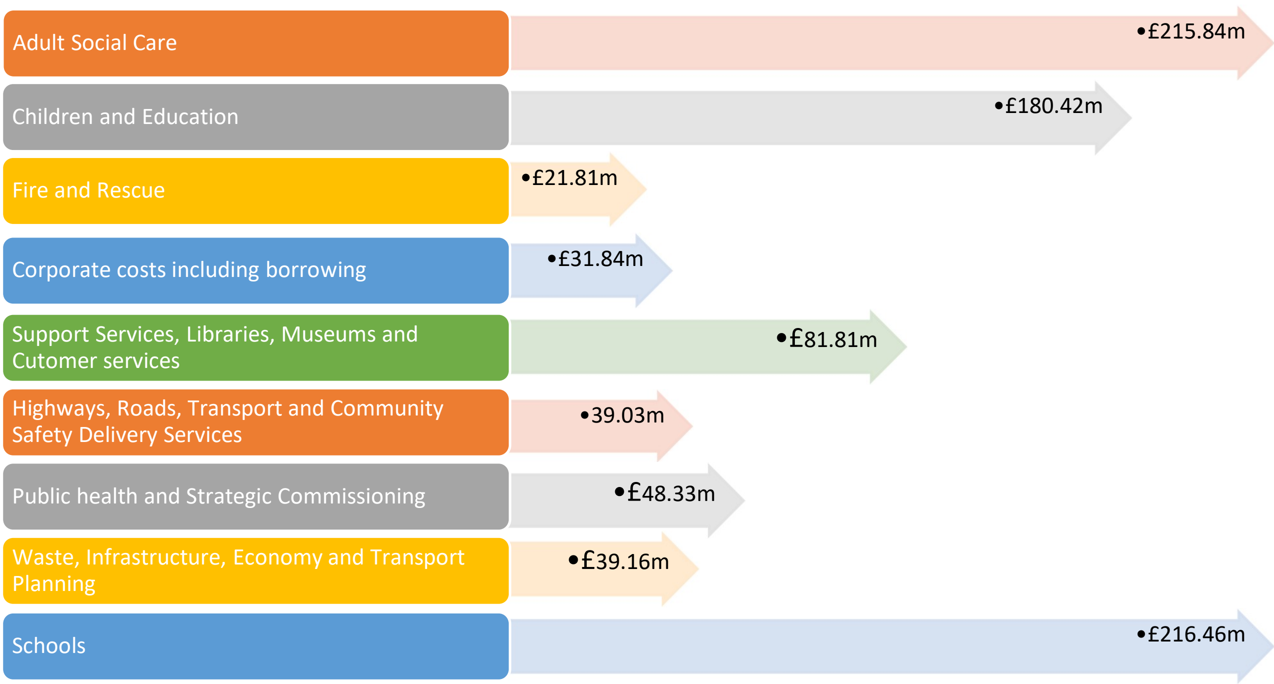



Revenue Income

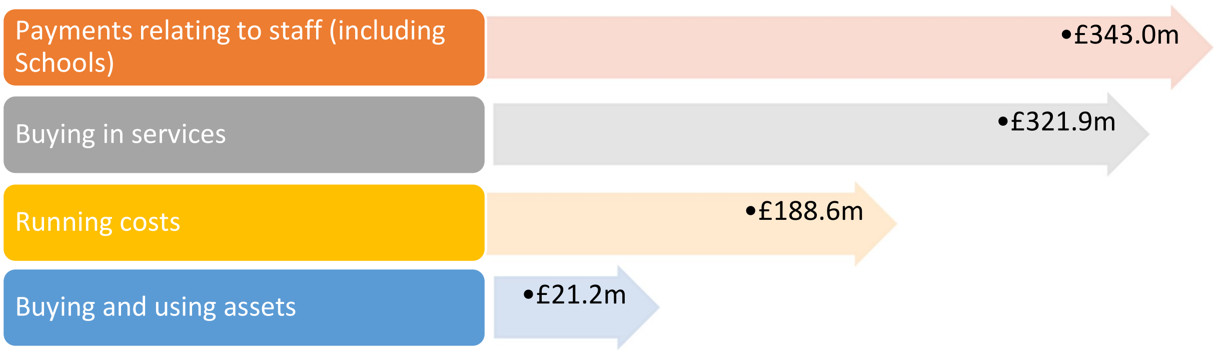
| | |
|---|---|
| **Grants** | **£435.1m** |
| **Council tax** (inc. Adult Social Care Levy) | **£313.7m** |
| **Customer and Client Receipts** | **£111.7m** |
| **Business rates** | **£65.6m** |

We have spent £658.2 million of this revenue income to finance the various services we provide (excluding schools). Adding on schools spending (£216.5 million) and technical adjustments makes up the gross expenditure shown in our Comprehensive Income and Expenditure Statement.

Revenue Spend by Service



## Revenue Spend by Type

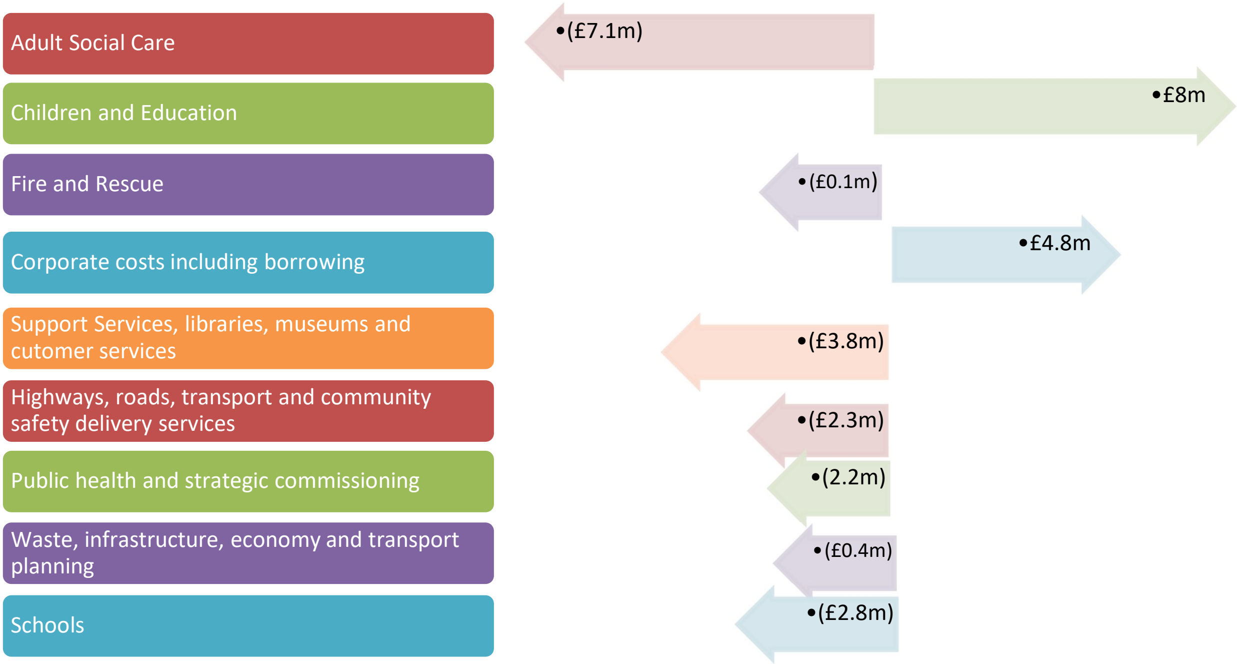



## Revenue Underspends/Overspends

The net difference between our funding and expenditure for the year is £51.3million. This is £12.5m higher than our previously reported outturn due to late receipt of information in relation to school spending, local tax collection and government grants. This is included in our final accounts as required by accounting standards. As part of our outturn we received £67.0m of Covid-related funding from the Government and Health and spent £51.0 million of this in the financial year. As a result, we have carried £16.0 million forward to fund the cost of Covid response and recovery in 2021/22.

Of the remaining £22.7 million added to reserves:

- £8.1m was an underspend against resources received to fund specific activity over more than one year;
- £6.2m related to projects we were unable to complete in year as a result of Covid;
- £2.5m was additional non-Covid grant income received after the budget was set; and
- £5.9m was the residual net underspend on services.



## Capital spending and the value of our assets

We spent **£100.0 million** on the purchase and creation of assets in 2020/21 including **£20.8 million** on assets owned by other parties. Our initial estimate was **£147.8 million** but in-year adjustments for additions (for example, to spend newly awarded grants), reductions or rescheduling brought our approved budget for 2020/21 down to **£128.8 million** as at January 2021. Our capital spending was therefore **£47.8 million** less than our original budget, and **£28.8 million** less than the latest approved budget. This underspend was due to delays on individual projects. Most of this spending now is expected to be incurred in 2021/22, for which the budget is **£153.7 million**.

The value of our fixed assets has decreased from **£1,162 million** to **£1,134 million** in 2020/21.

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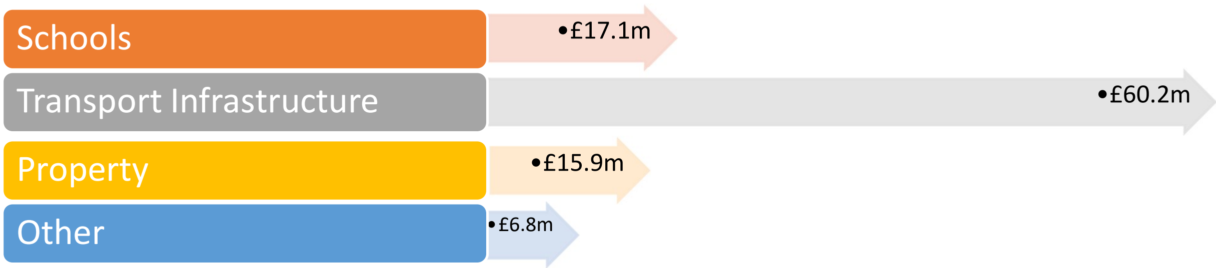
**The main reasons for this decrease are:**

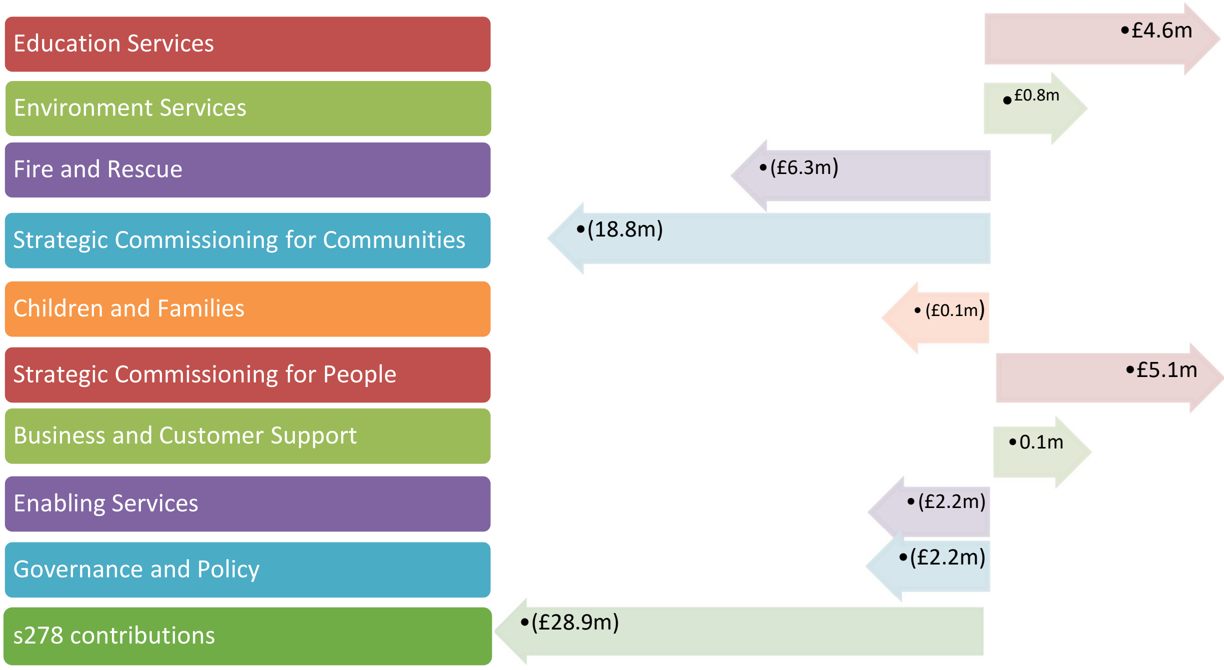
- **£49.3 million** of assets disposed of or through schools transferring to Academy status;
- A spend of **£79.1 million** increasing the value of our assets;
- A write-down of **£39.9 million** to reflect our assets' usage by services; and

A net decrease in the value of our assets of **£17.5 million** is a result of updated valuations to reflect market movements and usage changes.

### Capital Spend by Service



## Capital over/underspends compared to the budget at the start of the year




### Savings and efficiencies

As part of the Medium-Term Financial Strategy the savings target set for the 2020/21 financial year was £6.2m. These savings were spread across a number of areas. Some of the larger items were:

- £2.5 million reduced capital financing costs as a result of reinvestment of capital receipts;
- £0.9 million reduction in cost as a result of a service wide restructure of business support;
- £0.5 million savings through the reduction in cost of laptops, mobiles and other devices as part of the delivery of the ICT Strategy;
- £0.5 million saving from a review of contracted services and third party spend and improved contract management at all stages of the procurement process.

Delivery of the service changes required to monetarise these savings has been impacted by Covid and the need to divert focus and resources to response and recovery for much of the year. As a result, there has been a shortfall in the delivery of the savings plan by £2.7m.

### Reserves

We planned to use £0.8 million of our reserves to support the delivery of services in 2020/21. However, services spent £56.8 million more than their cash-limited budget; when combined with the £108.1 million additional resources received during the year and the reclassification of the Dedicated Schools Grant deficit of £8.3 million as an unusable reserve, the outcome was that our usable revenue reserves increased overall by £59.6 million.

At 31 March 2021 our usable revenue reserves are therefore £252.6 million, of which £21.3 million is held by schools. We consider this to be a robust figure and allows us some flexibility to balance the challenges of meeting current and unknown future economic uncertainty alongside investment to improve our efficiency and the wider community economic recovery. We will continue to apply our Reserves Strategy which describes how and when these reserves should be used or added to. Based on our current medium term financial strategy it is anticipated that the level of revenue reserves will reduce to £153.2m by the end of the 2025/26.

## Borrowing and Investments

Whilst the Council's benchmark rate of return on investment in 2020/21 was 0.41%, our treasury management activity generated a higher average interest on investments of 0.52%. In line with the Treasury Management Strategy the Council has prioritised first security, then liquidity and yield in its investments. This involved investing in banks, building societies and other local authorities, as well as external fund managers such as cash, property and bond funds. Our long-term debt outstanding is £321.4 million at 31 March 2021; and at 31 March 2021 we are holding £395.6 million of cash, cash equivalents and treasury investments.

## Pensions

At 31 March 2021 our total pensions liability was £1,062.8 million, an increase of £250.2 million over the year. The increase is largely attributable to the re-measurement of liabilities relating to the Local Government Pensions Scheme to recognise the changes in actuarial assumptions at the balance sheet date. This remains within the expected range and we are confident that this liability is well managed within the statutory arrangements.

# Outlook

## Pre-Existing Financial Challenges

The current Council Plan that was designed and implemented in 2019/20, includes a 5-year medium-term financial strategy and reserves strategy that are updated annually. This gives greater alignment of the financial position and plans of the Council to the strategic objectives of healthy communities and a vibrant local economy, as well as managing the risk inherent in providing a diverse range of services to a diverse community funded by numerous income streams.

The finance strategy recognised a number of risks to be monitored, managed and where uncontrollable to be financially underwritten:

- On-going impact of the Covid -19 pandemic.
- Prolonged uncertainty around Central Government's future decisions about local government financing, including a new funding model for adult social care to replace the social care council tax precept and the Better Care Fund grants.
- Dependency on locally collected Business Rates, placing greater importance on the need to maintain reserves to manage any volatility.
- Designing and delivering sustainable delivery of Special Educational Needs services within the level of DSG funding.
- The broader economic environment, such as the impacts of movement in inflation, council tax base and interest rates on our day-to-day costs, income and debt repayments.
- Pension cost increases arising from revaluations and any Central Government decisions about the scheme's funding mechanisms.

## Covid-19

2020/21 has been a highly unusual financial year due to Covid and this has impacted on, and is very clearly reflected in, our financial position at the end of the year. Services in some areas have faced unprecedented increases in demand and significant drops in planned income as well as the need to set up and deliver a range of new services almost overnight (for example PPE or test and trace activities). In other areas Covid has reduced or depressed demand, which we expect to see come through in 2021-22 and beyond and limited our ability and capacity to invest in change and deliver our planned capital investments.

We received significant and very welcome additional funding from government, in many different tranches, with numerous conditions attached, and at various times during the year, to help us support our communities through the Pandemic. The nature of the Pandemic and therefore the funding provided in response does not fit neatly into financial years. This incremental provision of in-year funding, proliferation of small funding pots and understanding the financial impact on our costs and income have provided for a challenging financial management environment.

Whilst the financial results for the year reflect significantly higher variation than would usually be expected, we continue to remain a financially strong and resilient Authority. However, the potential additional costs and loss of income need to be managed to ensure the Council's budget remains balanced and sustainable into the future.

## Mitigation

These risks are common to all local authorities, and we continue to combat them through a mix of active management and financial planning. The specific plans to mitigate the financial risk associated with Covid-19 are:

- All Covid-related funding received is managed corporately, with decisions on the allocation of any resources requiring Corporate Board approval to ensure the effective use of resources;
- The prioritisation of investment to support recovery in the use of the revenue and capital investment funds;
- The creation of a taxbase volatility reserve, alongside the existing business rates appeals reserve to provide for any deficits on the collection of the council tax and business rates from the current economic downturn; and
- The reflection of a gradual economic recovery in projections of future resource levels in the Medium-Term Financial Strategy.

## Major Developments

During 2020/21 we have brought forward two major developments to support economic growth, as part of our investment in Warwickshire's recovery post the Covid-19 pandemic. Both will become operational in 2021/22.

Warwickshire Property and Development Group is a local authority trading company set up to deliver our policy objective of creating jobs and more homes across Warwickshire. Maximising the value of our balance sheet we expect investment of up to £120 million over the next five years.

The Warwickshire Recovery and Investment Fund will provide access to finance, on a repayable basis, that helps businesses in Warwickshire start, grow and scale-up; helps businesses locate in the county and leverages additional resources for the county through investment and support for key growth businesses. Our investment will be a maximum of £140 million over the next five years.

# Basis of preparation and presentation

In considering this report, you should note that the comparison of spend against service budgets which we use internally to assess our financial performance is not directly comparable to the cost of services disclosed in the Statement of Accounts. This is mainly due to the accounting adjustments required to comply with reporting requirements, which do not impact on the amount of our spending to be met by local taxpayers, which is central to our in-year monitoring of our financial performance. The key differences relate to the way in which we account for items such as depreciation, impairment, reserves, provisions and carry-forwards. Each of these items is explained further in our accounting policies or the glossary.

## Core Financial Statements

These comprise the four key pieces of information in the Statement of Accounts

| Comprehensive Income and Expenditure Statement | Balance Sheet |
|---|---|
| **An accounting deficit of £7.9 million for 2020/21 has been reported; the outturn position is an £62.1 million surplus. This is inclusive of the £23.3m that was not included as part of our outturn report due to timing and the £5.3 million in-year Dedicated Schools Grant deficit transferred to an unusable reserve. These are reflected in our accounts, as required by proper accounting practice.** | **A decrease of £224.2 million in County Council's net assets as at 31 March 2021.** |
| *This statement shows the accounting cost in the year of providing services rather than the amount to be funded from taxation. The main factors in the move from surplus to deficit are capital depreciation, revaluation and pensions charges.* | *The balance sheet shows the value of the assets and liabilities recognised by the County Council. At 31 March 2021 the County Council's net worth was £46.7 million.* |
| **Cash Flow Statement** | **Movement in Reserves Statement** |
| **A net cash outflow of £3.2 million in 2020/21 in cash or cash equivalents.** | **An increase of £68.6 million in the County Council's usable reserves, made up of an increase of £59.6 million in revenue reserves and £9.0 million in capital reserves.** |
| *This statement summarises the cash that has been paid to us and which we have paid to other organisations and individuals.* | *This statement shows the movement in year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be used to fund spending or reduce taxation) and other reserves.* |

### Statement of accounting policies

This summarises the accounting rules and conventions we have used in preparing these financial statements. During the year the Audit and Standards Committee agreed two changes to our accounting policies relating to group accounts and leases. None of these changes impacted on the 2020/21 financial statement but both of these policies are expected to affect the preparation of the 2021/22 accounts.

### Notes to the core financial statements

The notes include more detail to support the information contained in the core financial statements as well as information on critical judgements and assumptions applied in the production of the accounts.

## Other sections of this Document

As well as the Statement of Accounts for the County Council, this document includes separate sections for the Annual Governance Statement and the Statement of Accounts for the Warwickshire Pension Fund.

The Annual Governance Statement describes the Council's Governance Framework and system of internal control.  It includes a review of the effectiveness of this system in the past year and identifies key risks for the Council to manage in the future. The Annual Governance Statement also covers the Warwickshire Pension Fund.

The Warwickshire Pension Fund's Statement of Accounts describes the Fund's financial position and performance in 2020/21. While the County Council administers the Fund, the Fund's accounts represent its activities on behalf of all its member organisations. Further information about the Fund can be found in Note 1 of that section.

**Rob Powell**
**Strategic Director for Resources**

# Warwickshire County Council

# Statement of Accounts

# 2020/21

Working for Warwickshire

We would welcome any comments or suggestions you have about this publication. Please contact Virginia Rennie, Strategic Finance, Resources Directorate, Warwickshire County Council.

- Phone: 01926 412239
- E-mail: vrennie@warwickshire.gov.uk

You can also leave your comments on our website at www.warwickshire.gov.uk

If this information is difficult to understand, we can provide it in another format, for example, in Braille, in large print, on audiotape, in another language or by talking with you. Please contact Hayley Green on 01926 412232.

This document forms part of the Warwickshire County Council's 2020/21 Statement of Accounts which also includes the Annual Governance Statement and the accounts for Warwickshire Pension Fund. The accounts for the Pension Fund are available at www.warwickshire.gov.uk

## Contents

# Independent auditor's report to the members of Warwickshire County Council

# Independent auditor's report to the members of Warwickshire County Council

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## Statement of responsibilities for the statement of accounts

This section explains our responsibilities for our financial affairs and how we make sure we carry out these responsibilities properly, in line with the Accounts and Audit (Amendment) Regulations 2021 and the Accounts and Audit Regulations 2015.

### Responsibilities of the Council

We do the following:

- Make sure that one of our officers is responsible for managing our financial affairs. In this council, the Strategic Director for Resources is responsible for this;
- Manage our affairs to make sure we use our resources efficiently and effectively and protect our assets; and
- Approve the statement of accounts.

### Responsibilities of the Strategic Director for Resources

As the Strategic Director for Resources, I am responsible for preparing our statement of accounts. These accounts must present a true and fair view of our financial position, including our income and spending for the year.

In preparing our statement of accounts, I have:

- Selected suitable accounting policies and applied them consistently;
- Made reasonable and prudent judgements and estimates; and
- Followed the Chartered Institute of Public Finance and Accountancy/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

I have also:

- Kept proper accounting records which are up to date; and
- Taken steps to prevent and detect fraud and other irregularities.

I certify that the Statement of Accounts presents a true and fair view of the financial position of Warwickshire County Council at 31 March 2021 and the income and expenditure for the year ended 31 March 2021. The unaudited draft accounts were authorised for issue on 30 June 2021. These will then be audited and presented at a meeting of the Council on 14 December 2021.

**Rob Powell**
**Strategic Director for Resources** **Date: 14 December 2021**

**Councillor Peter Gilbert**
**Chair of the Council** **Date: 14 December 2021**

## Comprehensive Income and Expenditure Statement

| 2019/20 | | | | 2020/21 | | |
|---|---|---|---|---|---|---|
| Gross expenditure £m | Gross income £m | Net expenditure / income £m | Summary of revenue spending | Gross expenditure £m | Gross income £m | Net expenditure / income £m |
| | | | **Money spent on services** | | | |
| 279.3 | -38.1 | 241.2 | ~ Communities Directorate | 285.8 | -36.2 | 249.6 |
| 314.7 | -67.7 | 247.0 | ~ People Directorate | 356.5 | -88.4 | 268.1 |
| 80.7 | -8.8 | 71.9 | ~ Resources Directorate | 96.8 | -10.3 | 86.5 |
| 182.9 | -260.7 | -77.8 | ~ Schools | 176.2 | -268.1 | -91.9 |
| 8.2 | -36.4 | -28.2 | ~ Corporate Services and Resourcing | 25.4 | -69.1 | -43.7 |
| 0.8 | 0.0 | 0.8 | ~ Non-distributed costs | | -3.4 | -3.4 |
| **866.6** | **-411.7** | **454.9** | **Net cost of services** | **940.7** | **-475.5** | **465.2** |
| 9.8 | 0.0 | 9.8 | ~ Other operating expenditure (note 4) | 24.4 | 0.0 | 24.4 |
| 53.0 | -18.2 | 34.8 | ~ Financing and investment income and expenditure (note 5) | 49.7 | -14.2 | 35.5 |
| 0.0 | -495.1 | -495.1 | ~ Taxation and non-specific grant income and expenditure (note 6) | 0.0 | -517.2 | -517.2 |
| **929.4** | **-925.0** | **4.4** | **Surplus (-) or deficit on the provision of services** | **1,014.8** | **-1,006.9** | **7.9** |
| | | | **Items that will not be reclassified to the surplus (- ) /deficit on the provision of services** | | | |
| | | -14.1 | ~ Surplus (-) or deficit on revaluation of property, plant and equipment | | | -7.6 |
| | | -0.1 | ~ Surplus or deficit from investments in equity instruments designated at fair value through other comprehensive income. | | | -0.1 |
| | | -160.7 | ~ Remeasurements of the net defined benefit liability/(asset) | | | 224.0 |
| | | **-174.9** | **Other comprehensive income and expenditure** | | | **216.3** |
| | | | | | | |
| | | **-170.5** | **Total comprehensive income and expenditure** | | | **224.2** |

To arrive at the figures for each directorate in the table above we adjust the income and expenditure figures used internally to report our financial performance, as required by the Code and regulations. A reconciliation of these adjustments and more details as to what each adjustment relates to are shown in the Expenditure and Funding Analysis (Note 1) and the Adjustments between accounting basis and funding basis under regulations (Note 2) in conjunction with the Movement in Reserves Statement. For administrative reasons the Dedicated Schools Grant (DSG) is managed centrally as a single grant and shown within Schools in the CIES above. However, £84.9 million in 2020/21 was used to fund education related services provided by the Communities Directorate (£79.4 million in 2019/20).

Figures for income, gains and surpluses are shown as negative (-) above.

# Movement in Reserves Statement

| Movement in Reserves Statement - 2020/21 | General Fund (Unearmarked Funds) £ m | General Fund Earmarked Reserves £ m | General Fund Capital Fund £ m | Total General Fund Reserves £ m | Capital Receipts Reserve £ m | Capital Grants Unapplied £ m | Total Usable Reserves £ m | Unusable Reserves £ m | Total Authority Reserves £ m |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 31 March 2020** | **21.2** | **170.1** | **1.7** | **193.0** | **8.9** | **3.6** | **205.5** | **65.4** | **270.9** |
| Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020 | 0.0 | 3.0 | 0.0 | 3.0 | 0.0 | 0.0 | 3.0 | -3.0 | 0.0 |
| **Restated balance at 1 April 2020** | **21.2** | **173.1** | **1.7** | **196.0** | **8.9** | **3.6** | **208.5** | **62.4** | **270.9** |
| **Movement in Reserves during 2020/21** | | | | | | | | | |
| Total Comprehensive Income and Expenditure | -7.9 | 0.0 | 0.0 | -7.9 | 0.0 | 0.0 | -7.9 | -216.3 | -224.2 |
| Adjustments between accounting basis and funding basis under regulations (note 2) | 64.4 | 0.0 | 0.1 | 64.5 | 8.8 | 0.2 | 73.5 | -73.5 | 0.0 |
| **Net Increase / Decrease (-) before Transfers to Earmarked Reserves** | **56.5** | **0.0** | **0.1** | **56.6** | **8.8** | **0.2** | **65.6** | **-289.8** | **-224.2** |
| Transfers to / from (-) Earmarked Reserves (note 7) | -56.4 | 57.4 | -1.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Increase / Decrease (-) in Year** | **0.2** | **57.4** | **-1.0** | **56.6** | **8.8** | **0.2** | **65.6** | **-289.8** | **-224.2** |
| **Balance at 31 March 2021** | **21.4** | **230.5** | **0.7** | **252.6** | **17.7** | **3.8** | **274.1** | **-227.4** | **46.7** |

The opening balance adjustment reflects a change in statutory accounting treatment of Dedicated Schools Grant deficits.

| Movement in Reserves Statement - 2019/20 | General Fund (Unearmarked Funds) £ m | General Fund Earmarked Reserves £ m | General Fund Capital Fund £ m | Total General Fund Reserves £ m | Capital Receipts Reserve £ m | Capital Grants Unapplied £ m | Total Usable Reserves £ m | Unusable Reserves £ m | Total Authority Reserves £ m |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 31 March 2019** | **32.3** | **135.2** | **1.4** | **168.9** | **9.6** | **15.1** | **193.6** | **-93.2** | **100.4** |
| **Movement in Reserves during 2019/20** | | | | | | | | | |
| **Total Comprehensive Income and Expenditure** | **-4.4** | **0.0** | **0.0** | **-4.4** | **0.0** | **0.0** | **-4.4** | **174.9** | **170.5** |
| **Adjustments between accounting basis and funding basis under regulations (note 2)** | 28.5 | 0.0 | 0.0 | 28.5 | -0.7 | -11.5 | **16.3** | -16.3 | 0.0 |
| Net Increase / Decrease (-) before Transfers to Earmarked Reserves | 24.1 | 0.0 | 0.0 | 24.1 | -0.7 | -11.5 | 11.9 | 158.6 | 170.5 |
| Transfers to / from (-) Earmarked Reserves (note 7) | -35.2 | 34.9 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Increase / Decrease (-) in Year** | **-11.1** | **34.9** | **0.3** | **24.1** | **-0.7** | **-11.5** | **11.9** | **158.6** | **170.5** |
| **Balance at 31 March 2020** | **21.2** | **170.1** | **1.7** | **193.0** | **8.9** | **3.6** | **205.5** | **65.4** | **270.9** |

# Balance Sheet as at 31 March 2021

| 31 March 2020 £ m | | 31 March 2021 £ m | Notes |
|---|---|---|---|
| 1,130.9 | Property, plant and equipment | 1,122.8 | 8 |
| 4.5 | Heritage assets | 4.6 | 10 |
| 23.6 | Investment property | 4.9 | 11 |
| 3.0 | Intangible assets | 2.2 | 12 |
| 1,162.0 | **Total fixed assets** | 1,134.5 | |
| 12.3 | Long-term investments | 12.3 | 13 |
| 0.0 | Long-term debtors | 3.1 | 13 |
| **1,174.3** | **Total long-term assets** | **1,149.9** | |
| | **Current assets** | | |
| 162.3 | Short-term investments | 211.7 | 13 |
| 0.5 | Inventories | 0.4 | |
| 84.7 | Short-term debtors | 105.6 | 15 |
| 201.7 | Cash and cash equivalents | 198.5 | 16 |
| 449.2 | Total current assets | 516.2 | |
| | **Current liabilities** | | |
| -5.9 | Short-term provisions | -5.6 | 18 |
| -20.0 | Short-term borrowing | 0.0 | 13 |
| -122.9 | Short-term creditors | -149.0 | 17 |
| -0.9 | Short-term grants received in advance | -2.7 | 24 |
| -149.7 | Total current liabilities | -157.3 | |
| **299.5** | **Current assets less current liabilities** | **358.9** | |
| -2.3 | Long-term provisions | -2.2 | 18 |
| -321.4 | Long-term borrowing | -321.4 | 13 |
| -66.6 | Long-term grants received in advance | -75.7 | 24 |
| -812.6 | Liability related to defined benefit pension scheme | -1,062.8 | 20 |
| **-1,202.9** | **Long-term liabilities** | **-1,462.1** | |
| **270.9** | **Net assets** | **46.7** | |
| 205.5 | Usable reserves | 274.1 | 19 |
| 65.4 | Unusable reserves | -227.4 | 20 |
| **270.9** | **Total reserves** | **46.7** | |

**Rob Powell**
**Strategic Director for Resources**
**14 December 2021**

## Cash Flow Statement

| 31 March 2021 Restated £ m | | Notes | 31 March 2021 £ m |
|---|---|---|---|
| -4.4 | Net surplus or (deficit) on the provision of services | | -7.9 |
| 110.3 | Adjustment to surplus or deficit on the provision of services for noncash movements | 21 | 154.9 |
| -100.1 | Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 21 | -104.9 |
| 5.8 | Net Cash flows from operating activities | | 42.1 |
| 1.2 | Net Cash flows from Investing Activities | 22 | -25.3 |
| -10.0 | Net Cash flows from Financing Activities | 23 | -20.0 |
| **-3.0** | **Net increase or (decrease) in cash and cash equivalents** | | **-3.2** |

| 31 March 2020 £ m | | Note | 31 March 2021 £ m |
|---|---|---|---|
| 204.7 | Cash and cash equivalents at the beginning of the reporting period | 16 | 201.7 |
| 201.7 | Cash and cash equivalents at the end of the reporting period | 16 | 198.5 |
| **-3.0** | **Net increase or (decrease) in cash and cash equivalents** | | **-3.2** |

# Statement of accounting policies

This section summarises the accounting rules and conventions we have used in preparing these financial statements.

**General**

The content, layout and general rules we used to prepare these accounts comply with the Code of Practice on Local Authority Accounting 2020/21 ('the Code') issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in accordance with International Financial Reporting Standards (IFRSs).

**Accruals of income and expenditure**

Activity is accounted for in the year that it takes place. This means that income from the sale of goods or the provision of services is recorded in our accounts when the goods or services are transferred to the recipient in accordance with the performance obligations in the contract. Expenditure is recorded in our accounts when services are received, rather than when we actually make a payment, and supplies are recorded as expenditure when we use them or as inventories on the Balance Sheet until that point. Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract. Where income and expenditure have been recognised but cash has not been received/paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet, subject to a de minimis level for non-system generated accruals of £50,000. We do not expect the effect of this de minimis level to be material to the overall position.

**Assets held for sale**

Where we have decided to sell an asset and the asset is being actively marketed with a sale expected within 12 months of making that decision, it is categorised as a current asset held for sale. We value these at the lower of carrying amount and fair value less disposal costs. Those assets that we do not expect to sell within 12 months are not classed as assets held for sale and instead are valued at their previous use.

**Apprenticeship Levy**

The cost of the Levy is recognised as a direct cost of employment in the Comprehensive Income and Expenditure Statement (CIES) when it is paid to Her Majesty's Revenue and Customs (HMRC). When funds are transferred from the Government's Digital Apprenticeship Account to an approved training provider a training expense up to the value of the training provided, with a corresponding entry for a government grant, will be recognised in the CIES against the service benefiting from the training.

**Cash and cash equivalents**

Cash is money held in current bank accounts and overdrafts that are repayable on demand and are integral to daily cash flow management. Money held in call accounts and short-term funds invested for a term of three months or less are classified as cash equivalents because they are readily available to be converted into cash.

**Contingent assets**

We identify contingent assets where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or non-occurrence of some uncertain future event not wholly within our control. Our contingent assets disclosure is shown in note 33. These are not included in our Balance Sheet.

**Contingent liabilities**

We identify contingent liabilities where either:

- A possible obligation has arisen from past events and whose existence will be confirmed by the occurrence or non-occurrence of some uncertain future event not wholly within our control; or
- A present obligation may arise from past event but is not recognised because either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

Our contingent liabilities disclosure is shown in note 34. These are not included in our Balance Sheet.

**Employee benefits**

Benefits payable during employment

The accounts reflect entitlements that have been earned by employees, such as salaries and wages, as a consequence of the service completed by them as at 31 March each year even if we would never normally make payments for them, such as annual leave and time-off in lieu not yet taken. These are accrued for in the cost of services in the CIES.

Termination benefits

Termination benefits are amounts payable as a result of a decision to terminate an officer's employment before normal retirement age or an officer's decision to accept voluntary redundancy. Termination benefits are recognised immediately as an expense to the service in the CIES at the earlier of when the authority can no longer withdraw the offer or when we recognise costs of a restructuring.

Post-employment benefits

As part of the terms and conditions of employment we offer retirement benefits. Although these benefits will not actually be payable until the employee retires, we account for post-employment benefits in the CIES at the time that employees earn their future entitlement.

Our employees are members of four different pension schemes, and we participate in one compensation scheme:

- The Local Government Pension Scheme;
- The Teachers' Pension Scheme;
- The Firefighters' Pension Scheme and the Firefighters' Injury Awards Scheme; and
- The National Health Service Pension Scheme.

All four pension schemes provide members with pensions and other benefits related to their pay and length of service. Details of these schemes, our accounting policies in relation to them and their impact on the financial statements are shown in note 37.

**Events after the Balance Sheet date**

We consider any material events that occur between the date of the Balance Sheet and the date the accounts are authorised for issue by the Strategic Director for Resources.

**Exceptional items, prior period adjustments and changes to accounting policies**

Exceptional items are material items of income or expenditure that are disclosed separately in the CIES to aid understanding of our financial performance.

Prior period adjustments are made where there are material adjustments applicable to prior years arising from changes in accounting policies or to correct a material error. Where a change to accounting policies is made it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for earlier years as if the policy had always applied.

**Fair value**
We value several classes of our assets at fair value. We define this as 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. In 2020/21 fair value applies to non-operational property, plant and equipment classified as surplus assets, investment properties, assets held for sale and financial instruments.

We use appropriate valuation techniques, maximising the use of relevant known data and thereby minimising the use of estimates or subjective valuations. We assess the level of uncertainty in our valuations by assigning our assets into three categories:

- Level 1 – quoted prices of identical assets or liabilities;
- Level 2 – inputs other than quoted prices that are observable, either directly or indirectly; and
- Level 3 – unobservable inputs.

Further detail is shown in notes 11 and 13.

**Financial assets**
Financial assets are classified based on our business model for holding them and their cash flow characteristics. There are three main classes:

- Amortised cost;
- Fair value through profit or loss (FVPL); and
- Fair value through other comprehensive income and expenditure (FVOCI) – designated equity instruments.

Financial assets measured at amortised cost are recognised on the Balance Sheet when we become a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. The amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest)..

The fair value measurements of FVPL assets are based on the following techniques:
- Instruments with quoted market prices – the market price; and
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

FVPL assets are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services. A financial instrument revaluation reserve exists to hold qualifying gains and losses on FVPL assets (note 19). Those that do not qualify impact the general fund and are held in an earmarked volatility reserve (note 7).

Equity instruments designated as FVOCI are those which are not held in order to give rise to contractual cashflows and are not held for trading. They are valued at fair value using the earnings multiple valuation method or at cost if suitable information is not available or appropriate. Movements in fair value are recognised in the CIES in Other Comprehensive Income and Expenditure and reflected in the Financial Instruments Revaluation Reserve. These gains or losses are only realised in the General Fund when the assets are sold. Interest is recognised in the CIES is the amount receivable for the year in the loan agreement.

We recognise expected credit losses on assets held at amortised cost or FVOCI either on a 12-month or lifetime basis as appropriate. Impairment losses are calculated to reflect our expectation that future cash flows might not take place because the debtor defaults on their obligations. Where risk has significantly increased since an instrument was recognised, losses are assessed on a lifetime basis. Where risk has not significantly increased or remains low, losses are assessed on the basis of 12-month expectations. For further details on the impairment of current debtors (allowances for bad debts) see note 14. These are shown in service expenditure in the CIES.

**Financial liabilities**

Financial liabilities are recognised on the Balance Sheet when we become party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently carried at their amortised cost. Annual charges to the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument in the year it was due. For our borrowings, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the CIES is the amount payable for the year in the loan agreement.

Trade creditors are due within one year and carrying value is deemed to equate to fair value.

**Going concern**

Local authorities cannot be created or dissolved without statutory prescription. The provisions of the Code on going concern reflect the economic and statutory environment in which local authorities operate and hence these accounts are prepared on the basis that the functions of the authority will continue in operational existence for the foreseeable future.

**Grants**

Grants are shown in the accounts in the year that they relate to rather than when we actually receive them. They are only shown in the accounts if we are certain that we will receive them. General grants we receive are shown as Taxation and non-specific grant income in the CIES. Revenue grants we receive to pay for spending on specific service activities are shown as income for the relevant service area when we are confident that any grant conditions have been met. Where revenue grants have conditions outstanding the grant is held as a receipt in advance; if the conditions are met but the grant remains unspent it is held in an earmarked reserve.

Capital grants are credited to the CIES when any relevant conditions governing their use have been met. This income is then reversed out and charged to the Capital Adjustment Account upon use, so the level of council tax is not affected. Unused non-conditional capital grants are held in the Capital Grants Unapplied Reserve. Before the conditions are met, capital grants are held on the Balance Sheet as a receipt in advance.

**Group accounts**

We have assessed a number of entities, including our wholly owned subsidiaries, in line with the Code and accounting standards. Having due regard to materiality of effects on the financial statements and other qualitative considerations that may affect the understanding by the readers of the accounts, we have not established a requirement to produce group accounts. Further details of all our associated companies, subsidiary company holdings and other related party details are outlined in note 40. In addition, we have accounted for schools' income and expenditure, assets and liabilities in the single entity financial statements rather than produce group accounts, in accordance with the Code.

**Heritage assets**

Our heritage assets are held for their cultural, environmental or historic associations, making their preservation for future generations important. We value our museum collections and valuables at the Courts, Judges House and Shire Hall at their insurance valuations. The Golden Tower of Leaves and our Waller of Woodcote archive collection of family and estate letters and deeds at County Records are valued at cost. It would not be cost effective to undertake revaluations for all other County Record documents and any valuations would not have a material impact on the accounts. Operational heritage assets used in the provision of services or for other activities are accounted for under other asset classes elsewhere in the Balance Sheet. Heritage assets classified as community or other assets are valued at insurance cost unless our valuer believes conventional methods relevant to their classification are more appropriate. Any gains on reclassification are taken to the Revaluation Reserve. More detailed information on the heritage assets we hold is available on our website https://www.warwickshire.gov.uk.

**Income from selling non-current assets**

We use the income from selling non-current assets (buildings, vehicles and land) to meet part of the cost of new capital spending or to repay borrowing. We show the gain or loss on the sale of assets in the CIES. This is the difference between the sale proceeds and the carrying value of an asset after allowing for costs relating to the sale of the asset. We take all costs of disposal incurred in a year to the CIES, regardless of whether all the proceeds of the related sale have been received. We use up to 4% of a capital receipt to meet these disposal costs.

The carrying value of the asset (the net book value after depreciation) and the sale proceeds are also reversed in the Movement in Reserves Statement (MIRS) and transferred to the Capital Adjustment Account and Capital Receipts Reserve respectively, so the level of council tax is not affected.

Where we have the right to capital receipts but have not yet received the cash payment, the transactions in the CIES are unaffected. However, instead of recognising the sales proceeds we instead recognise a Deferred Capital Receipt, which cannot be used to pay for our capital expenditure until the cash is received.

**Intangible assets**

Intangible assets are non-financial non-current assets that do not have physical substance and are controlled by the authority through custody or legal rights (such as software licences). We treat intangible assets in the same way as other non-current assets. We gradually reduce the value of intangible assets on a straight-line basis over their useful life (up to 10 years) to reflect the consumption of the economic or service benefit and charge this to the CIES. Intangible assets are valued at amortised historic cost.

**Inventories**

Inventories are materials or supplies that will be consumed in producing goods or providing services. The highways, roads and transport services stocks are valued at the cost of replacing them. Other stocks are valued at the cost we paid for them. These methods of valuing stocks are different from the methods set out by the Code. This does not have a material effect on the financial statements.

**Investment property**

Investment property assets are those held for rental purposes or capital value appreciation or both. They are not used for the delivery of services. Such assets are initially measured at cost. Investment property is not depreciated but is revalued at fair value every year. Gains and losses on revaluation, as well as disposal and/or rental income, are shown in the Financing and investment income and expenditure line in the CIES. Our valuation techniques in relation to investment properties are as outlined in note 26.

**Leases**

Leases can be designated as either finance leases or operating leases. Finance leases are those where substantially all the risks and rewards relating to the leased asset transfer to the lessee. All other leases are operating leases.

<u>Finance leases</u>

We deal with finance leases where we are the lessee in the same way as other capital spending. We include these as assets in the Balance Sheet and charge depreciation on them. Rentals are apportioned between a charge for the acquisition of the asset (recognised as a liability in the Balance Sheet at the start of the lease and written down annually as rent becomes payable) and a finance charge made each year to the CIES.

We do not have material finance leases where we are the lessor.

<u>Operating leases</u>

The vast majority of our lease rental payments (as lessee) are assessed to be operating leases and are charged evenly to the CIES over the life of the lease.

Where we grant an operating lease over a property or item of plant or equipment, the asset is retained on the Balance Sheet and the rental income is credited to the CIES as it is due.

We do not disclose contingent rents as they are not material to the financial statements.

**Minimum Revenue Provision**

We are required to make an annual contribution from revenue for the repayment of our debt as approved in our Treasury Management Strategy. This is known as the Minimum Revenue Provision (MRP). We calculate MRP on a weighted average straight-line basis using the average remaining useful life of our asset portfolio over the two asset categories of:

- Land, buildings and infrastructure; and
- Vehicles, plant and equipment.

**Overheads and support service costs**

All support service costs are held within the directorate within which they are managed. In accordance with the CIPFA Service Reporting Code of Practice 2020/21 support service costs are only apportioned to services on a relevant basis for the purposes of unit costs reporting on services when required for Government statistical comparability.

**Pooled budgets**

We are the host authority to a number of pooled budget arrangements. These are joint arrangements solely for the purposes of working together with other public sector bodies and which do not create separate entities. We have reported on those arrangements showing the total pooled resources and expenditure including the nature of those arrangements in the notes to the accounts. We have accounted for in our income, expenditure, assets and liabilities in our financial statements, only that where we are the commissioning body. This will include amounts owed to or owed by the other parties in the pooled budget arrangement to the authority where it is the commissioning body.

**Property, plant and equipment**

Assets that have a physical substance, are held for use in the production or supply of services and that are expected to be used during more than one financial year are classified as property, plant and equipment (PPE).

<u>Recognition</u>

Our spending on buying, creating or improving PPE is classed as capital spending provided that it is probable that the future economic benefits or service associated with the item will flow to us and the cost of the item can be measured reliably. Spending that does not provide a significant benefit in terms of value, asset life, or service performance or which falls below our de minimis level of £6,000 is charged to our revenue account in full in the year it occurs.

<u>Measurement</u>

Assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Assets are valued on the basis set out by CIPFA and in line with the Statements of Asset Valuation Practice and Guidance Notes issued by the Royal Institute of Chartered Surveyors. Our valuation process is led by the Council's Strategic Assets Management team, who commission external valuers as needed.

The closing balances on 31 March 2021 were determined in the following ways:

- Operational land and buildings are included in the Balance Sheet at their current value based on their existing use less an annual charge for depreciation. However, where there is insufficient market valuation evidence, for example schools, assets are included in the Balance Sheet at a depreciated replacement cost;
- Surplus assets are those which we do not use in our day-to-day work and which are not likely to be disposed of in the next twelve months. We include these assets in the Balance Sheet at fair value, based on highest and best use. These assets are revalued every year and so are not subject to depreciation;

- We include infrastructure assets, such as roads and bridges and community assets, vehicles and equipment in the Balance Sheet at the amount they cost when brought into use less an annual charge for depreciation. These assets are valued in this way because there is no meaningful market data available to calculate an existing use value; and
- Assets under construction are held in the Balance Sheet at the cost incurred on their production to date. When the asset is deemed operationally complete the balance is transferred to the appropriate asset class shown above and depreciation begins.

We revalue operational PPE assets held at a value other than depreciated historic cost annually to ensure their carrying amount is not materially different from their current value at year end.

When asset values rise above the amount, we paid for them we add the difference to the Revaluation Reserve. When asset values go down, the reduction is charged to any available Revaluation Reserve balance held for that asset, with the remainder being charged to the relevant service line in the CIES. This charge is then reversed out in the MIRS so that there is no impact on council tax.

<u>Impairment</u>
Assets are assessed at each year-end to identify 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. The accounting treatment of impairment losses is the same as that for revaluation losses shown above.

<u>Depreciation</u>
Depreciation is an accounting estimate used to spread the cost of an asset over its useful economic life. We charge depreciation on buildings over our valuer's estimate of their useful economic life (between 5 and 58 years), on roads and bridges over 30 years, and on vehicles and equipment over their own useful lives (between 3 and 20 years for vehicles and between 3 and 30 years for equipment).

The cost of depreciation is calculated by the following methodology:

- Our new assets are depreciated from the start of the financial year after they become operationally complete;
- Depreciation is calculated on a straight-line basis meaning that an asset's value falls equally each year throughout its life. If the gross value or remaining life of the asset changes due to expenditure, impairment or revaluation, the depreciation charge will change in the following year; and
- We generally charge depreciation on buildings as a single asset. However, if we determine that the value of major components within an asset are material with respect to the overall value of that asset, and that the lifetime of these components is significantly shorter than the remaining useful economic life of the asset, the major component is depreciated separately.

We do not charge depreciation on land we own, as it does not have a limited useful life, nor on investment properties or assets held for sale. Similarly, heritage assets are generally assessed to have infinite lives and so are not depreciated.

The estimated useful economic lives of our land and buildings are assessed by our valuers as part of the revaluation of these assets.

**Provisions**
We put amounts of money aside to meet future specific service payments. For future events to be reflected in provisions, they need to meet three tests:

- They must be the result of a past event;
- A reliable estimate can be made; and
- There must be a clear responsibility for the Council to make a future payment because of the past event.

Provisions are charged to the appropriate service line in the CIES when we become aware that it is probable a payment will be required. The provision is based on the best estimate of the likely settlement. When payments are made, they are charged to the provision already set up in the Balance Sheet.

**Reserves**

We keep reserves to pay for spending on projects we will carry out in future years, to protect us against unexpected events and to manage the financial risk of the uncertainty we face. Reserves include 'earmarked reserves' which are set aside for certain policy purposes and other 'general reserves' which represent resources set aside for purposes such as general events and managing our cash flow. By law, schools are entitled to keep any of their budgets they have not spent. These amounts are shown separately from other reserves.

Reserves are created by appropriating amounts from the Council's General Fund in the MIRS. When expenditure is financed from a reserve, the expenditure itself is charged to the appropriate service line in the CIES. The reserve is then appropriated back via the MIRS so that there is no net charge against council tax. Some reserves hold unspent funding which can only be applied in specific ways, such as the Capital Grants Unapplied and Capital Receipts Reserve.

Other 'unusable reserves' are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits:

- The capital accounting system requires us to maintain a Revaluation Reserve to reflect unrealised gains on non-current assets, and a Capital Adjustment Account to manage timing differences between their usage and financing;
- We maintain a Deferred Capital Receipts Reserve to recognise proceeds from the sale of assets where we have a right to the capital receipts but have not received cash payment.
- We maintain a Financial Instruments Revaluation Reserve to hold qualifying gains and losses on FVPL assets.
- We maintain an Accumulated Absences Reserve to hold the amount we have to accrue for post-employment benefits such as annual leave earned but untaken at the year-end so as not to affect the level of Council Tax;
- We maintain a Collection Fund Adjustment Account which holds the difference between the amounts required to be shown in the CIES for council tax and business rates and that required by legislation to be taken against the General Fund;
- We maintain a Dedicated Schools Grant (DSG) Adjustment Account to hold deficits on DSG as these cannot be offset against General Fund Reserves and must be carried forward and met from future DSG funding in line with current legislation and statutory requirements; and
- We maintain a Pensions Reserve to hold the difference between any increase in the accounting cost of pensions in the year and the statutory figure chargeable in any year, which is the contribution made by the authority.

**Revenue expenditure funded from capital under statute**

We undertake some capital spending during the year that does not result in the creation of an asset we own. Any money we spend this way must be charged to the CIES but be funded from capital resources, and so, we make an adjustment in the MIRS equal to the expenditure to reverse this to the Capital Adjustment Account.

**Schools and schools' assets**

The balance of control for local authority maintained schools, foundation, voluntary aided and voluntary controlled schools are all deemed to lie with the local authority. We therefore recognise schools' assets, liabilities, reserves and cash flows in our financial statements as if they were transactions, cash flow and balances of the authority. Any asset provided by a third party and consumed in the provision of an education service with schools or donated to the school will be treated as a donated asset. School assets are derecognised in full on the date that a school transfers to academy status. These are disposals for nil consideration. These losses on disposal/transfer are shown in the Other operating income and expenditure line in the CIES.

**VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from HMRC. VAT receivable is excluded from income. We are subject to Partial Exemption: as long as the VAT we claim on purchases used to generate exempt income is less than 5% of all VAT claimed on purchases in the year, we can claim all our VAT back in full.

**Note on Roundings**

Individual tables presented within disclosures may not sum due to roundings. This does not reflect any inaccuracy or error.

# Notes to the Core Financial Statements

## Note 1: Expenditure and Funding Analysis and associated notes

The purpose of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the authority (i.e. grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed and earned by the authority in accordance with generally accepted accounting practices. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES.

| 2019/20 | | | | 2020/21 | | |
|---|---|---|---|---|---|---|
| **Net Expenditure Chargeable to the General Fund £m** | **Adjustments Between the Funding and Accounting Basis £m** | **Net expenditure in the Comprehensive Income and Expenditure Statement £m** | **Summary of revenue spending** | **Net Expenditure Chargeable to the General Fund £m** | **Adjustments Between the Funding and Accounting Basis £m** | **Net expenditure in the Comprehensive Income and Expenditure Statement £m** |
| | | | **Money spent on services** | | | |
| 186.2 | 55.0 | 241.2 | ~ Communities Directorate | 208.5 | 41.1 | 249.6 |
| 236.3 | 10.7 | 247.0 | ~ People Directorate | 259.2 | 8.9 | 268.1 |
| 58.0 | 13.9 | 71.9 | ~ Resources Directorate | 69.6 | 17.0 | 86.6 |
| -82.9 | 5.1 | -77.8 | ~ Schools | -93.8 | 1.9 | -91.9 |
| -123.4 | 95.2 | -28.2 | ~ Corporate Services and Resourcing | -181.1 | 137.3 | -43.8 |
| 0.0 | 0.8 | 0.8 | ~ Non-distributed costs | 0.0 | -3.4 | -3.4 |
| **274.2** | **180.7** | **454.9** | **Net cost of services** | **262.4** | **202.8** | **465.2** |
| -298.3 | -152.2 | -450.5 | ~ Other income and expenditure | -313.7 | -143.6 | -457.3 |
| **-24.1** | **28.5** | **4.4** | **Surplus (-) or deficit on the provision of services** | **-51.3** | **59.2** | **7.9** |
| | | | DSG Deficit in Year Transferred to DSG Adjustment Account - adjustment between funding and accounting basis | **-5.3** | **5.3** | |
| **-24.1** | | | **Transferred to General Fund Balances** | **-56.6** | **64.5** | |
| 168.9 | | | Opening General Fund Balances | 193.0 | | |
| 0.0 | | | Opening Balance Adjustment - DSG Adjustment Account | 3.0 | | |
| 24.1 | | | Less/Plus Surplus or (Deficit) on General Fund Balance in Year | 56.6 | | |
| **193.0** | | | **Closing General Fund Balance** | **252.6** | | |

The General Fund balances above include a significant proportion of earmarked reserves including those held by schools. For more details and information see the MIRS and note 2 to the accounts.

The analysis of the money spent on services used in the Expenditure and Funding Analysis are those reported to the Cabinet as part of quarterly budget monitoring and year end reporting.

**Notes to the Expenditure and Funding Analysis**

The table below provides a reconciliation of the main adjustments to the net expenditure chargeable to the General Fund Balances to arrive at amounts in the CIES. The relevant transfers between reserves are explained in the MIRS.

| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts | 2020/21 | | | |
|---|---|---|---|---|
| | Adjustments for Capital Purposes (a) £m | Net change for Pensions Adjustments (b) £m | Other Statutory Differences (c) £m | Total Adjustments £m |
| ~ Communities Directorate | 36.5 | 3.4 | 1.2 | 41.1 |
| ~ People Directorate | 1.2 | 4.5 | 3.2 | 8.9 |
| ~ Resources Directorate | 11.1 | 3.7 | 2.2 | 17.0 |
| ~ Schools | -0.3 | 1.3 | 0.9 | 1.9 |
| ~ Corporate Services and Resourcing | 8.8 | 0.9 | 127.6 | 137.3 |
| ~ Non-distributed costs | 0.0 | -3.4 | 0.0 | -3.4 |
| **Net cost of services** | **57.3** | **10.4** | **135.1** | **202.8** |
| **~ Other income and expenditure from the Expenditure and Funding Analysis** | -40.3 | 15.9 | -119.2 | -143.6 |
| **Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services** | **17.0** | **26.3** | **15.9** | **59.2** |
| DSG Deficit in Year Transferred to DSG Adjustment Account - adjustment between funding and accounting basis | | | 5.3 | 5.3 |
| **Total for MIRS** | **17.0** | **26.3** | **21.2** | **64.5** |

| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts | 2019/20 | | | |
|---|---|---|---|---|
| | Adjustments for Capital Purposes (a) £m | Net change for Pensions Adjustments (b) £m | Other Differences (c) £m | Total Adjustments £m |
| ~ Communities Directorate | 45.8 | 7.7 | 1.5 | 55.0 |
| ~ People Directorate | 0.8 | 7.8 | 2.1 | 10.7 |
| ~ Resources Directorate | 4.5 | 6.2 | 3.2 | 13.9 |
| ~ Schools | -0.3 | 4.8 | 0.6 | 5.1 |
| ~ Corporate Services and Resourcing | -11.9 | 1.9 | 105.2 | 95.2 |
| ~ Non-distributed costs | 0.0 | 0.8 | 0.0 | 0.8 |
| **Net cost of services** | **38.9** | **29.2** | **112.6** | **180.7** |
| **~ Other income and expenditure from the Expenditure and Funding Analysis** | -64.2 | 19.3 | -107.3 | -152.2 |
| **Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services** | **-25.3** | **48.5** | **5.3** | **28.5** |

a) **Adjustments for capital purposes –** this column adds in depreciation, impairment and revaluation gains and losses as well as revenue expenditure funded by capital under statute and capital grants used to fund that expenditure to the service lines within the CIES. It also includes:

- **Other operating expenditure** – income received on disposal of assets and the amounts written off on those assets are added;
- **Financing and investment income and expenditure** – statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted; and
- **Taxation and non-specific grant income and expenditure** – credits for capital grants receivable in the year without conditions or for which conditions were satisfied in the year are added.

b) **Net change for the Pensions adjustments** – this column adds the net change for the removal of pensions contributions and the addition of employee 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 of current service costs and past service costs as a result of employee service; and
- **For financing and investment income and expenditure** – the net interest on the defined benefit liability is added as a cost.

c) **Other differences** – this column adds other differences between the amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute. These include:

- Taxation and non-specific grant income and expenditure – the difference between what is chargeable under statutory regulations for Council Tax and Business Rates and the income recognised under generally accepted accounting practices. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund. Revenue grants that are receivable without conditions or service-specific stipulation are required to be shown within this line rather than within the Net Cost of Services.
- Transfer of DSG Deficits – the amount by which we are required to transfer the deficit on schools' budgets to an unusable reserve in line with statutory requirements.

## Expenditure and Income Analysed by Nature

| 2019/20 (Restated) £m | Expenditure/Income | 2020/21 £m |
|---|---|---|
| | **Expenditure:** | |
| 361.4 | ~ Employee expenses | 359.2 |
| 495.2 | ~ Other services expenses | 546.0 |
| 38.8 | ~ Depreciation and amortisation | 39.9 |
| 7.3 | ~ Impairment and revaluation losses (including reductions in fair value of investment property) | 28.7 |
| 16.9 | ~ Interest payments | 16.6 |
| 0.2 | ~ Precepts and Levies | 0.3 |
| 9.6 | ~ Loss on the disposal of assets | 24.2 |
| **929.4** | **Total Expenditure** | **1,014.8** |
| | **Income:** | |
| -84.9 | ~ Fees, charges and other service income fromcontracts with customers | -73.1 |
| -35.9 | ~ Other contributions, reimbursements and statutory income | -36.1 |
| -5.4 | ~ Interest and investment income (including increases in fair value of investment property) | -4.6 |
| -295.9 | ~ Income from council tax | -310.7 |
| 0.0 | ~ Pensions Gain on settlements and curtailments | -3.4 |
| -502.8 | ~ Grants & non domestic rates income | -579.1 |
| **-925.0** | **Total Income** | **-1,006.9** |
| **4.4** | **Surplus or Deficit on the Provision of Services** | **7.9** |

Total income received can be analysed on a segmental basis as follows:

| 2019/20 £m | Segmental Income Received | 2020/21 £m |
|---|---|---|
| -44.2 | ~ Communities Directorate | -42.0 |
| -69.8 | ~ People Directorate | -90.3 |
| -16.6 | ~ Resources Directorate | -15.8 |
| -261.1 | ~ Schools | -268.1 |
| -459.6 | ~ Corporate Services and Resourcing | -520.9 |
| -851.3 | | -937.0 |
| -73.1 | ~ Capital Grants Credited to the CIES (Note 24) | -66.4 |
| 0.0 | ~ Pensions Gain on settlements and curtailments | -3.4 |
| -0.6 | ~ Revaluation Gains and profit on sale of investment property credited to the CIES (Notes 11 & 5) | 0.0 |
| **-925.0** | **Total Income Analysed on a segmental basis** | **-1,006.9** |

We lease some of our properties on long term contracts with customers, but these are not material. Any amounts outstanding at year end are shown amongst the debtors in note 15 as appropriate.

## Note 2: Adjustments between accounting basis and funding basis under regulations

| Adjustments between accounting basis and funding basis under regulations 2020/21 | General Fund Balance £ m | Capital Fund £ m | Capital Receipts Reserve £ m | Capital Grants Unapplied £ m | Movement in Unusable Reserves net spending £ m |
|---|---|---|---|---|---|
| **Adjustments primarily involving the Capital Adjustment Account** | | | | | |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES): | | | | | |
| ~ Charges for depreciation of non-current assets | 38.9 | | | | -38.9 |
| ~ Revaluation losses on property, plant and equipment assets | 26.6 | | | | -26.6 |
| ~ Movements in the market value of investment properties | 0.0 | | | | 0.0 |
| ~ Amortisation of intangible assets | 1.0 | | | | -1.0 |
| ~ Capital grants and contributions applied | -83.0 | | | | 83.0 |
| ~ Revenue expenditure funded from capital under statute | 20.8 | | | | -20.8 |
| ~ Amounts of non-current assets written off on disposal to the CIES | 47.8 | | | | -47.8 |
| Insertion of items not debited or credited to the CIES | | | | | |
| ~ Minimum Revenue Provision | -11.4 | | | | 11.4 |
| ~ Capital expenditure charged to the General Fund Balance | -2.0 | | | | 2.0 |
| **Adjustments primarily involving the Capital Grants Unapplied Account** | | | | | |
| ~ Application of Capital Grants to the Capital Adjustment Account | -0.2 | | | 0.2 | 0.0 |
| **Adjustments primarily involving the Capital Receipts Reserve & the Deferred Capital Receipts Reserve** | | | | | |
| ~ Cash sale proceeds credited as part of the gain/loss on disposal to the CIES | -12.6 | | 12.6 | | 0.0 |
| ~ Deferred capital receipts realised in year | | | 11.3 | | -11.3 |
| ~ Deferred capital receipts credited as part of the gain/loss on disposal to the CIES | -9.1 | | | | 9.1 |
| ~ Use of Capital Receipts Reserve to finance new capital expenditure | 0.0 | | -15.1 | | 15.1 |
| ~ Contribution from Capital Receipts Reserve to fund administrative costs of non-current asset disposals | 0.0 | 0.1 | -0.1 | | 0.0 |
| **Adjustments primarily involving the Financial Instruments Revaluation Reserve** | | | | | |
| ~ unrealised gains and losses of financial instruments which are shown in the CIES but are not charged/credited to the General Fund Balance in accordance with statutory requirements | 0.1 | | | | -0.1 |
| **Adjustments primarily involving the Pensions Reserve** | | | | | |
| ~ Grant funding of fire fighters' pension liabilities | -3.7 | | | | 3.7 |
| ~ Reversal of net charges made for retirement benefits in accordance with IAS19 | 76.3 | | | | -76.3 |
| ~ Employer's pensions contributions and direct payments to pensioners | -46.3 | | | | 46.3 |
| **Adjustments primarily involving the DSG Adjustment Account** | | | | | |
| ~ Amount of DSG deficit for the year required to be removed from the CIES in accordance with statutory requirements | 5.3 | | | | -5.3 |
| **Adjustments primarily involving the Collection Fund Adjustment Account** | | | | | |
| ~ Amount by which council tax income credited to the CIES is different from council tax income calculated in accordance with statutory requirements | 3.1 | | | | -3.1 |
| ~ Amount by which business rates income credited to the CIES is different from business rates income calculated in accordance with statutory requirements | 7.8 | | | | -7.8 |
| **Adjustment primarily involving the 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 | 5.0 | | | | -5.0 |
| **Total adjustments** | **64.4** | **0.1** | **8.8** | **0.2** | **-73.5** |

| Adjustments between accounting basis and funding basis under regulations 2019/20 | General Fund Balance £ m | Capital Fund £ m | Capital Receipts Reserve £ m | Capital Grants Unapplied £ m | Movement in Unusable Reserves net spending £ m |
|---|---|---|---|---|---|
| **Adjustments primarily involving the Capital Adjustment Account** | | | | | |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES): | | | | | |
| ~ Charges for depreciation of non-current assets | 37.8 | | | | -37.8 |
| ~ Revaluation losses on property, plant and equipment assets | 7.6 | | | | -7.6 |
| ~ Movements in the market value of investment properties | -0.2 | | | | 0.2 |
| ~ Amortisation of intangible assets | 1.0 | | | | -1.0 |
| ~ Capital grants and contributions applied | -96.6 | | | | 96.6 |
| ~ Revenue expenditure funded from capital under statute | 19.2 | | | | -19.2 |
| ~ Amounts of non-current assets written off on disposal to the CIES | 24.1 | | | | -24.1 |
| Insertion of items not debited or credited to the CIES | | | | | |
| ~ Minimum Revenue Provision | -11.9 | | | | 11.9 |
| ~ Capital expenditure charged to the General Fund Balance | -2.7 | | | | 2.7 |
| **Adjustments primarily involving the Capital Grants Unapplied Account** | | | | | |
| ~ Application of Capital Grants to the Capital Adjustment Account | 11.5 | | | -11.5 | 0.0 |
| **Adjustments primarily involving the Capital Receipts Reserve & the Deferred Capital Receipts Reserve** | | | | | |
| ~ Cash sale proceeds credited as part of the gain/loss on disposal to the CIES | -3.6 | | 3.6 | | 0.0 |
| ~ Deferred capital receipts realised in year | | | 6.0 | | -6.0 |
| ~ Deferred capital receipts credited as part of the gain/loss on disposal to the CIES | -11.4 | | | | 11.4 |
| ~ Use of Capital Receipts Reserve to finance new capital expenditure | 0.0 | | -10.3 | | 10.3 |
| ~ Contribution from Capital Receipts Reserve to fund administrative costs of non-current asset disposals | 0.0 | | | | 0.0 |
| **Adjustments primarily involving the Financial Instruments Revaluation Reserve** | | | | | |
| ~ unrealised gains and losses of financial instruments which are shown in the CIES but are not charged/credited to the General Fund Balance in accordance with statutory requirements | 0.4 | | | | -0.4 |
| **Adjustments primarily involving the Pensions Reserve** | | | | | |
| ~ Grant funding of fire fighters' pension liabilities | -5.1 | | | | 5.1 |
| ~ Reversal of net charges made for retirement benefits in accordance with IAS19 | 98.8 | | | | -98.8 |
| ~ Employer's pensions contributions and direct payments to pensioners | -45.2 | | | | 45.2 |
| **Adjustments primarily involving the Collection Fund Adjustment Account** | | | | | |
| ~ Amount by which council tax income credited to the CIES is different from council tax income calculated in accordance with statutory requirements | 2.4 | | | | -2.4 |
| ~ Amount by which business rates income credited to the CIES is different from business rates income calculated in accordance with statutory requirements | 1.2 | | | | -1.2 |
| **Adjustment primarily involving the 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 | 1.3 | | | | -1.3 |
| **Total adjustments** | **28.5** | **0.0** | **-0.7** | **-11.5** | **-16.3** |

## Note 3: Significant items of income and expenditure and restatements of prior year figures

There have been no significant changes in the organisations structure from 2019/20 to 2020/21. As any changes would not have had a material effect on the income and expenditure statement, we have not restated comparatives.

By 31 March 2021 we had received £75.5 million of funding from Government/NHS to support Covid response and recovery in 2020/21 and in future years. We spent £51.0 million of this funding in 2020/21 and the balance is being carried forward in an earmarked reserve.

## Note 4: Other operating expenditure

| 2019/20 (Restated) £ m | Other operating expenditure | 2020/21 £ m |
|---|---|---|
| 0.2 | Environment Agency Levy | 0.3 |
| 9.6 | Losses on disposal/transfer of non-current assets | 24.2 |
| **9.8** | | **24.4** |

The loss on the disposal/transfer of non-current assets in 2020/21 primarily relates to the transfer of schools to academy status.

## Note 5: Financing and investment income and expenditure

| 2019/20 £ m | Financing and investment income and expenditure | 2020/21 £ m |
|---|---|---|
| 16.9 | Interest payable and similar charges | 16.6 |
| 22.5 | Net interest on the net defined benefit liability | 18.7 |
| -3.8 | Interest receivable and similar income | -2.5 |
| 0.7 | Unrealised gains or losses on financial assets held at fair value through profit and loss transferred to usable reserves | -1.4 |
| 0.4 | Unrealised gains or losses on financial assets held at fair value through profit and loss transferred to unusable reserves | 0.1 |
| -12.8 | Trading account income | -9.6 |
| 12.0 | Trading account expenditure | 12.0 |
| -0.6 | Income and expenditure on investment properties and changes in their fair value | 2.0 |
| 0.4 | Other investment expenditure | 0.3 |
| -1.0 | Other investment income | -0.7 |
| **34.8** | | **35.5** |

## Note 6: Taxation and non-specific grant income and expenditure

| 2019/20 £ m | Taxation and non specific grant income and expenditure | 2020/21 £ m |
|---|---|---|
| -295.9 | Council tax income | -310.7 |
| | Business rates income and expenditure | |
| -39.9 | ~ Retained business rates | -40.5 |
| -24.7 | ~ Business rates top up | -18.3 |
| -1.5 | Business rates pool growth (WCC share) | 3.7 |
| -1.2 | Business rates pool surplus | -2.6 |
| | Other non-ringfenced Government grants | |
| -5.1 | ~ Fire Pensions Fund Grant | -3.7 |
| -53.7 | ~ Revenue grants | -78.7 |
| -73.1 | ~ Capital grants and contributions | -66.4 |
| **-495.1** | | **-517.2** |

## Note 7: Transfers to/from earmarked reserves

| Movement in earmarked reserves (restated) | Balance at 31 March 2019 | Transfers | | Balance at 31 March 2020 | Transfer to DSG Unusable Reserve 1 April 2020 | Transfers | | Balance at 31 March 2021 |
|---|---|---|---|---|---|---|---|---|
| | | Out | In | | | Out | In | |
| | £ m | £ m | £ m | £ m | £ m | £ m | £ m | £ m |
| Schools Balances | 14.8 | -0.6 | 0.0 | 14.2 | | 0.0 | 7.1 | 21.3 |
| DSG Reserve | 0.0 | -5.2 | 2.2 | -3.0 | 3.0 | 0.0 | 0.0 | 0.0 |
| External Commitments Reserves | 10.2 | -1.4 | 3.0 | 11.8 | | -4.1 | 3.0 | 10.7 |
| Redundancy Fund | 10.6 | -2.2 | 0.0 | 8.4 | | -1.4 | 0.0 | 7.0 |
| Insurance Fund | 8.9 | 0.0 | 0.2 | 9.1 | | -0.5 | 0.0 | 8.6 |
| DSG Offset Fund | 0.0 | 0.0 | 12.3 | 12.3 | | 0.0 | 0.0 | 12.3 |
| Investment Funds | 20.7 | -19.8 | 36.0 | 36.9 | | 0.0 | 3.6 | 40.5 |
| Projects and Policies Reserves | 7.7 | -1.6 | 4.5 | 10.6 | | 0.0 | 0.0 | 10.6 |
| Volatility Reserves | 17.6 | -0.8 | 4.6 | 21.4 | | -0.8 | 13.6 | 34.2 |
| Management of Directorate Reserves | 37.9 | -42.2 | 26.8 | 22.5 | | -3.7 | 0.0 | 18.8 |
| Covid Grants Reserves | 0.0 | 0.0 | 14.1 | 14.1 | | 0.0 | 10.4 | 24.5 |
| Medium Term Financial Strategy | 6.8 | 0.0 | 5.0 | 11.8 | | -16.5 | 46.7 | 42.0 |
| **Total** | **135.2** | **-73.8** | **108.7** | **170.1** | **3.0** | **-27.1** | **84.4** | **230.5** |

Earmarked Reserves are the money that we set aside to meet future known budget commitments or so we have the resources to respond to unforeseen events. A full list of reserves can be found in the 2020/21 Financial Outturn Report, available at https://www.warwickshire.gov.uk.

The categories of Earmarked Reserves we held are:

- School balances: accumulated underspends of schools held under a scheme of delegation;
- DSG Reserve: Deficits on DSG (not managed under a scheme of delegation) must now be held in an unusable reserve called the Dedicated Schools Grant Adjustment Account. At 1 April 2020 we were required to transfer from General Fund earmarked reserves the deficit brought forward. This is shown above and in note 20;
- External Commitments Reserves: unused funding received from third parties with conditions on its use is carried forward until the conditions are met;
- Redundancy Fund: resources set aside to meet the costs of redundancies that arise as a result of changes to our services and the way they are delivered;

- Insurance Fund: resources set aside to meet the costs of self-insurance and any excesses on our insurance policies;
- DSG Offset Fund: we are holding £12.3 million in a DSG Offset Fund. This is part of our medium-term financial strategy to ensure sufficient funds are available to meet a future deficit when either we have approval to fund deficits from general reserves or the current regulations change;
- Investment Funds: funding to deliver a future programme of activity to deliver the outcomes and priorities in the Council Plan;
- Projects and Policies Reserves: funding to deliver projects and policies approved by the Council that extend over more than one financial year;
- Volatility Reserves: a number of the Council's activities and costs are volatile over time/ Rather than managing this volatility on an annual basis the volatility reserves are used to smooth the financial impact across financial years;
- Management of Directorate Risk Reserves: as part of our Reserves Strategy up to a maximum of 3% of a directorate's net revenue budget is held to manage in-year variations between planned and actual spend;
- Covid Grants Reserves: funding received from Government to support the covid response and recovery that had not been used by the end of the financial year; and
- Medium Term Financial Strategy (MTFS): funding available to support the delivery of the Council's MTFS. Of the £42.5 million in this reserve at 31 March 2021, £32.6 million is planned to be used as part of the resourcing delivery of our 2021-26 MTFS.

## Note 8: Property, plant and equipment

| **Property, plant and equipment** | **Land and buildings £ m** | **Surplus assets £ m** | **Vehicles, machinery, furniture and equipment £ m** | **Roads and bridges £ m** | **Country parks and open spaces £ m** | **Assets under construction £ m** | **Total £ m** |
|---|---|---|---|---|---|---|---|
| Gross book value at 1 April 2020 | 605.3 | 1.4 | 56.1 | 673.2 | 2.5 | 62.8 | 1,401.3 |
| Depreciation balance at 1 April 2020 | 0.0 | 0.0 | -45.9 | -224.5 | 0.0 | 0.0 | -270.4 |
| **Net book value at 1 April 2020** | **605.3** | **1.4** | **10.2** | **448.7** | **2.5** | **62.8** | **1,130.9** |
| **Changes in the year** | | | | | | | |
| ~ reclassifications | -2.2 | 2.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| ~ spending on assets | 14.9 | 0.0 | 3.0 | 34.7 | 0.1 | 26.2 | 78.9 |
| ~ transfer of assets under construction to operational assets on project completion | 18.1 | 0.0 | 0.0 | 13.9 | 0.0 | -32.0 | 0.0 |
| ~ value of assets we have sold/transferred | -29.6 | 0.0 | -0.8 | 0.0 | 0.0 | -0.1 | -30.5 |
| ~ changes in the value of assets: revaluation | -37.9 | 0.4 | 0.0 | 0.0 | -0.6 | 0.0 | -38.1 |
| ~ reversal of prior year impairments and revaluation losses | 4.1 | 1.1 | 0.0 | 0.0 | 0.2 | 0.0 | 5.4 |
| **Depreciation** | | | | | | | |
| ~ reclassifications | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| ~ depreciation written off on revaluation | 13.6 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 13.7 |
| ~ depreciation written off on disposal | 0.6 | 0.0 | 0.8 | 0.0 | 0.0 | 0.0 | 1.4 |
| ~ depreciation | -14.1 | 0.0 | -2.3 | -22.4 | -0.1 | 0.0 | -38.9 |
| **Net book value at 31 March 2021** | **572.8** | **5.1** | **10.9** | **474.9** | **2.2** | **56.9** | **1,122.8** |
| Gross book value at 31 March 2021 | 572.8 | 5.1 | 58.3 | 721.8 | 2.2 | 56.9 | 1,417.1 |
| Depreciation balance at 31 March 2021 | 0.0 | 0.0 | -47.4 | -246.9 | 0.0 | 0.0 | -294.3 |
| **Net book value at 31 March 2021** | **572.8** | **5.1** | **10.9** | **474.9** | **2.2** | **56.9** | **1,122.8** |

| Property, plant and equipment | Land and buildings £ m | Surplus assets £ m | Vehicles, machinery, furniture and equipment £ m | Roads and bridges £ m | Country parks and open spaces £ m | Assets under construction £ m | Total £ m |
|---|---|---|---|---|---|---|---|
| Gross book value at 1 April 2019 | 615.8 | 1.3 | 54.8 | 631.7 | 2.4 | 36.2 | 1,342.2 |
| Depreciation balance at 1 April 2019 | 0.0 | 0.0 | -44.8 | -203.5 | 0.0 | 0.0 | -248.3 |
| **Net book value at 1 April 2019** | **615.8** | **1.3** | **10.0** | **428.2** | **2.4** | **36.2** | **1,093.9** |
| **Changes in the year** | | | | | | | |
| ~ reclassifications | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| ~ spending on assets | 11.6 | 0.0 | 3.1 | 32.5 | 0.2 | 42.6 | 90.0 |
| ~ transfer of assets under construction to operational assets on project completion | 6.2 | 0.0 | 0.1 | 9.1 | 0.0 | -15.4 | 0.0 |
| ~ value of assets we have sold/transferred | -21.3 | 0.0 | -1.8 | 0.0 | 0.0 | -0.6 | -23.7 |
| ~ changes in the value of assets: revaluation | -11.8 | 0.0 | 0.0 | 0.0 | -0.1 | 0.0 | -11.9 |
| ~ reversal of prior year impairments and revaluation losses | 4.7 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 4.8 |
| **Depreciation** | | | | | | | |
| ~ depreciation written off on revaluation | 13.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 13.7 |
| ~ depreciation written off on disposal | 0.5 | 0.0 | 1.5 | 0.0 | 0.0 | 0.0 | 2.0 |
| ~ depreciation | -14.1 | 0.0 | -2.6 | -21.1 | 0.0 | 0.0 | -37.8 |
| **Net book value at 31 March 2020** | **605.3** | **1.4** | **10.2** | **448.7** | **2.5** | **62.8** | **1,130.9** |
| Gross book value at 31 March 2020 | 605.3 | 1.4 | 56.1 | 673.2 | 2.5 | 62.8 | 1,401.3 |
| Depreciation balance at 31 March 2020 | 0.0 | 0.0 | -45.9 | -224.5 | 0.0 | 0.0 | -270.4 |
| **Net book value at 31 March 2020** | **605.3** | **1.4** | **10.2** | **448.7** | **2.5** | **62.8** | **1,130.9** |

Our land and building assets include schools, fire stations, libraries, waste disposal sites and other buildings. Assets we have disposed of mainly relate to four schools that have transferred to Academy status during the year and one investment property.

**Depreciation**
We charge depreciation on buildings over our valuer's estimate of their useful economic life (between 5 and 53 years), on roads and bridges over 30 years, and on vehicles and equipment over their own useful lives (between 3 and 20 years for vehicles and between 3 and 30 years for equipment).

**Capital commitments**
At 31 March 2021, the authority had entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2020/21 and future years. The total of those payments we were still due to make on capital schemes that were not yet finished, or which we had not finished paying for, is £11.9 million. Similar commitments at 31 March 2020 were £18.9 million.

The three largest outstanding commitments are as follows:
1. BDUK Broadband contract no 3 - £5.1 million;
2. Highways maintenance contract - £4.8 million;
3. Automatic Traffic Counts (ETC) equipment - £1.2 million.

**Effects of changes in estimates**
There have been no material changes to our accounting estimates for property, plant and equipment in 2020/21.

**Revaluations**
We carry out a programme of revaluations that ensures all property, plant and equipment required to be measured at fair value for the asset type is revalued annually. The table below shows the date at which our property, plant and equipment assets were last valued.

| Revaluations | Land and buildings £ m | Surplus Assets £ m | Vehicles, machinery, furniture and equipment £ m | Roads and bridges £ m | Country parks and open spaces £ m | Assets under construction £ m | Total £ m |
|---|---|---|---|---|---|---|---|
| **Carried at Historical Cost** | **0.0** | **0.0** | **10.9** | **474.9** | **2.2** | **56.9** | **544.9** |
| **Valued at current value as at:** | | | | | | | |
| 31st March 2021 | 572.8 | 5.1 | 0.0 | 0.0 | 0.0 | 0.0 | 577.9 |
| **Total cost or valuation** | **572.8** | **5.1** | **10.9** | **474.9** | **2.2** | **56.9** | **1,122.8** |

All our assets carried at current value were valued in 2020/21. Valuation of land and buildings were carried out in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

All our Surplus Assets fall within the Level 2 - Fair value category, valued using observable inputs. There has been no change in categorisation during the year.

## Note 9: School property, plant and equipment

The value of our school property, plant and equipment is £399.5 million (2019/20 - £432.8 million). The table below shows a breakdown across the various types of school.

| School property, plant and equipment At 31 March 2021 | Land £ m | Buildings £ m | Assets £ m | Total £ m | Number of Schools |
|---|---|---|---|---|---|
| Community Schools | 124.0 | 97.8 | 1.6 | 223.4 | 70 |
| Voluntary Aided Schools | 39.9 | 20.6 | 0.0 | 60.5 | 26 |
| Voluntary Controlled Schools | 59.5 | 30.5 | 0.0 | 90.0 | 36 |
| Foundation Schools | 9.6 | 16.0 | 0.0 | 25.6 | 6 |
| **Net book value at 31 March 2021** | **233.0** | **164.9** | **1.6** | **399.5** | **138** |

| School property, plant and equipment At 31 March 2020 | Land £ m | Buildings £ m | Other £ m | Total £ m | Number of Schools (Restated) |
|---|---|---|---|---|---|
| Community Schools | 132.3 | 101.1 | 1.7 | 235.1 | 72 |
| Voluntary Aided Schools | 51.5 | 27.5 | 0.0 | 79.0 | 28 |
| Voluntary Controlled Schools | 60.4 | 32.5 | 0.0 | 92.9 | 36 |
| Foundation Schools | 9.6 | 16.2 | 0.0 | 25.8 | 6 |
| **Net book value at 31 March 2020** | **253.8** | **177.3** | **1.7** | **432.8** | **142** |

The number of schools has reduced by 4 which chose to take up academy status in 2020/21.

Whilst we recognise the assets of voluntary aided, voluntary controlled and foundation schools in our accounts we do not have the right to access or dispose of these assets to settle any liabilities. We have no donated school assets.

## Note 10: Heritage assets

The net book value of the heritage assets we hold is £4.6 million (£4.5 million in 2019/20). There have been no material acquisitions during 2020/21 and there have not been any significant disposals of heritage assets. More detailed information about the specific heritage assets we hold is on our website https://www.warwickshire.gov.uk.

## Note 11: Investment properties

We classify a number of properties as investment properties, most of which are leased out to third parties under operating leases.

The following items of income and expense have been accounted for in the Financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement:

| 31 March 2020<br>£ m | Investment properties | 31 March 2021<br>£ m |
|---|---|---|
| 0.1 | Direct net operating expense arising from investment property | 0.1 |
| **0.1** | **Net gain(-) /loss** | **0.1** |

The table below summarises the movement in the fair value of investment properties over the year.

| 31 March 2020<br>£ m | Investment properties | 31 March 2021<br>£ m |
|---|---|---|
| 25.6 | Balance at the start of the year | 23.6 |
| 0.1 | Additions | 0.0 |
| -2.3 | Disposals | -18.7 |
| 0.2 | Net gains from fair value adjustments | 0.0 |
| **23.6** | **Balance at the end of the year** | **4.9** |

The table below shows the fair value of these assets.

| Investment Properties - Fair value | Quoted Market Price - Level 1<br>£ m | Using Observable Inputs - Level 2<br>£ m | Unobservable Inputs - Level 3<br>£ m | Total<br>£ m |
|---|---|---|---|---|
| 31st March 2020 | 0.0 | 23.6 | 0.0 | 23.6 |
| 31st March 2021 | 0.0 | 4.9 | 0.0 | 4.9 |

There have no changes in the year between levels.

## Note 12: Intangible Assets

We account for our software as intangible assets, to the extent that the software is not an integral part of a particular IT system accounted for as a hardware item of property, plant and equipment. Our intangible assets include both purchased licences and internally generated software.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £1.0 million (£1.0 million in 2019/20) was charged to revenue in 2020/21.

The movement on intangible asset balances during the year is as follows:

| 2019/20<br>£ m | Intangible assets | 2020/21<br>£ m |
|---|---|---|
| 7.3 | Gross book Value at 1 April | 7.6 |
| -3.6 | Amortisation balance at 1 April | -4.6 |
| **3.7** | **Net book value at 1 April** | **3.0** |
| | **Changes in the year** | |
| 0.3 | ~ Spending on assets | 0.2 |
| 0.0 | ~ Value of assets we have sold | -0.1 |
| | **Amortisation** | |
| 0.0 | ~ Amortisation written off on disposal | 0.1 |
| -1.0 | ~ Amortisation | -1.0 |
| **3.0** | **Net book value at 31 March** | **2.2** |
| 7.6 | Gross book Value at 31 March | 7.8 |
| -4.6 | Amortisation balance at 31 March | -5.6 |
| **3.0** | **Net book value at 31 March** | **2.2** |

All software is valued at historic cost. We own a number of software licences across the authority which are written off to revenue over their expected useful lives:

| Remaining Useful Life | 2019/20 | | 2020/21 | |
|---|---|---|---|---|
| | **Internally Generated** | **Other Assets** | **Internally Generated** | **Other Assets** |
| 1 year | 0.0 | 0.1 | 1.3 | 0.2 |
| 2 years | 0.0 | 0.1 | 0.2 | 0.0 |
| 3 years | 2.3 | 0.2 | 0.1 | 0.0 |
| 4 years | 0.1 | 0.0 | 0.1 | 0.0 |
| 5 years | 0.2 | 0.0 | 0.2 | 0.0 |
| **Total** | **2.6** | **0.4** | **2.0** | **0.2** |

## Note 13: Financial instruments

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

| Financial Assets and liabilities | 31 March 2020 | | | 31 March 2021 | | |
|---|---|---|---|---|---|---|
| | Current £m | Long-term £m | Total £m | Current £m | Long-term £m | Total £m |
| **Financial Assets** | | | | | | |
| **Investments:** | | | | | | |
| ~ Loans and receivables | | | | | | |
| ~ Fair Value through Profit and Loss | 32.1 | 10.3 | 42.4 | 33.5 | 10.2 | 43.7 |
| ~ Loans and Receivables/Amortised Cost | 130.2 | 0.0 | 130.2 | 178.2 | 0.0 | 178.2 |
| ~ Fair value through other comprehensive income - designated equity instruments | 0.0 | 2.0 | 2.0 | 0.0 | 2.1 | 2.1 |
| **Total investments** | **162.3** | **12.3** | **174.6** | **211.7** | **12.3** | **224.0** |
| **Debtors - at amortised cost** | | | | | | |
| ~ Amortised cost | 1.5 | 0.0 | 1.5 | 0.2 | 3.1 | 3.3 |
| ~ Financial assets carried at contract amounts | 56.3 | 0.0 | 56.3 | 83.9 | 0.0 | 83.9 |
| **Total Debtors** | **57.8** | **0.0** | **57.8** | **84.1** | **3.1** | **87.2** |
| **Cash:** | | | | | | |
| ~ Cash and cash equivalents | 201.7 | 0.0 | 201.7 | 198.5 | 0.0 | 198.5 |
| **Total Cash** | **201.7** | **0.0** | **201.7** | **198.5** | **0.0** | **198.5** |
| | | | | | | |
| **Total Financial assets** | **421.8** | **12.3** | **434.1** | **494.3** | **15.4** | **509.7** |

| Financial Assets and liabilities | 31 March 2020 | | | 31 March 2021 | | |
|---|---|---|---|---|---|---|
| | Current £m | Long-term £m | Total £m | Current £m | Long-term £m | Total £m |
| **Financial Liabilities** | | | | | | |
| **Borrowings:** | | | | | | |
| ~ Financial liabilities at amortised cost | 20.0 | 321.4 | 341.4 | 0.0 | 321.4 | 321.4 |
| **Total Borrowings** | **20.0** | **321.4** | **341.4** | **0.0** | **321.4** | **321.4** |
| **Creditors - amortised cost** | | | | | | |
| ~ Financial liabilities at contractual amounts | 67.9 | 0.0 | 67.9 | 77.4 | 0.0 | 77.4 |
| **Total** | **67.9** | **0.0** | **67.9** | **77.4** | **0.0** | **77.4** |
| | | | | | | |
| **Total Financial Liabilities** | **87.9** | **321.4** | **409.3** | **77.4** | **321.4** | **398.8** |

| Reconciliation to Balance Sheet carrying amounts | 2019/20 £m | 2020/21 £m |
|---|---|---|
| Debtors that are financial instruments | 57.8 | 84.1 |
| Debtors that are not financial instruments | 26.9 | 21.5 |
| **Total Debtors** | **84.7** | **105.6** |
| Creditors that are financial instruments | 67.9 | 77.4 |
| Creditors that are not financial instruments | 55.0 | 71.6 |
| **Total Creditors** | **122.9** | **149.0** |

The valuation of financial instruments has been classified into the three levels of fair value hierarchy required in the Code according to the quality and reliability of the information and techniques used to value them at fair value.

The fair values of financial liabilities and financial assets carried in the balance sheet at contractual amounts have been assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments. (Level 1 in the fair value hierarchy).

The difference between the long term borrowing nominal amounts carried in the Balance Sheet and their fair value is based on a calculation that uses new loan rates to estimate what it would cost to borrow a similar portfolio of loans at the Balance Sheet date. These loans are with the Public Works Loan Board with interest rates fixed on the date of the initial lending. For more details see note 14.

We use an external expert to provide the fair values for our borrowings, which along with our other financial assets held in the amortised cost and fair value through profit and loss categories, are Level 2 in the fair value hierarchy.

Equity instruments assets are valued internally using the earnings multiple valuation method based on the latest available accounts for the companies in which we hold shares. Details are shown in note 40. Where that data is not available, they are valued at cost. (Level 3 in the fair value hierarchy).

Investments held at amortised cost of £178.2 million (£130.2 million in 2019/20) consist of bank, building society and local authority investments which are held solely for payment of principal and interest and a business model to collect contractual cash flows. The carrying amount and fair value consist of the principal amount and accrued interest to 31 March.

Assets held at fair value through profit and loss of £43.7 million (£42.4 million in 2019/20) are made up of two funds: Threadneedle Social Bond Fund and CCLA Property Fund. At 31 March 2020 the CCLA Property Fund was gated by the Fund manager, as a result of the Covid-19 pandemic and its effects on the accurate valuation of the property portfolios it held. This meant we were unable to request for these funds to be cashed in and we re-categorised the CCLA as a long-term investment. Whilst the fund is no longer gated the cost of requesting the funds in the short-term means that we have determined that this investment should remain as a long-term investment. The carrying amount and fair value are based on unit prices provided through fund manager statements.

In assessing fair value, we have made the following assumptions:

- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value; and
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

There have been no transfers between input levels in 2020/21 and no changes in the valuation techniques for financial instruments during the year.

The fair value hierarchy of assets and liabilities is shown in the table below:

| **Financial Instruments - Fair value 31 March 2021** | **Quoted Market Price - Level 1 £ m** | **Using Observable Inputs - Level 2 £ m** | **Unobservable Inputs - Level 3 £ m** | **Total £ m** |
|---|---|---|---|---|
| Financial Assets:- | | | | |
| ~ Amortised cost | 0.0 | 178.2 | 0.0 | 178.2 |
| - Fair Value through Profit and Loss | 0.0 | 43.7 | 0.0 | 43.7 |
| - Fair value through other comprehensive income - designated equity instruments | 0.0 | 0.0 | 2.1 | 2.1 |
| Debtors:- | | | | |
| - Amortised cost | 3.3 | 0.0 | 0.0 | 3.3 |
| - Financial assets carried at contractual amounts (deemed to be fair value) | 83.9 | 0.0 | 0.0 | 83.9 |
| Cash:- | | | | |
| - Cash and cash equivalents (deemed to be fair value) | 198.5 | 0.0 | 0.0 | 198.5 |
| **Total Financial Assets** | **285.7** | **221.9** | **2.1** | **509.7** |
| Financial Liabilities:- | | | | |
| Borrowings:- | | | | |
| - Financial liabilities carried at amortised cost | 0.0 | 520.6 | 0.0 | 520.6 |
| Creditors:- | | | | |
| - Financial liabilities carried at contractual amounts (deemed to be fair value) | 77.4 | 0.0 | 0.0 | 77.4 |
| **Total Financial Liabilities** | **77.4** | **520.6** | **0.0** | **598.0** |

| **Financial Instruments - Fair value 31 March 2020** | **Quoted Market Price - Level 1 £ m** | **Using Observable Inputs - Level 2 £ m** | **Unobservable Inputs - Level 3 £ m** | **Total £ m** |
|---|---|---|---|---|
| Financial Assets:- | | | | |
| ~ Amortised Cost | 0.0 | 130.2 | 0.0 | 130.2 |
| - Fair Value through Profit and Loss | 0.0 | 42.4 | 0.0 | 42.4 |
| - Fair value through other comprehensive income - designated equity instruments | 0.0 | 0.0 | 2.0 | 2.0 |
| Debtors | | | | |
| - Amortised Cost | 1.5 | 0.0 | 0.0 | 1.5 |
| - Financial assets carried at contractual amounts (deemed to be fair value) | 56.3 | 0.0 | 0.0 | 56.3 |
| Cash:- | | | | |
| - Cash and Cash Equivalents - deemed to be fair value | 201.7 | 0.0 | 0.0 | 201.7 |
| **Total Financial Assets** | **259.5** | **172.6** | **2.0** | **434.1** |
| Financial Liabilities:- | | | | |
| Borrowings:- | | | | |
| - Financial liabilities carried at amortised cost | 0.0 | 507.5 | 0.0 | 507.5 |
| Creditors:- | | | | |
| - Financial liabilities carried at contractual amounts (deemed to be fair value) | 67.9 | 0.0 | 0.0 | 67.9 |
| **Total Financial Liabilities** | **67.9** | **507.5** | **0.0** | **575.4** |

| Interest paid and investment income received | (Surplus)/Deficit on the Provision of Services | | Other Comprehensive Income and Expenditure | |
|---|---|---|---|---|
| | 2019/20 £m | 2020/21 £m | 2019/20 £m | 2020/21 £m |
| **Net gains and Losses** | | | | |
| ~ Financial assets measured at fair value through profit and loss | 1.1 | -1.3 | 0.0 | 0.0 |
| ~ Investment in equity instrument designated at fair value through other comprehensive income | -1.0 | -0.7 | -0.1 | -0.1 |
| **Total net gains** | **0.1** | **-2.0** | **-0.1** | **-0.1** |
| **Interest Revenue** | | | | |
| ~ Financial assets measured at amortised cost | -3.8 | -2.5 | 0.0 | 0.0 |
| **Total Interest Revenue** | **-3.8** | **-2.5** | **0.0** | **0.0** |
| **Interest Expense** | | | | |
| ~ Financial liabilities measured at amortised cost | 16.9 | 16.6 | 0.0 | 0.0 |
| **Total Interest Expense** | **16.9** | **16.6** | **0.0** | **0.0** |

| Financial Assets | 31 March 2020 | | 31 March 2021 | |
|---|---|---|---|---|
| | Carrying Amount £ m | Fair Value £ m | Carrying Amount £ m | Fair Value £ m |
| Financial assets held at amortised cost | 130.2 | 130.2 | 178.2 | 178.2 |
| Financial assets at fair value through Profit and Loss | 42.4 | 42.4 | 43.7 | 43.7 |
| Cash and Cash Equivalents | 201.7 | 201.7 | 198.5 | 198.5 |
| Fair value through other comprehensive income - designated equity instruments | 2.0 | 2.0 | 2.1 | 2.1 |
| Debtors carried at amortised cost | 1.5 | 1.5 | 0.2 | 0.2 |
| Debtors carried at contractual amounts | 56.3 | 56.3 | 83.9 | 83.9 |
| Long term debtors - amortised cost | 0.0 | 0.0 | 3.1 | 3.1 |
| **Total** | **434.1** | **434.1** | **509.7** | **509.7** |

| Financial Liabilities | 31 March 2020 | | 31 March 2021 | |
|---|---|---|---|---|
| | Carrying Amount £ m | Fair Value £ m | Carrying Amount £ m | Fair Value £ m |
| Financial liabilities held at amortised cost | 341.4 | 507.5 | 321.4 | 520.6 |
| Financial Liability at contractual amounts | 67.9 | 67.9 | 77.4 | 77.4 |
| **Total** | **409.3** | **575.4** | **398.8** | **598.0** |

## Note 14: Nature and extent of risk arising from financial instruments

Our activities expose us to a variety of financial risks:

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

Our overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Financial risk management is carried out by a central treasury management team, under policies approved by the Council annually in the Treasury Management Strategy, available via https://www.warwickshire.gov.uk. We have written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

**Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to our customers. Our Accounting Policies note describes our overall approach to evaluating impairments to be reflected in the carrying value of our financial assets.

Many of the invoices we raise are the result of statutory obligations. However, where we are providing non statutory goods or services to customers, we consider their ability to pay. A number of checks are available to managers as outlined in our Corporate Debt Recovery Policy. Our current debtors, including trade debtors, are assessed at each year end for impairment. This is assessed using aged debt analysis and past experience of bad debt profiles. The change in the bad debt provision during the year and any amounts found to be irrecoverable are charged against services in the Net Cost of Services in the CIES. The amount of our bad debt provision is shown in note 15.

We have assessed our potential maximum exposure to credit risk, based on experience of default and collectability over the last five financial years. This has been adjusted to reflect current market conditions. However, there is no effect as there is no instance of institutions that meet our credit ratings defaulting in the last five years. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum score as laid out in the Treasury Management Strategy.

**Liquidity risk**

As we have ready access to borrowings from the Public Works Loan Board, there is no significant risk that we will be unable to raise finance to meet our future commitments under financial instruments. Instead the risk is that we will be bound to replenish a significant proportion of our borrowings at a time of unfavourable interest rates. To mitigate this, our strategy is to ensure that when taking out new borrowing we spread maturity dates to match future cash flows.

The maturity analysis of financial liabilities is as follows:

| 2019/20 £ m | Loans we have not yet repaid | 2020/21 £ m |
|---|---|---|
| | **We owe money to:** | |
| 341.4 | ~ Public Works Loans Board | 321.4 |
| **341.4** | **Total** | **321.4** |
| | **When we will pay the money back:** | |
| 20.0 | Less than 1 year | 0.0 |
| 18.0 | Between 5 and 10 years | 18.0 |
| 303.4 | More than 10 years | 303.4 |
| **341.4** | **Total** | **321.4** |

Our level of borrowing is due to paying for capital spending in previous years. We have not borrowed any money from external sources in 2020/21 to pay for new capital spending.

We use cash reserves which we have set aside to support future years' revenue budgets to invest in the short term. We have included these as short-term investments on the Balance Sheet.

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

**Market risk**

Interest Rate Risk

We are exposed to significant risk in terms of our exposure to interest rate movements on our borrowings and investments. Movements in interest rates have a complex impact. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the CIES will rise;
- Borrowings at fixed rates – the fair value of the borrowings will fall;
- Investments at variable rates – the interest income credited to the CIES will rise; and
- Investments at fixed rates – the fair value of the assets will fall.

As part of our strategy for managing interest rate risk we aim to keep a maximum of 25% of our borrowing in variable rate loans.

We have an active strategy for assessing interest rates exposure that forecasts any adverse changes on a quarterly basis and assesses the impact to be incorporated into the medium-term financial strategy. According to this assessment strategy, at 31 March 2021, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

- No change in the fair value of fixed rate investment assets; and
- A decrease in fair value of fixed borrowing of £86.0 million (£79.9 million in 2019/20).

Changes in interest payable and receivable on variable rate borrowings and investments will be posted to the CIES and affect the General Fund. Movements in the fair value of fixed rate investments will be reflected in the CIES.

Price risk

We have some shareholdings in specific interests, and we are not in a position to diversify our portfolio. The current value of the shareholding is £2.1 million. For these equity instrument holdings, we have irrevocably elected to recognise any movements in price as gains and losses recognised in Other Comprehensive Income in the CIES. In 2020/21 this amounted to a gain of £0.1 million. They will not be credited or charged to the General Fund until such times as they are either impaired, sold or derecognised. We also have some investments held as Fair Value through Profit and Loss. All profits and losses on sales and impairments as well as in-year valuation movements on these assets are recognised immediately in the CIES. We have not disposed of any of these holdings this year. At 31 March 2021 we recognised a total net gain of £1.3 million in the CIES. One of these investments has been classified as a pooled investment vehicle which allows us to apply a statutory override which means that any changes in fair value do not hit the General Fund but are reversed in the MIRS and placed in the unusable Financial Instruments Revaluation Reserve until the investment is either sold or de-recognised. The other is not classed as a pooled investment vehicle, so the statutory override does not apply and changes in fair value are reflected in the General Fund in the year.

**Treasury management**

We comply with CIPFA's Treasury Management in Public Services Code of Practice and the Ministry for Housing, Communities and Local Government guidance on local government investments issued in March 2004. An updated version of the latter was released in February 2018 to apply to accounting periods from 1 April 2018 onwards.

We aim to achieve the optimum return on our investments commensurate with proper levels of security and liquidity. The borrowing of monies purely to invest and make a return is unlawful and we do not engage in such activity. Our external fund managers comply with the Annual Investment Strategy, approved by Elected Members on an annual basis. The agreement between us and the fund managers additionally stipulates additional guidelines and limits in order to manage risk.

## Note 15: Debtors

| 31 March 2020 £ m | Short-term debtors | 31 March 2021 £ m |
|---|---|---|
| 14.9 | Trade Receivables | 18.9 |
| 4.8 | VAT | 3.9 |
| 13.5 | Other Public Sector Debtors | 31.6 |
| 0.7 | Other Public Sector Prepayments | 0.0 |
| 14.1 | Council Tax and Non Domestic Rates - Taxpayers | 17.9 |
| 3.4 | Council Tax and Non Domestic Rates - Local authorities | 0.0 |
| -3.7 | Council Tax and Non Domestic Rates - Bad Debts | -4.3 |
| 7.6 | Prepayments to External Organisations and Individuals | 4.0 |
| 13.6 | Social Care Debtors | 17.4 |
| 14.6 | Capital debtors from External Organisations and Individuals | 9.1 |
| 4.7 | Other debtors | 10.7 |
| -3.5 | Bad Debts | -3.6 |
| 84.7 | Balance at the end of the year | 105.6 |

## Note 16: Cash and cash equivalents

| 31 March 2020 £ m | Cash and cash equivalents | 31 March 2021 £ m |
|---|---|---|
| 21.0 | Cash held by the authority (including schools and imprest accounts) | 24.8 |
| 106.6 | Bank current accounts (call accounts and instant access deposit accounts) | 153.7 |
| 74.1 | Short-term deposits with building societies and other institutions less than 3 months maturity | 20.0 |
| **201.7** | **Total cash and cash equivalents** | **198.5** |

## Note 17: Creditors

| 31 March 2020 £ m | Short-term Creditors | 31 March 2021 £ m |
|---|---|---|
| 13.9 | Trade Payables | 10.0 |
| 5.2 | Social Security Costs | 5.3 |
| 7.0 | Other Public Sector accruals | 7.5 |
| 3.3 | Council Tax and Non Domestic Rates - Taxpayers | 4.2 |
| 7.8 | Council Tax and Non Domestic Rates - Local authorities | 17.1 |
| 6.6 | Accumulated Absences | 11.6 |
| 38.6 | Receipts in Advance | 45.0 |
| 6.5 | Other accruals in relation to capital contracts | 11.7 |
| 34.0 | Other accruals to External Organisations and Individuals | 36.6 |
| **122.9** | **Balance at the end of the year** | **149.0** |

## Note 18: Provisions

Our provisions total £7.8 million (£8.2 million 2019/20).

Our former liability insurers, Municipal Mutual Insurance (MMI) went into run-off (ceased to write new business) on 30 September 1992, following which a contingent Scheme of Arrangement became effective on January 1994 to ensure a smooth run-off should MMI subsequently be declared insolvent. In the event of the Scheme being triggered, claims paid by MMI after 30 September 1992 will be liable to claw back, at a percentage to be determined by the administrators, with subsequent claims to be paid in part at the same percentage. A Supreme Court judgement relating to establishment of liability arising from mesothelioma claims under employers' liability policies has resulted in the increased possibility of the Scheme being triggered. We have set aside £2.0 million to cover the claw back and the outstanding claims.

We have to account for our share of non-domestic rating appeals that are still to be resolved by the Valuation Office Agency for the District and Borough Councils in Warwickshire. We cannot predict when these appeals may be raised or settled, so we have assumed that these settlements will be made within 1 year for the purposes of these accounts. The amount we have provided is £4.4 million.

We have reassessed the balance of liabilities between the County Council and the Firefighters' Pension Fund. Some of the final costs are still uncertain and so a provision of £0.6 million has been included.

We have had to plan to reduce our staff numbers to deliver our savings programme. We have accounted for these employment costs but only where the decisions taken are irreversible. This and all other provisions, totalling £0.8 million, are individually insignificant.

## Note 19: Usable Reserves

Movements in our usable reserves are detailed in the Movement in Reserves Statement and in notes 1 and 2. A summary of revenue and capital usable reserves is shown below:

| 31 March 2020 £ m | Usable reserves | 31 March 2021 £ m |
|---|---|---|
| 21.2 | General Fund | 21.4 |
| 170.1 | Earmarked Reserves | 230.5 |
| 1.7 | Capital Fund | 0.7 |
| 8.9 | Capital Receipts Reserve | 17.7 |
| 3.6 | Capital Grants Unapplied | 3.8 |
| **205.5** | **Total usable reserves** | **274.1** |

## Note 20: Unusable Reserves

| 31 March 2020 £ m | Unusable reserves | 31 March 2021 £ m |
|---|---|---|
| 193.1 | Revaluation Reserve | 188.6 |
| 679.2 | Capital Adjustment Account | 667.6 |
| 11.4 | Deferred Capital Receipts Reserve | 9.1 |
| 2.1 | Financial Instruments Revaluation Reserve | 2.1 |
| -6.6 | Accumulated Absences Reserve | -11.6 |
| -1.2 | Collection Fund Adjustment Account | -12.1 |
| 0.0 | Dedicated Schools Grant Adjustment Account | -8.3 |
| -812.6 | Pensions Reserve | -1,062.8 |
| **65.4** | **Total unusable reserves** | **-227.4** |

### Revaluation Reserve

The Revaluation Reserve contains the gains we have made arising from increases in the value of our property, plant and equipment and intangible assets. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

| 31 March 2020 £ m | Revaluation Reserve | 31 March 2021 £ m |
|---|---|---|
| 195.2 | Balance on 1 April | 193.1 |
| 16.4 | Revaluation increases | 10.0 |
| -2.3 | Revaluation decreases | -2.3 |
| -6.2 | Depreciation adjustment to Capital Adjustment Account | -6.0 |
| -10.0 | Revaluation written off on disposal | -6.2 |
| **193.1** | **Balance at 31 March** | **188.6** |

**Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for the financing of the acquisition, construction or enhancement of those assets under statutory provisions:

- The Account is debited with the cost of acquisition, construction and enhancement as depreciation, impairment and revaluation losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts we set aside as finance for the costs of acquisition, construction and enhancement;
- The Account contains the accumulated gains and losses on investment properties; and
- The Account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 2 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

| 2019/20 £ m | Capital Adjustment Account | 2020/21 £ m |
|---|---|---|
| 630.9 | Balance on 1 April | 679.2 |
| 0.2 | Revaluation increase | 0.0 |
| -12.3 | Revaluation decrease | -32.0 |
| 4.8 | Reversal of previous impairments | 5.4 |
| 6.2 | Depreciation adjustment to Revaluation Reserve | 6.0 |
| 10.2 | Revaluation written off on disposal | 6.2 |
| -24.3 | Value of asset disposals | -47.8 |
| -19.2 | Transfer of spending on assets we do not own | -20.8 |
| -38.8 | Depreciation charge to revenue | -39.9 |
| 11.9 | Minimum revenue provision (MRP) | 11.4 |
| 109.6 | Money used to buy assets | 99.9 |
| **679.2** | **Balance on 31 March** | **667.6** |

**Deferred Capital Receipts Reserve**

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the authority does not treat these gains as useable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

| 31 March 2020 £ m | Deferred Capital Receipts reserve | 31 March 2021 £ m |
|---|---|---|
| 6.0 | Balance on 1 April | 11.4 |
| 11.4 | Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the comprehensive Income and Expenditure Statement | 9.1 |
| -6.0 | Transfer to the Capital Receipts Reserve upon receipt of cash | -11.4 |
| **11.4** | **Balance on 31 March** | **9.1** |

**Financial Instruments Revaluation Reserve**

The Financial Instruments Revaluation Reserve contains the gains/losses made by the authority arising from increases/decreases in the value of its equity investments that are measured at fair value through other comprehensive income plus those financial assets valued at fair value through profit and loss for which a statutory over ride exists, because they meet the conditions of being classified as a pooled investment vehicle. This means that changes in their fair value do not hit the General Fund.

The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost; or
- Disposed of and the gains are realised.

| 31 March 2020 £ m | Financial Instrument Revaluation Reserve | 31 March 2021 £ m |
|---|---|---|
| 2.4 | Opening Balance | 2.1 |
| 0.1 | Upward revaluation of investments | 0.1 |
| -0.4 | Downward revaluation of investments | -0.1 |
| **2.1** | **Balance at 31 March** | **2.1** |

**Accumulated Absences Account**

The Accumulated Absences Account absorbs the amounts that would otherwise affect the General Fund from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund is neutralised by transfers to or from the Account.

| 31 March 2020 £ m | | Movement in Accumulated Absences Account | 31 March 2021 £ m | |
|---|---|---|---|---|
| | -5.3 | Balance at 1 April | | -6.6 |
| 5.3 | | Settlement or cancellation of accrual made at the end of the preceding year | 6.6 | |
| -6.6 | | Amounts accrued at the end of the current year | -11.6 | |
| | -1.3 | Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | | -5.0 |
| | **-6.6** | **Balance at 31 March** | | **-11.6** |

**Collection Fund Adjustment Account**

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

| 31 March 2020 £ m | Movement in Collection Fund Adjustment Account | 31 March 2021 £ m |
|---|---|---|
| 2.4 | Balance at start of year | -1.2 |
| -2.4 | Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | -3.1 |
| -1.2 | Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rate income calculated for the year in accordance with statutory requirements | -7.8 |
| **-1.2** | **Balance at 31 March** | **-12.1** |

### Dedicated Schools Grant Adjustment Account

The Dedicated Schools Grant (DSG) Adjustment Account is required to hold the deficits on DSG as these cannot be offset against General Fund Reserves and must be carried forward and met from future DSG funding in line with current legislation and statutory requirements. The deficit is removed from the CIES and reversed through the MIRS into this account. As this was only required from 1 April 2020 the amount transferred into the account at 31 March is the cumulative deficit and hence there are no comparatives.

| 31 March 2020 £ m | Dedicated Schools Grant (DSG) Adjustment Account | 31 March 2021 £ m |
|---|---|---|
| 0.0 | Opening Balance - Deficit on 1 April 2020 transferred from General Fund Reserves | -3.0 |
| 0.0 | Deficit on Schools Budget for the year | -5.3 |
| **0.0** | **Balance at 31 March** | **-8.3** |

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. We account for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities to reflect inflation, changing assumptions and investment returns on any resources set aside to meet costs. However, statutory arrangements require benefits earned to be financed, as we make employer's contributions to pension funds or eventually pay any pensions for which we are directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources we have set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time that the benefits come to be paid.

| On 31 March 2020 £ m | Pensions Reserve - All Schemes | On 31 March 2021 £ m |
|---|---|---|
| -924.8 | Balance as 1 April | -812.6 |
| 160.7 | Remeasurements of net defined (liability)/asset | -224.0 |
| -98.8 | Reversal of net charges made for retirement benefits | -76.3 |
| 45.2 | Employer's pension contributions and direct payments to pensioners payable in the year | 46.4 |
| 5.1 | Grant funding of firefighters' pensions liabilities | 3.7 |
| **-812.6** | **Balance at 31 March** | **-1,062.8** |

## Note 21: Cash Flow Statement – operating activities

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

| 31 March 2020 Restated £m | | 31 March 2021 £m |
|---|---|---|
| 37.8 | Depreciation | 38.9 |
| 7.3 | Impairment and downward valuations | 26.6 |
| 1.0 | Amortisation | 1.0 |
| -3.0 | Increase/(decrease) in creditors | 27.2 |
| -7.1 | (Increase)/decrease in debtors including bad debts | -11.4 |
| 0.1 | (Increase)/decrease in inventories | 0.1 |
| 48.5 | Movement in pension liability | 26.2 |
| 24.1 | Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised | 47.8 |
| 1.6 | Other non-cash items charged to the net surplus or deficit on the provision of services | -1.6 |
| **110.3** | | **154.9** |

The cash flows for operating activities include the following items:

| 31 March 2020 £m | | 31 March 2021 £m |
|---|---|---|
| 4.0 | Interest received | 2.1 |
| -25.4 | Interest paid | -16.6 |
| 1.0 | Dividends received | 0.7 |

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

| 31 March 2020 £m | | 31 March 2021 £m |
|---|---|---|
| -15.0 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | -21.7 |
| -85.1 | Any other items for which the cash effects are investing or financing cash flows | -83.2 |
| **-100.1** | **Total** | **-104.9** |

## Note 22: Cash Flow Statement – investing activities

| 31 March 2020 Restated £ m | Cash flows from investing activities | 31 March 2021 £ m |
|---|---|---|
| -92.3 | Purchase of property,plant and equipment, investment property and intangible assets | -78.6 |
| -233.5 | Purchase (-) of short-term and long-term investments | -138.0 |
| 214.0 | Proceeds of short-term and long-term investments | 90.0 |
| -0.7 | Other receipts or payments (-) for investing activities | -1.8 |
| 9.7 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 23.9 |
| 104.0 | Other receipts from investing activities - capital grants | 79.1 |
| **1.2** | **Net cash flows from investing activities** | **-25.3** |

The figures for 2019/20 have been amended to show both the purchase of short-term investments and the repayment received rather than the net position as previously shown.

## Note 23: Cash Flow Statement – financing activities

| 31 March 2020 £ m | Cash flows from financing activities | 31 March 2021 £ m |
|---|---|---|
| -10.0 | Repayments of short and long term borrowing | -20.0 |
| **-10.0** | **Net cash flows from financing activities** | **-20.0** |

Our only cash flow in relation to borrowing was the repayment of £20.0 million of loans outstanding (£10.0 million for 2019/20).

## Note 24: Grant Income

We credited the following grants to the CIES in 2020/21:

| 2019/20<br>£ m | Grant income | 2020/21<br>£ m |
|---|---|---|
| | **Revenue grants credited to Services:** | |
| 224.6 | Dedicated Schools Grant | 233.2 |
| 9.4 | Pupil Premium Grant | 9.6 |
| 0.6 | Sixth Form Funding | 0.1 |
| 8.0 | Other Schools Grants | 13.7 |
| 3.6 | Asylum Seekers Grant | 4.3 |
| 22.4 | Public Health Grant | 23.4 |
| 4.6 | Universal Infant Free School Meals | 4.7 |
| 1.6 | Adult & Community Learning | 1.6 |
| 0.0 | Contain Outbreak Management Covid Grant | 14.5 |
| 0.0 | Hospital Discharge Grant | 7.8 |
| 0.0 | Winter Grant Fund | 1.9 |
| 0.0 | Covid Test and Trace, Community Testing & ASC Rapid Testing Grants | 5.6 |
| 0.0 | Covid Infection Control Grant | 13.4 |
| 13.0 | Better Care Fund | 14.7 |
| 3.8 | Other revenue grants | 7.3 |
| **291.6** | **Total revenue grants** | **355.7** |
| | **Capital grants and contributions credited to services:** | |
| 4.5 | Disabled Facilities Grant | 5.1 |
| 0.1 | Environment Agency | 0.0 |
| 1.4 | Building Digital UK (BDUK) | 2.3 |
| 4.9 | Private developer funding | 7.1 |
| 1.2 | Other grants/contributions | 2.3 |
| **12.1** | **Total capital grants and contributions** | **16.8** |
| **303.7** | **Total** | **372.5** |

| 2019/20 £ m | Grant income | 2020/21 £ m |
|---|---|---|
| | **Revenue grants credited to Taxation and Non Specific Grant Income:** | |
| 9.5 | Business Rates Retention/Compensation Scheme | 9.6 |
| 18.5 | Adult Social Care & Better Care Fund | 26.4 |
| 14.1 | Covid 19 Support Grants | 31.6 |
| 3.1 | New Homes Bonus | 3.4 |
| 1.7 | Independent Living Fund Grant | 1.8 |
| 0.9 | Tackling Troubled Families | 1.3 |
| 2.4 | Childrens Social Innovation Programme | 1.0 |
| 1.2 | Fire Service Pensions Grant | 1.2 |
| 5.1 | Fire Pension Fund Grant | 3.7 |
| 2.3 | Other Grants | 2.5 |
| **58.8** | **Total revenue grants** | **82.4** |
| | **Capital grants and contributions credited to Taxation and Non Specific Grant Income:** | |
| 1.7 | Devolved Formula Capital | 1.2 |
| 21.5 | Schools Maintenance and Basic Need | 5.6 |
| 23.3 | Local Transport Plan and other transport grants | 26.6 |
| 7.9 | Contribution from other local authorities | 4.9 |
| 15.7 | Private developer funding | 15.3 |
| 3.0 | Other grants/contributions | 12.8 |
| **73.1** | **Total capital grants and contributions** | **66.4** |
| **131.9** | **Total** | **148.9** |

We have received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver.

The balances at year end are as follows:

| 31 March 2020 £ m | | 31 March 2021 £ m |
|---|---|---|
| | **Short-term grant receipts in advance - revenue** | |
| 0.0 | Rural Mobility Fund | 1.0 |
| 0.9 | Other grants | 1.6 |
| **0.9** | **Total revenue grants** | **2.7** |
| | **Long-term grant receipts in advance - capital** | |
| 1.1 | Devolved Formula Capital | 1.0 |
| 2.4 | Grant from Other Local Authorities | 6.2 |
| 0.8 | Additional School Capital Funding | 0.7 |
| 62.0 | Private developer funding and capital receipt deposits | 66.5 |
| 0.3 | Other grants/contributions | 1.3 |
| **66.6** | **Total capital grants** | **75.7** |
| **67.5** | **Total** | **78.4** |

## Note 25: Accounting standards issued that have not yet been adopted

The following accounting standards have been issued but not yet adopted:

- Definition of a business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS9, IAS39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS9, IAS39, IFRS7, IFRS4, and IFRS16.

These standards all apply to local authority accounts in 2021/22 but are not expected to have a material effect on the authority's financial statements.

## Note 26: Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions we have made 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 our Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if actual results differ from assumptions |
|---|---|---|
| Property, plant and equipment | Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance in relation to individual assets. In the current economic climate, the authority cannot be certain about its ability to sustain the current level of spending on repairs and maintenance bringing into doubt the useful lives of the assets. | If a reduction of asset life occurs, the depreciation increases and the carrying amount of the asset falls.<br><br>It is estimated that the annual depreciation charge for property, plant and equipment would increase by £1.6 million for every year that useful lives are reduced. |
| Pensions liability | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the authority with expert advice about the assumptions to be applied. | The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate, in isolation, would result in an increase in the pension liability of £38.4 million. See note 37 for further examples.<br><br>During 2020/21, our actuaries advised that the net pensions' liability has increased by £250.2 million mainly as a result of an actuarial loss due to revaluation of fund liabilities. |
| Fair Value | It is not always possible for the fair values of investment properties, surplus assets and assets held for sale to be measured based on quoted prices in active markets (i.e. Level 1 inputs).<br><br>For Level 2 inputs we use quoted prices for similar assets or liabilities in active markets at the balance sheet date.<br><br>Where possible the inputs to these valuation techniques are based on observable data, but where this is not possible, judgement is required in establishing fair values.<br><br>Where Level 1 inputs are not available, we use valuers to identify the most appropriate valuation techniques to determine fair value. | We use a combination of indexation techniques, beacon valuations and discounted cash flow models to measure the value of our investment properties, surplus assets and assets held for sale. |

| Item | Uncertainties | Effect if actual results differ from assumptions |
|---|---|---|
| McCloud and Sargeant Judgements | The McCloud and Sargeant judgements upheld the claimant's cases that the method of implementation of the new public sector pension schemes discriminated against younger members. Our consulting actuaries have included an estimate of the impact in the calculation of our pension liability. However, the remedy to resolve the age discrimination has yet to be agreed and the financial impact remains uncertain. | A 1% change in the employer's liability as a result of the final remedy would change our pension liabilities by £23.4m. |
| Covid-19 | Our immediate response to the Covid-19 pandemic, the impact of lock down and social distancing on service provision, the wider effects on the economy locally, nationally and globally and the need to invest in the reinstatement of services and recovery began to impact towards the end of March 2020.<br><br>We used expert external valuers and actuaries to value of our assets and liabilities as at the end of March 2021 to ensure our balance sheet reflects the estimated impact at that point. However, the duration of the pandemic and the depth of and timeframe for recovery from any economic downturn remain uncertain. Therefore, the financial impact and risk of a material adjustment to our balance sheet going forward remains.<br><br>The key elements that could be negatively impacted include:<br>• The fair value of our assets and investments; and<br>• The level of reserves and cash we use compared to our plans to meet any unfunded costs as well as an increase in both demand for our services and a reduced resource base in future years. | We have £252.6m of general fund revenue reserves and £410.2m of cash and short-term investments at 31 March 2021. A significant proportion of these could be used/redirected to meet any immediate funding shortfall. Any material use would require a review of our medium-term spending and investment plans.<br><br>Our long-term investments and investment property equate to 1.5% of our total long-term assets at 31 March 2021. The decrease in value of these assets will not affect the underlying strength of our asset base.<br><br>£187.8m of our operational land and buildings assets are valued on the basis of their existing use. A 7.5% variation in the value of these assets would have a material impact on our accounts. |

## Note 27: Capital expenditure and capital financing

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

| 2019/20 £ m | Capital financing requirement | 2020/21 £ m |
|---|---|---|
| 301.7 | Opening requirement | 289.8 |
| | Capital investment: | |
| 90.0 | - Property, plant & equipment | 78.9 |
| 0.3 | - Intangible assets | 0.2 |
| 0.1 | - Investment property | 0.0 |
| 19.2 | - Revenue spending from capital under statute | 20.8 |
| **109.6** | **Total capital investment** | **99.9** |
| | Sources of finance: | |
| -10.3 | - Capital receipts | -15.0 |
| -96.6 | - Government grants and other contributions | -83.0 |
| | - Sums set aside from revenue: | |
| -2.7 | - Direct revenue contributions | -2.0 |
| -11.9 | - MRP | -11.4 |
| **-121.5** | **Total sources of income** | **-111.4** |
| **289.8** | **Closing capital financing requirement** | **278.3** |

| 2019/20 £ m | Explanation of movements in the year | 2020/21 £ m |
|---|---|---|
| -11.9 | Change in underlying need to borrow | -11.5 |
| **-11.9** | **Increase/decrease(-) in Capital Financing Requirement** | **-11.5** |

## Note 28: Critical judgements in applying accounting policies

In applying our accounting policies as set out at the start of this document, we have 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, we have determined that this uncertainty is not yet sufficient to provide an indication that our assets might be impaired as a result of a need to close facilities and reduce levels of service provision;

- We consider voluntary controlled, voluntary aided and foundation schools contribute alongside maintained schools, to meeting our service objectives both now and in the future and that therefore their expenditure, income and the assets they use in the provision of services should form part of our accounts. In accordance with the Code we include them in our single entity accounts, and we do not have to prepare separate group accounts. Details of the value and number of each type of school included in our accounts are shown at note 9;

- When a school that is held on our Balance Sheet transfers to academy status we account for this as a disposal for nil consideration on the date that the school converts to academy status rather than as an impairment on the date that approval to transfer to Academy status is agreed. See Notes 4 and 30.

- Details of our relationships with other companies and investments in companies are detailed in note 40. These are not material and we have not prepared group accounts on this basis.

- When we become aware of an expected credit loss our accounting policies require that, if material, we charge this to the CIES in the year. Our judgement, based on the advice of our external experts, is that there is no material expected credit loss at 31 March 2021 and therefore no impairment charge to the CIES has been made.

## Note 29: Dedicated Schools Grant

Our spending on schools is funded primarily by a grant provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget as defined in the School Finance and Early Years (England) Regulations 2017. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Central spending includes other funding allocated as school specific contingencies and nominally held funds and allocations by the School Forum. The DSG figure is as confirmed by the Department for Education in March 2021.

We confirm that the DSG receivable in 2020/21 was £233.8 million (made under section 14 of the Education Act 2002). It has been fully distributed to support schools' budgets, as set out in the regulations made under sections 45A, 45AA, 47, 47ZA, 47A, 48, 49 and 138(7) of, and paragraph 2(B) of schedule 14 to, the Schools Standards and Framework Act 1998 and section 24(3) of the Education Act 2002.

New provisions, which came into force on 1 April 2020, under the Schools and Early Years Finance (England) Regulations 2020, mean that local authorities are required to carry forward overspends of DSG to their schools' budgets either in the year immediately following or the year after. Under Regulation 8, paragraphs (7) and (8) this also applies to a deficit from the previous year i.e. 2019/20, thus creating a comparable position to the statutory funding basis for the 2020/21 financial year. Any future funding to make good any deficit from our General Reserves can only be made upon approval from the Secretary of State. This reflects the statutory requirement that a deficit must be carried forward to be funded from future DSG income, unless the Secretary of State authorise the local authority not to do so. Furthermore, the DSG deficit has to be allocated between service categories so that a deficit from one service category cannot be offset against a surplus from another.

The early years DSG is based on data from earlier years. The final allocation will be determined and received during 2021/22 and will be shown in the table as an in-year adjustment. The £0.6m in-year adjustment shown in the table is £0.2m additional DSG income relating to the final in-year adjustment for 2019/20 and £0.8m estimated to be clawed back as the additional final early years DSG for 2020/21.

The deficit on the high needs DSG is £13.9m at the end of the 2020/21 financial year. This will be recovered through future funding growth and our recovery plan aimed at influencing the increasing level of demand in the high needs system and the push towards specialist placements. In line with new regulations which came into force on 29 November 2020, any deficit, as calculated under those regulations, must not be charged to the revenue account. That deficit should be recorded in a separate account solely for the purposes of recording deficits relating to its school's budget. This is an unusable reserve which we have called the Dedicated School Grant Adjustment Account. These regulations apply at the moment for a period of three years. This adjustment is included as a statutory adjustment in Note 2 to ensure it does not affect the Net Cost of Services or the Total General Reserves available. The opening DSG deficit from 2019-20 is shown an as opening transfer to the DSG Adjustment Account in the MIRS.

Details of the deployment of DSG receivable for 2020/21 across the different DSG blocks are shown below.

| 2019/20 Total (Restated) | | 2020/21 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Central Spending | | | | | Individual schools budget (ISB) | | | | | |
| | | Schools Block | Early Years Block | High Needs Block | Central Block | TOTAL | Schools Block | Early Years Block | High Needs Block | Central Block | TOTAL | Total |
| £ m | | £ m | £ m | £ m | £ m | £ m | £ m | £ m | £ m | £ m | £ m | £ m |
| 427.2 | Final DSG for the year before Academy recoupment | 5.6 | 1.5 | 49.4 | 4.1 | 60.7 | 344.0 | 32.1 | 19.1 | 0.0 | 395.2 | 455.9 |
| -203.7 | Less Academy recouped for the year | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -208.7 | 0.0 | -13.4 | 0.0 | -222.1 | -222.1 |
| 223.6 | Total DSG after Academy recoupment for the year and agreed initial budget distribution in the year. | 5.6 | 1.5 | 49.4 | 4.1 | 60.7 | 135.3 | 32.1 | 5.7 | 0.0 | 173.1 | 233.8 |
| 0.0 | Plus DSG brought forward from the previous year | 0.2 | 1.8 | -5.2 | 0.2 | -3.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -3.0 |
| 0.0 | Less DSG Carry forward to next year agreed in advance | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 223.6 | Agreed initial budgeted distribution in the year | 5.8 | 3.4 | 44.2 | 4.3 | 57.7 | 135.3 | 32.1 | 5.7 | 0.0 | 173.1 | 230.9 |
| 1.0 | In year Adjustments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.6 | 0.0 | 0.0 | -0.6 | -0.6 |
| 224.6 | Final budgeted DSG distribution for the year | 5.8 | 3.4 | 44.2 | 4.3 | 57.7 | 135.3 | 31.5 | 5.7 | 0.0 | 172.5 | 230.2 |
| -60.2 | Actual central spending for the year | -2.6 | -1.4 | -58.1 | -3.8 | -65.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -65.9 |
| -169.5 | Actual ISB deployed to schools | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -135.6 | -31.4 | -5.6 | 0.0 | -172.7 | -172.7 |
| 2.1 | Our contribution in the year | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **-3.0** | **Under/Over(-) spend for the year (carried forward)** | **3.3** | **2.0** | **-13.9** | **0.5** | **-8.1** | **-0.3** | **0.1** | **0.1** | **0.0** | **-0.1** | **-8.3** |

## Note 30: Events after the Balance Sheet date

Academisation of Schools
As a result of the Government's White Paper 'The Importance of Teaching', which allows Schools to opt out of local government control by becoming academies, four Warwickshire schools chose to take up the new academy status in 2020/21 and a further 12 Warwickshire schools are anticipated to also convert to academy status in 2021/22 and beyond. The significance of the conversion of these schools to academy is that the value of the land, buildings and any vehicles, plant and equipment will be removed from our Balance Sheet at the date of conversion. The value of the derecognition of the current schools looking to convert to academy status after 31 March 2021 will be in the region of £27.6 million.

Coronavirus Pandemic
In March 2020 it was announced that coronavirus was a global pandemic. This was swiftly followed by Government instituting a lockdown on 23 March 2020. As a result, the Council's staff and services changed overnight. Core services continue to be delivered with staff primarily working from home. Some functions, such as libraries, are restricting their services due to social distancing rules, a small number of internal support services have been paused to free up resources to the Covid-19 response efforts and a number of income generating schemes and investments paused.

The financial position of the Council/Local Government has changed significantly. In the longer term there is likely to be a further squeeze on public spending and there are anticipated risks around tax bases for business rates and Council Tax; increased costs for services we purchase, especially in the care sector, and the impacts of the delays to delivery of internal efficiency and development savings.

Although the Government has announced, and continues to announce, financial support packages these are unlikely to be sufficient to cover all of the expected Covid-related pressures. Despite this uncertain position, the Council is considering strategies for managing these potential pressures including the implementation of further savings and investing in recovery, utilising reserves to pump-prime the activity. However, due to the level of uncertainty concerning the virus, and the absence of a firm future funding commitment from Government it is not possible to make a reliable estimate of the impact this may have on the Council at this time.

Warwickshire Recovery and Investment Fund
On 17 June 2021 Cabinet approved the creation of the Warwickshire Recovery and Investment Fund (WRIF) to provide access to finance, on a repayable basis, that helps businesses in Warwickshire start, grow and scale up; helps businesses locate in the county and leverages additional resources for the county through the investment and support of key growth businesses. Our investment in the WRIF is a maximum of £140 million over the next five years. £130 million of the investment is expected to meet the definition of capital expenditure and this will be our maximum gross exposure to external debt. Repayment profiles estimate that the maximum peak debt will be £67 million in 2025/26.

## Note 31: External audit costs

We have incurred costs of £0.115 million (£0.097 million in 2019/20) in the year in relation to the audit of the Statement of Accounts and £0.005 million (£0.006 million in 2019/20) in respect of certification of grant claims and other services provided by our external auditors.

## Note 32: Leases

**Authority as lessee**

- Finance leases
  We have acquired some equipment under finance leases. The assets acquired under these leases are carried as property, plant and equipment in the Balance Sheet. These amounts are not material to the financial statements.
- Operating leases
  We have acquired a number of buildings, vehicles and items of equipment by entering into operating leases. These amounts are not material to the financial statements.

**Authority as lessor**

- Finance leases
  We do not have any finance leases as lessor.
- Operating leases
  We lease out property under operating leases for the following purposes:
  - For the provision of community services, such as community centres, homes for the elderly and disabled nurseries;
  - For economic development purposes to provide accommodation for local businesses;
  - For the support of rural businesses to support smallholdings and farming; and
  - To individuals for personal and business use.

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

| 31 March 2020 £ m | Operating lease period | 31 March 2021 £ m |
|---|---|---|
| 1.5 | Not later than 1 year | 1.3 |
| 3.9 | Later than 1 year and not later than 5 years | 3.3 |
| 10.3 | Later than 5 years | 9.6 |
| **15.7** | **Total** | **14.2** |

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

## Note 33: Contingent assets

We currently have no contingent assets.

## Note 34: Contingent liabilities

A further legal ruling relating to Firefighter Additional Duties received in April 2019 charges Fire Authorities to ensure all allowances related to any regular additional duty are treated as pensionable. The appropriate changes have been made to the payroll system but backpay will be due once further advice is received concerning how far back we are required to consider recompense for. Until this advice is available, we are unable to calculate an appropriate provision amount, but our view is that for Warwickshire FRS this only relates to Training Allowance which is only paid to a small number of individuals and therefore should not be a material amount.

## Note 35: Members' allowances

Elected members were paid a total of £0.756 million (£0.802 million in 2019/20) in allowances and expenses. In addition, we paid independent and co-opted members allowances and expenses of £0.013 million (£0.014 million in 2019/20). No single member was paid more than £50,000 during the year. Further details of allowances and expenses payments made to Elected Members in 2020/21 are available on our website https://www.warwickshire.gov.uk. Payments to Elected Members include expenses for the Police and Crime Panel which are reimbursed by the Home Office.

## Note 36: Officers’ remuneration and termination benefits

We are required to show the number of our staff who are paid more than £50,000 a year. This is shown in the table below. Pay includes salary, redundancy, taxable travel and other taxable costs. These figures do not include employer’s pension contribution and exclude remuneration for senior staff who are shown separately.

| 2019/20 | | Remuneration Band | 2020/21 | |
|---|---|---|---|---|
| Number of Staff | Number Left in the Year | | Number of Staff | Number Left in the Year |
| 138 | 0 | £50,000 - £54,999 | 138 | 1 |
| 78 | 1 | £55,000 - £59,999 | 120 | 0 |
| 71 | 3 | £60,000 - £64,999 | 66 | 3 |
| 39 | 3 | £65,000 - £69,999 | 50 | 2 |
| 27 | 2 | £70,000 - £74,999 | 33 | 1 |
| 19 | 3 | £75,000 - £79,999 | 26 | 3 |
| 14 | 3 | £80,000 - £84,999 | 12 | 1 |
| 4 | 1 | £85,000 - £89,999 | 8 | 0 |
| 4 | 1 | £90,000 - £94,999 | 6 | 1 |
| 6 | 2 | £95,000 - £99,999 | 6 | 0 |
| 2 | 0 | £100,000 - £104,999 | 3 | 0 |
| 1 | 0 | £105,000 - £109,999 | 0 | 0 |
| 1 | 1 | £110,000 - £114,999 | 0 | 0 |
| 2 | 1 | £115,000 - £119,999 | 2 | 0 |
| 0 | 0 | £135,000 - £139,999 | 1 | 0 |
| **406** | **21** | | **471** | **12** |

We are required to disclose the remuneration of senior employees, as defined by regulation, by post for salaries under £150,000 and by name for those whose salary is over £150,000. Remuneration for senior staff includes the employer’s contribution to the appropriate pension fund.

| Post holder information (post title and name) | | Salaries (including fees and Allowances) £ | Taxable Expense Allowances £ | Total excluding pension contributions £ | Employer's Pension Contributions £ | Total including pension contributions £ |
|---|---|---|---|---|---|---|
| Chief Executive - Monica Fogarty (Head of Paid Service) | 2019/20 | 179,500 | 0 | 179,500 | 35,002 | 214,502 |
| | 2020/21 | 190,808 | 0 | 190,808 | 37,587 | 228,395 |
| Strategic Director for Resources (Section 151 Officer) | 2019/20 | 135,644 | 0 | 135,644 | 26,451 | 162,095 |
| | 2020/21 | 147,718 | 0 | 147,718 | 29,099 | 176,817 |
| Strategic Director for People | 2019/20 | 139,250 | 0 | 139,250 | 27,154 | 166,404 |
| Note 1 | 2020/21 | 147,743 | 0 | 147,743 | 29,104 | 176,847 |
| Strategic Director for Communities | 2019/20 | 132,038 | 0 | 132,038 | 25,747 | 157,785 |
| | 2020/21 | 140,282 | 0 | 140,282 | 27,633 | 167,915 |
| Chief Fire Officer | 2019/20 | 133,532 | 0 | 133,532 | 36,200 | 169,732 |
| | 2020/21 | 133,620 | 0 | 133,620 | 39,892 | 173,512 |
| Assistant Director - Public Health (Director of Public Health) Note 2 | 2019/20 | 39,344 | 0 | 39,344 | 5,658 | 45,002 |
| | 2019/20 | 48,395 | 0 | 48,395 | 9,437 | 57,832 |
| | 2020/21 | 107,208 | 10,002 | 117,210 | 21,119 | 138,329 |
| Assistant Director Education Services (Chief Education Officer) | 2019/20 | 108,273 | 0 | 108,273 | 21,113 | 129,386 |
| | 2020/21 | 115,367 | 0 | 115,367 | 22,726 | 138,093 |
| Assistant Director Governance and Policy (Monitoring Officer) | 2019/20 | 111,555 | 0 | 111,555 | 21,753 | 133,308 |
| | 2020/21 | 120,527 | 0 | 120,527 | 23,742 | 144,269 |
| **Total 2019/20 (restated)** | | **1,027,531** | **0** | **1,027,531** | **208,515** | **1,236,046** |
| **Total 2020/21** | | **1,103,273** | **10,002** | **1,113,275** | **230,902** | **1,344,177** |

Note 1 The Strategic Director for People holds the posts of Director of Children's Services and Director of Adult Social Services.

Note 2 The role of the Director of Public Health was held by the Assistant Director of Public Health from 1 April 2019 to 9 October 2019 on an annualised salary of £89,244. A new Director started on 10 October 2019 on an annualised salary of £101,712. Figures for 2019/20 have been restated as this statutory post was omitted from the table last year.

The Director of Transformation, reporting directly to the Head of Paid Service, was paid via an Agency. Payments for 2019/20 were £142,500. They left in 2019/20.

There were no payments for compensation for loss of office or benefits in kind.

A number of employees left during 2020/21, incurring costs of £2.1 million (£2.9 million in 2019/20 (restated). None of this relates to senior staff. This cost includes officers who have left as part of ongoing savings and efficiency plans. See table below for details of total exit costs, which also includes the pensions costs funded by the authority not shown in the table above.

| Exit Package Cost Band (including Special Payments) | Number of compulsory redundancies | | Number of other departures agreed | | Total Number of packages by cost band | | Total cost of packages in each band £ m | |
|---|---|---|---|---|---|---|---|---|
| | 2019/20 (Restated) | 2020/21 | 2019/20 (Restated) | 2020/21 | 2019/20 (Restated) | 2020/21 | 2019/20 (Restated) | 2020/21 |
| £0 - £20,000 | 6 | 8 | 72 | 59 | 78 | 67 | 0.474 | 0.414 |
| £20,001 - £40,000 | 2 | 4 | 9 | 8 | 11 | 12 | 0.325 | 0.346 |
| £40,001 - £60,000 | 5 | 2 | 5 | 5 | 10 | 7 | 0.507 | 0.328 |
| £60,001 - £80,000 | 4 | 1 | 0 | 1 | 4 | 2 | 0.274 | 0.129 |
| £80,001 - £100,000 | 4 | 2 | 0 | 0 | 4 | 2 | 0.356 | 0.173 |
| £100,001 - £150,000 | 0 | 1 | 0 | 1 | 0 | 2 | 0.000 | 0.243 |
| £150,001 - £200,000 | 3 | 3 | 1 | 0 | 4 | 3 | 0.721 | 0.498 |
| £200,001 - £250,000 | 1 | 0 | 0 | 0 | 1 | 0 | 0.243 | 0.000 |
| | **25** | **21** | **87** | **74** | **112** | **95** | **2.900** | **2.131** |

This is staff that have left the authority in the year. In addition, we are required to account for the termination costs for staff that have signed an agreement to leave the authority which cannot be cancelled but who do not leave until after the 31 March, as a provision charged in the CIES. These staff will be included in the note in the year in which they leave the authority. Figures for 2019/20 have been restated to include some costs paid for staff who left in 2019/20. This is to ensure that departures and costs are only recorded for the year they left the authority.

## Note 37: Pension schemes

As part of the terms and conditions of employment, we offer retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make payments that need to be disclosed at the time that employees earn their future entitlement.

<u>Pension Schemes operated by the Council</u>

**Teachers**

We operate a pension scheme for our teaching staff, under the Superannuation Act 1972. The scheme provides teachers with a defined benefit when they retire. The Teachers' Pensions Agency manages the scheme under the Teachers' Pensions Regulations 1997, as amended. The Government sets teachers' and employers' contribution rates on the basis of an assumed fund. The scheme has a large number of participating employers and so we are not able to identify our share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of our Statement of Accounts, the scheme is therefore accounted for on the same basis as a defined contribution scheme.

We may be required to make two kinds of contributions to the scheme – 'normal' and 'supplementary'. The normal contribution is the percentage of a newly recruited teacher's salary that is needed to meet the cost of the pension liability. We would pay a supplementary contribution if the Government found that future liabilities would not be met by the normal contributions. A supplementary contribution is not needed at present. Our total employer's contribution cost was £17.0 million in 2020/21 (£14.7 million in 2019/20).

We are also responsible for paying any extra added years of benefits and early retirement costs to pensioners. These extra costs are classed as defined benefits. As a result, in our accounts we show the extra cost of pensions decisions we made in the current year, no matter when we will actually pay these financial costs. There is no fund for these discretionary benefits and so there are no assets. In 2020/21 the payments relating to added pensionable years came to £3.2 million (£3.2 million in 2019/20). We made no payments relating to early retirement in 2020/21 or 2019/20.

**Firefighters**

There is a defined benefit pension scheme for our firefighters, under the Superannuation Act 1972. The Firefighters' Pension Scheme in England is an unfunded scheme where we promise to provide employees with benefits under the scheme but make no advance funding in the scheme for those benefits. Benefits are paid directly when they become due.

We pay an employer's pension contribution, based on a percentage of pay, into the pension fund. The pension fund will be balanced to nil at the end of the year by either paying over to the government any excess, or by receiving cash in the form of pension top-up grant. This grant is paid to the Firefighters' Pension Fund and not the County Council. The Government sets the employees' and employer's contribution rates by regulation.

In 2020/21, pension payments totalled £7.0 million (£6.8 million in 2019/20). Costs relating to early retirement totalled £0.7 million in 2020/21 (£2.1 million in 2019/20).

The estimated employer's contributions for Fire Fighters pension for the period to 31st March 2022 will be approximately £2.7 million.

**Firefighters' Injury Awards Scheme**
Firefighters' injury awards are financed from our revenue account. An ongoing liability to pay injury awards is included in our Balance Sheet. This liability is subject to the same actuarial assumptions as the main firefighters' scheme, though it is not a separate pension scheme as there is a benefit paid whether the recipient of the injury award is a member of the scheme or not. However, the liability forms part of our overall pensions' liability.

**National Health Service**
During 2013/14 some NHS staff transferred to us. These staff have maintained their membership in the NHS Pension Scheme. The scheme provides these staff with specified benefits upon their retirement and we contribute towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is an unfunded defined benefit scheme. However, we are not able to identify our share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts it is therefore accounted for on the same basis as a defined contribution scheme.

In 2020/21 we paid £0.070 million (£0.098 million in 2019/20) to the NHS Pension Scheme in respect of former NHS staff retirement benefits, including employees' contributions.

**Local Government Pension Scheme – all other Council employees**
We operate a funded, defined benefit pension scheme for staff, under the Local Government Pensions Scheme Regulations 2013. We manage the scheme for ourselves, the five district councils and a number of other organisations. We prepare the accounts, but they are separate from our financial statements. The Council and employees pay contributions into the fund calculated at a level intended to balance pension liabilities with investment assets.

An actuarial valuation is carried out every three years to assess the difference between the fund's projected assets and liabilities and the amount employers will have to contribute for the next three years. The valuation on 31 March 2019 set the rates for 2020/21, 2021/22 and 2022/23.

In the valuation carried out as at 31 March 2019 the funding level increased from 82% to 92%. As a result, the employer's rate is expected to increase by 0.75% per annum until 2022/23. In 2020/21, we made normal employer's contributions totalling £28.7 million (£26.6 million in 2019/20).

We are also responsible for all pension payments relating to benefits we have awarded for added years, together with related increases. In 2020/21, these came to £2.5 million (£2.8 million in 2019/20). The estimated employer's contribution for the period to 31st March 2022 is £30.2 million.

The value of our LGPS assets at 31 March 2021 is based on the market value at 31 March 2021. The movement in our LGPS assets in the year is as shown below:

| 31 March 2020<br>£ m | Change in Fair Value of WCC Share of LGPS Assets | 31 March 2021<br>£ m |
|---|---|---|
| 1,117.0 | Fair value of assets at the beginning of the year | 1,019.2 |
| 0.0 | Effect of settlements | -4.9 |
| 26.8 | Interest Income on plan assets | 23.3 |
| -118.3 | Remeasurements on assets | 242.2 |
| 30.4 | Employers' contributions (including receipts covering early retirements) | 32.0 |
| 8.7 | Member contributions | 9.3 |
| -45.4 | Benefits/transfers paid | -43.0 |
| **1,019.2** | **Fair value of assets at the end of the year** | **1,278.1** |

A breakdown of the nature of those assets is as follows:

| 31 March 2020 | | | 31 March 2021 | |
|---|---|---|---|---|
| Quoted prices in active markets £ m | Quoted prices not in active markets £ m | LGPS Assets | Quoted prices in active markets £ m | Quoted prices not in active markets £ m |
| 0.0 | 0.0 | **Equity securities:** | 0.0 | 0.6 |
| 0.0 | 32.4 | **Debt Securities:** | 277.0 | 43.1 |
| 0.0 | 48.8 | **Private equity:** | 0.0 | 65.5 |
| | | **Real estate:** | | |
| 99.6 | 0.0 | UK property | 116.0 | 0.0 |
| 0.1 | 0.0 | Overseas property | 0.0 | 0.0 |
| | | **Investment funds and unit trusts:** | | |
| 584.2 | 0.0 | Equities | 714.2 | 0.0 |
| 156.6 | 0.0 | Bonds | 0.0 | 0.0 |
| 0.0 | 26.8 | Infrastructure | 36.9 | 0.0 |
| 56.5 | 0.0 | Other | 0.0 | 0.0 |
| 14.2 | 0.0 | **Cash and cash equivalents** | 24.8 | 0.0 |
| **911.2** | **108.0** | **Totals** | **1,168.9** | **109.2** |

The expected return on scheme assets does not affect the Balance Sheet position as at 31 March 2021 but will affect the reported pension cost for the following year. It is based on market expectations at the beginning of the financial period for returns over the life of the obligation. This requires the consideration of the composition of the Scheme's assets and the potential returns of different asset classes. The assumption used is the average of the assumptions appropriate to the individual asset classes weighted by the proportion of the assets in the particular asset class.

The Impact of Pensions in our Accounts

We show the cost of retirements benefits in 'Money spent on services' in the CIES when employees earn them. We have made adjustments in the MIRS so that the charge made against the council tax reflects the actual cash we have paid relating to the year.

| 31 March 2020 | | | | | Pension scheme accounting | 31 March 2021 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| LGPS £m | Teachers £m | Fire fighters £m | Fire fighter Injury £m | Total £m | | LGPS £m | Teachers £m | Fire fighters £m | Fire fighter Injury £m | Total £m |
| | | | | | **Spending:** | | | | | |
| 62.1 | 0.0 | 4.2 | 0.5 | 66.8 | Current service cost | 49.6 | 0.0 | 3.3 | 0.4 | 53.3 |
| 0.8 | 0.0 | 0.0 | 0.0 | 0.8 | Past service cost and curtailments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | Effects of Settlement | -3.5 | 0.0 | 0.0 | 0.0 | -3.5 |
| 40.7 | 1.2 | 6.8 | 0.6 | 49.3 | Interest cost | 34.6 | 1.0 | 5.8 | 0.6 | 42.0 |
| -26.8 | 0.0 | 0.0 | 0.0 | -26.8 | Interest income on plan assets | -23.3 | 0.0 | 0.0 | 0.0 | -23.3 |
| **76.7** | **1.2** | **11.0** | **1.1** | **90.0** | **Net charge to CIES** | **57.5** | **1.0** | **9.1** | **1.0** | **68.6** |
| | | | | | **Contribution from Pensions Reserve:** | | | | | |
| 76.0 | 6.7 | 26.7 | 2.8 | 112.2 | Movement on the Pensions Reserve | -184.0 | -3.1 | -59.7 | -3.4 | -250.2 |
| -122.3 | -4.6 | -30.6 | -3.2 | -160.7 | Re-measurements recognised in CIES | 158.5 | 5.4 | 57.1 | 3.0 | 224.0 |
| n/a | n/a | -5.1 | n/a | -5.1 | Funded by Government top up grant | n/a | n/a | -3.7 | n/a | -3.7 |
| **-46.3** | **2.1** | **-9.0** | **-0.4** | **-53.6** | **Contribution (from) Pensions Reserve** | **-25.5** | **2.3** | **-6.3** | **-0.4** | **-29.9** |
| | | | | | **Actual amount charged against council tax:** | | | | | |
| 30.4 | n/a | 2.6 | n/a | 33.0 | Employer's contributions & ill-health contributions | 32.0 | n/a | 2.8 | n/a | 34.8 |
| **30.4** | **0.0** | **2.6** | **0.0** | **33.0** | **Amount charged against council tax** | **32.0** | **0.0** | **2.8** | **0.0** | **34.8** |
| | | | | | **Amount funded by government top up grant** | | | | | |
| n/a | n/a | 8.2 | n/a | 8.2 | Retirement benefits paid and due to be paid to pensioners and transfers out | n/a | n/a | 7.7 | n/a | 7.7 |
| n/a | n/a | -0.7 | n/a | -0.7 | Retirement Benefits paid directly by Government Top Up Grant | n/a | n/a | 0.0 | n/a | 0.0 |
| n/a | n/a | -1.1 | n/a | -1.1 | Employee contributions | n/a | n/a | -1.2 | n/a | -1.2 |
| n/a | n/a | -2.6 | n/a | -2.6 | Employer's contributions & ill-health contributions | n/a | n/a | -2.8 | n/a | -2.8 |
| **0.0** | **0.0** | **3.8** | **0.0** | **3.8** | **Government top up grant receivable** | **0.0** | **0.0** | **3.7** | **0.0** | **3.7** |
| | | | | | **Movement in Reserves Statement** | | | | | |
| -76.7 | -1.2 | -19.8 | -1.1 | -98.8 | Reversal of net charges made for retirement benefits | -57.5 | -1.0 | -16.8 | -1.0 | -76.3 |
| 30.4 | n/a | 2.6 | n/a | 33.0 | Employer's contributions & ill-health contributions | 32.0 | n/a | 2.8 | n/a | 34.8 |
| n/a | 3.3 | 8.2 | 0.7 | 12.2 | Retirement benefits paid or due to be paid to pensioners and transfers out | n/a | 3.2 | 7.7 | 0.6 | 11.5 |
| **-46.3** | **2.1** | **-9.0** | **-0.4** | **-53.6** | **Movement in Reserves Statement** | **-25.5** | **2.3** | **-6.3** | **-0.4** | **-29.9** |

The key assumptions used by our actuary to determine valuations are as laid out in the table below:

| 31 March 2020 | | | | Pension scheme assumptions | 31 March 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| LGPS | Teachers | Firefighters | Firefighter Injury Award | | LGPS | Teachers | New Firefighters | Firefighter and Injury Award |
| | | | | **Financial assumptions:** | | | | |
| 1.9% | 1.9% | 1.9% | 1.9% | Rate of Inflation CPI | 2.9% | 2.9% | 2.9% | 2.9% |
| 2.7% | 2.7% | 2.8% | 2.8% | Salary Increase | 3.1% | 3.1% | 3.3% | 3.3% |
| 1.9% | 1.9% | 1.9% | 1.9% | Pensions increases | 2.9% | 2.9% | 2.9% | 2.9% |
| 2.3% | 2.3% | 2.3% | 2.3% | Rate of discount | 2.0% | 2.0% | 2.0% | 2.0% |
| | | | | **Life expectancy assumptions:** | | | | |
| 21.6 (23.8) | 21.6 (23.8) | 26.4 (28.5) | 26.4 (28.5) | A male (female) current pensioner aged 65 | 21.8 (24.2) | 21.8 (24.2) | 26.6 (28.9) | 26.6 (28.9) |
| 22.5 (25.4) | 22.5 (25.4) | 27.5 (29.7) | 27.5 (29.7) | A male (female) future pensioner aged 65 in 20 years | 23.0 (26.1) | 23.0 (26.1) | 27.9 (30.3) | 27.9 (30.3) |
| | | | | **Commutation of pension for lump sum at retirement:** | | | | |
| 75.0% | n/a | 90.0% | 90.0% | ~ Taking maximum cash | 75.0% | n/a | 90.0% | 90.0% |
| 50.0% | n/a | n/a | n/a | ~ Taking 3/80th cash | 50.0% | n/a | n/a | n/a |

The sensitivity regarding the principal assumptions used to measure the LGPS scheme liabilities are set out below.

| Change in assumptions as at 31 March 2021 | Approximate increase to Employer Liability % | Approximate monetary amount £ m |
|---|---|---|
| 0.1% decrease in real discount rate | 2% | 38.4 |
| 1 year increase in member life expectancy | 4% | 78.0 |
| 0.1% increase in the salary increase rate | 0% | 3.4 |
| 0.1% increase in the pension increase rate | 2% | 34.5 |

The liabilities associated with each scheme are as shown in the table below:

| 31 March 2020 | | | | | | 31 March 2021 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| LGPS £m | Teachers £m | Firefighters £m | Firefighter Injury Award £m | All Schemes £m | Change in present value of pension scheme liabilities during the year | LGPS £m | Teachers £m | Firefighters £m | Firefighter Injury Award £m | All Schemes £m |
| 1,680.0 | 51.4 | 283.3 | 27.1 | 2,041.7 | Benefit obligation at the beginning of the year | 1,506.2 | 44.7 | 256.6 | 24.3 | 1,831.8 |
| 62.1 | 0.0 | 4.2 | 0.5 | 66.8 | Current service costs | 49.6 | 0.0 | 3.3 | 0.4 | 53.3 |
| 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | Effect of Settlements | -8.4 | 0.0 | 0.0 | 0.0 | -8.4 |
| 40.7 | 1.2 | 6.8 | 0.6 | 49.3 | Interest on pensions liabilities | 34.6 | 1.0 | 5.8 | 0.6 | 42.0 |
| 8.7 | 0.0 | 1.1 | 0.0 | 9.8 | Member contributions | 9.3 | 0.0 | 1.2 | 0.0 | 10.5 |
| 0.8 | 0.0 | 0.0 | 0.0 | 0.8 | Past service costs | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| -45.5 | -3.3 | -8.2 | -0.7 | -57.7 | Benefits/transfers paid | -43.0 | -3.2 | -7.7 | -0.6 | -54.6 |
| -240.6 | -4.6 | -30.6 | -3.2 | -278.9 | Remeasurements on liabilities | 400.7 | 5.4 | 57.1 | 3.0 | 466.2 |
| **1,506.2** | **44.7** | **256.6** | **24.3** | **1,831.8** | **Present value of liabilities at the end of the year** | **1,949.1** | **47.8** | **316.3** | **27.7** | **2,340.9** |

This leaves each scheme with a net liability as shown below:

| 31 March 2020 | | | | | | 31 March 2021 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| LGPS £m | Teachers £m | Fire fighters £m | Firefighter Injury Award £m | Total £m | Pension assets and liabilities recognised in the Balance Sheet | LGPS £m | Teachers £m | Fire fighters £m | Firefighter Injury Award £m | Total £m |
| 1,506.2 | 44.7 | 256.6 | 24.3 | 1,831.8 | Present value of the defined benefit obligation | 1,949.1 | 47.8 | 316.3 | 27.7 | 2,340.9 |
| 1,019.2 | 0.0 | 0.0 | 0.0 | 1,019.2 | Less: Fair value of plan assets | 1,278.1 | 0.0 | 0.0 | 0.0 | 1,278.1 |
| **487.0** | **44.7** | **256.6** | **24.3** | **812.6** | **Net Liability arising from defined benefit obligation charge to CIES** | **671.0** | **47.8** | **316.3** | **27.7** | **1,062.8** |
| | | | | | | | | | | |
| **-76.0** | **-6.7** | **-26.7** | **-2.8** | **-112.2** | **Increase/decrease (-) in net liability from previous year** | **184.0** | **3.1** | **59.7** | **3.4** | **250.2** |

The liabilities show the underlying commitments that we have in the long run to pay retirement benefits. However, statutory arrangements for funding the deficit mean that our financial position remains healthy:

- LGPS - the deficit will be recovered by increased contributions over the remaining working life of employees, as assessed by the scheme actuary;
- Firefighters Pension Scheme - the deficit is paid by Central Government;
- Teachers' Pension Scheme - finance is provided by the Teachers Pensions Agency; and
- Firefighters' Injury Awards – these are financed through revenue budgets.

## Note 38: Pooled budgets with health

Section 75 of the National Health Service Act 2006 allowed joint-working arrangements between NHS organisations and local authorities. Pooled funds allow these health organisations and local authorities to work together to tackle specific health issues. An important feature of the pool is that the way resources are used will depend on the needs of the clients who meet the conditions set for the pooled budget, rather than the contributions of the partners.

Warwickshire County Council is the host authority for the Section 75 Pooled budget arrangement via the Better Care Fund. The strategic aims of the programme are:

- People are helped to remain healthy and independent;
- People are empowered to play an active role in managing their own care and the care they receive; and
- People get the right service at the right time and in the right place – which means services will envelop individuals close to their home.

Agreements for the financial years since 1 April 2015 have been agreed by us and the three Clinical Commissioning Groups (CCGs) in Warwickshire. Annual contributions are agreed by the Better Together Programme Board before the commencement of each financial year thereafter. The agreement sets out the basis of the governance arrangements and reporting requirements to both the Better Together Programme Board and the Health and Wellbeing Board.

The total pooled budget arrangement for 2020/21 is £64.8 million (£61.6 million in 2019/20) of which £5.2 million (£4.5 million in 2019/20) is capital funding for Disabled Facilities. Of the revenue element £29.6 million (£27.1 million in 2019/20) is held by the CCGs for them to commission services and of that £3.9 million (£3.7million in 2019/20) has been passed back to the authority as part of a separate S75 Integrated Community Equipment Service agreement. A total of £30.1 million (£30.0 million in 2019/20) revenue funding was allocated by the council for commissioning services in accordance with the agreement.

The surplus and deficit at the end of the year on the Integrated Community Equipment Service and Better Care Fund Revenue respectively belong to the CCGs. The surplus at the end of the year on Disabled Facilities belongs to the District and Borough Councils of Warwickshire.

The S75 agreement for the Commissioning of Mental Health Services was agreed in 2018/19. The pooled resources total £4.9million (£5.4 million in 2019/20) with any surplus or deficits remaining within the pool, to be allocated by agreement with the Partnership Board.

The table below summarises the financial transactions of the pooled budgets.

| 2019/20 Surplus(-)/ Deficit £ m | Pooled budgets with health | 2020/21 Our contribution £ m | Total pool £ m | Total spend £ m | Surplus(-)/ Deficit £ m |
|---|---|---|---|---|---|
| | **Better Care Fund Pooled Budget - S75** | | | | |
| -0.2 | ~ Integrated community equipment service | 1.7 | 5.6 | 5.2 | -0.4 |
| 0.0 | ~ Better Care Fund - revenue other | 28.4 | 54.1 | 53.1 | -1.0 |
| -1.1 | ~ Disabled Facilities Capital Grant | 0.0 | 5.1 | 3.0 | -2.2 |
| -1.3 | **Total Better Care Fund** | 30.1 | 64.8 | 61.2 | -3.6 |
| 0.0 | **Commissioning of Mental Health Services for Children & Young People** | 0.9 | 4.9 | 4.9 | 0.0 |
| **-1.3** | **Total** | **31.0** | **69.7** | **66.1** | **-3.6** |

## Note 39: Coventry and Warwickshire Business Rates Pool

The Coventry and Warwickshire Business Rates Pool was created on 1 April 2013 with seven member authorities: Warwickshire County Council, the five District and Borough Councils within Warwickshire and Coventry City Council. Warwickshire County Council is the lead authority for the pool and there is an agreed memorandum of understanding in place that determines how the Pool's resources are allocated. Under the agreement any surplus generated by the pool, will be shared between pool members. We have accounted for our share of the current surplus in the CIES and the pool surplus is held in our reserves until such times as it is distributed (note 7).

## Note 40: Related parties and associated parties

Central Government
Central Government has effective control over our general duties – it is responsible for providing the legal framework within which we work, provides funding in the form of grants and sets the terms of many of the relationships that we have with other organisations. Details of the grants we receive from government departments are set out in note 24. Details of the balances with central government departments are shown in notes 15 and 17. Pooled budget arrangements with the Department of Health via Clinical Commissioning Groups are disclosed in note 38.

Elected Members
Elected Members of the council have direct control over our financial and operating policies. The total of Elected Members' allowances paid in 2020/21 is shown in note 35. During 2020/21 works and services to the value of £26.9 million (£29.7 million in 2019/20) was paid to companies in which elected members had an interest (this includes £17.1 million (£14.2 million in 2019/20) paid to District and Borough Councils in Warwickshire where they are also elected members). Amounts owed to or by these councils are included in within the other public bodies figures disclosed elsewhere in this note. Contracts were entered into in full compliance with our contract standing orders. The above figure includes any grants paid to voluntary groups in which elected members had positions on the governing body, including any made to organisations whose senior management included close members of the families of elected members. In all instances, grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussions or decisions relating to the grants. Details of all these transactions are recorded in the Register of Members' Interests, open to public inspection at Shire Hall. Details of the Members and the Committees and organisations for which they represent the authority are also available on the authority's website www.warwickshire.gov.uk.

Senior Officers
During 2020/21 £1.7 million (2019/20 – £2.7 million) were made to organisations in which senior officers or members of their families had declared an interest.

A number of senior officers and elected members represent us on the board of related companies (such as Warwick Technology Park Management Limited, Warwick Technology Park Management No 2 Limited, SCAPE Group Limited, and University of Warwick Science Park Innovation Centre Limited). In addition, a number of officers within the authority are directors of our three wholly owned Local Authority Trading Companies. You can see registers of members' and officers' interests at Shire Hall, Warwick or at the registered office of the company in question if this is not Shire Hall, Warwick.

Other Public Bodies
At the end of the year we owed £33.5 million (£22.4 million in 2019/20) to other local authorities, central government and public bodies including £5.3 million (£5.2 million in 2019/20) to Her Majesty's Revenue and Customs, and they owed us £42.3 million (£27.8 million in 2019/20), including £3.9 million (£4.8 million in 2019/20) from Her Majesty's Revenue and Customs.

We charged the Warwickshire County Council Pension Fund £1.6 million (£1.2 million in 2019/20) for carrying out the administration work for the fund (not including payroll-processing costs).

Other Entities
We hold shares in the following companies as at 31 March 2021:

| Company | WCC Share holding | Directors |
|---|---|---|
| Warwickshire Legal Services Trading Ltd | Wholly owned LATC - £1 ordinary share capital | Two officers appointed as directors |
| Educaterers Ltd | Wholly owned LATC - £1 ordinary share capital + working capital loan interest at | Three officers appointed as directors |
| Warwickshire Property and Development Group Ltd | Wholly owned LATC - £100 ordinary share capital | One officer currently appointed as director - minimum three directors to be appointed by WCC |
| University of Warwick Science Park Innovation Centre Limited | 19.9% of ordinary share capital.<br>1/6 voting rights<br>£1,502,500 preference shares | One of six directors is appointed by us |
| Warwick Technology Park Management Company Limited | 4.8% of called up share capital | One officer and one elected member as directors |
| Warwick Technology Park Management Company (No 2) Limited | 0.2% of called up share capital | One officer and one elected member as directors. |
| Eastern Shire Purchasing Organisation (ESPO) | n/a | Two elected members from each authority on Management Committee |
| ESPO Trading Ltd - also owns 100% share capital in Eduzone Ltd | 16.67% of called up share capital | No Directors appointed by WCC |
| SCAPE Group Limited | 16.7% of the called up share capital | One of the six directors is appointed by us |
| Coventry and Warwickshire Local Enterprise Partnership Limited | No share capital and liability limited to £1. | Two type 'B' (public sector) directors to be appointed by us |
| Coventry and Solihull Waste Disposal Company | 10,000 ordinary 'C' shares<br>1 representative on shareholder panel with 1% voting rights and 24% voting rights for matters relating to WCC SLA agreement | No right to appoint to board of Directors.<br>1% proxy vote unless WCC SLA related. |
| UK Municipal Bond Agency Plc | 120,000 fully paid B shares of £0.01 each<br>180,000 ordinary shares of £0.01 each | No Directors appointed by WCC |

We have two wholly owned local authority trading companies which started trading in 2017/18 and a new one that was incorporated in March 2021.

Warwickshire Legal Services Trading Ltd started trading on 1 October 2017. It provides legal services to other entities outside the Council and pays the authority for the services of our staff to carry out that work. This company has negligible assets.

Educaterers Ltd, providing meals services to schools, started trading on 1 September 2017. Its accounts for the year to 30 August 2020 showed net liabilities of £5.9 million (£2.7 million for the year to 30 August 2019). This is mainly as a result of an increased pensions liability. Most of the company's trading is with maintained schools in Warwickshire so that expenditure is already included in our CIES. Some authority staff transferred to the trading company and we have given a guarantee to pay any amount or employer's contributions due to the Warwickshire Pension Fund in respect of their pension liability if the company ever becomes insolvent and ceases trading. We have also agreed a working capital loan of up to £1.8 million as required up to 31 August 2022. Interest is charged at a market rate of 5.75% per annum charged periodically with interest changes mirroring that of the Bank of England Base Rate. At 31 March 2021 the balance on the loan was £1.8 million (£1.5 million at 31 March 2020). No dividends or profit distributions have yet been agreed for the trading periods up to 31 March 2021.

In addition, a new wholly owned Local Authority Trading company was incorporated on 26 March 2021 called the Warwickshire Property and Development Group Ltd. At 31 March 2021 no assets had transferred to the company and there has been no trading activity in the year. The Directors all have to be appointed by the Council and there must be a minimum of three. However, because this is a new company it currently only has one appointed director, an officer of the Council, with the other posts currently undergoing recruitment. The reason for creating Warwickshire Property and Development Group Ltd is to deliver our policy objective of creating jobs and more homes across Warwickshire. The procurement of a joint venture partner to undertake the funding and development of assets is currently underway.

We have assessed these three companies, having due regard to the non-material external turnover of both entities and the potential effect of consolidating them into our financial statements both quantitatively and qualitatively. We have concluded there is no current need to consolidate them into our accounts. It is likely that our property company will have material assets and liabilities by 31 March 2022 and will need to be consolidated into our accounts for that year.

We are part of a purchasing partnership, Eastern Shires Purchasing Organisation (ESPO), with five other local authorities. Each authority is represented on the management committee by two elected members. There are controls in place so that none of our elected members are involved in letting our contracts. We received £0.6 million in dividends from ESPO in 2020/21 (£0.5 million in 2019/20). As part of ESPO's strategic growth plan, ESPO Trading Limited was incorporated on 27 February 2018. We own 100 of the 600 shares for which we paid £100. The company has been set up to be able to trade with organisations outside the public sector customer base. It has also purchased Eduzone Ltd in June 2018 (100 shares) since its incorporation, a company with a strong base in the providing products to the early years sector. We have not received any income in respect of these holdings in the year.

We also received dividends from the University of Warwick Science Park in the year totalling £0.1million (£0.1 million in 2019/20 and £0.4 million from SCAPE Group Limited in 2019/20) . All dividend income received is shown as investment income in note 5.

We are part of the Coventry and Warwickshire Local Enterprise Partnership Limited (the LEP). This company is limited by guarantee and aims to co-ordinate public and private sector partners to develop the economy and increase prosperity. The LEP's four objectives are:

- To drive economic growth;
- To help remove barriers to economic growth;
- To help create high value jobs; and
- To co-ordinate local government co-operation and support.

The LEP also has a role in coordinating elements of government funding for growth, for example the Growing Places Fund.

The Gateway Alliance is a strategic partnership of primary schools in Warwickshire. It was created to provide professional development and school to school support following the reduction of Local Authority improvement services in 2011. The company is limited by guarantee and the members have confirmed that the governing documentation of the company contains the necessary provisions which are required pursuant to the School Company Regulations 2002. Under the regulations, all school companies are required to have a local authority as a supervising authority. Warwickshire is the supervising authority for the Gateway Alliance School Company.

West Midland Rail Ltd is a company limited by guarantee with a Board of Directors appointed from each of the 14 constituent member authorities and 2 affiliate member authorities for the purpose of providing local democratic strategic guidance for the specification of the new West Midlands rail franchise being let by the Department of Transport during 2017.

We are also a partner in a special company, Pride in Camp Hill Ltd. The company was set up in 2002/03 in partnership with the Homes and Communities Agency and Nuneaton and Bedworth Borough Council to carry out a redevelopment project in Camp Hill. Our initial share was £0.720 million and each partner is committed to funding the running costs of the company in equal shares until it completes its work, which is currently expected to be in 2023.

We are part of the Regional Adoption Agency via a shared service arrangement with Solihull Metropolitan Borough Council, Coventry City Council, Worcestershire County Council and Herefordshire Council. The Regional Adoption Agency is known as Adoption Central England. We have become the host authority to facilitate the operational delivery of the shared service, however governance arrangements ensure that all five authorities retain strategic responsibility for performance delivery and outcomes.

For 2020/21 our contribution was £1.496 million (£1.046 million in 2019/20) and we received £4.298 million (£4.155 million 2019/20) from the other local authorities and fees and charges. The total spend was £5.669 million (£4.463 million in 2019/20). The underspend belonging to the Agency for 2020/21 is £0.125 million (£0.738 million in 2019/20).

When the agency was created staff were seconded from partner authorities. On 1 October 2019 the staff were TUPEd (see glossary) across to the County Council and are now our employees.

The County Council, as administering authority on behalf of the Warwickshire Pension Fund is a shareholder in Borders to Coast Pension Partnership Limited. Borders to Coast is a wholly owned private limited company registered in England and Wales founded to carry out pension fund asset pooling obligations set out by the Government. The company provides the facility to pool the pension fund investments of eleven local authorities in order to gain the benefits of economies of scale: the concentration of expertise, improved ability to manage down investment costs and the benefits of investing on a larger scale. Each of the eleven local authorities is an equal joint owner of the company through purchase of a £1 class A ordinary share. The authority also owns £909,090 class B ordinary shares but these are not voting shares and do not give entitlement to dividends or other distributions of income.

## The Firefighters' Pension Fund

| 2019/20 £m | Fund account | 2020/21 £m |
|---|---|---|
| | **Income to the fund** | |
| | **Contributions receivable (funds due to us during the year):** | |
| | - from employer: Warwickshire County Council | |
| -2.7 | - normal contributions in relation to pensionable pay | -2.7 |
| 0.0 | - early retirements | -0.1 |
| -1.1 | - from members (firefighters' contributions) | -1.2 |
| **-3.8** | **Income to the fund** | **-4.0** |
| | **Spending by the fund** | |
| | **Benefits payable:** | |
| 6.8 | - Pension payments | 7.0 |
| 2.1 | - Commutation of pensions and lump-sum retirement benefits | 0.7 |
| **8.9** | **Spending by the fund** | **7.7** |
| **5.1** | **Net amount payable for the year (before top-up grant receivable from Government)** | **3.7** |
| -5.1 | Top-up grant payable by the Government | -3.7 |
| **0.0** | **Net amount payable or receivable (-) for the year** | **0.0** |

| 31 March 2020 £m | Firefighters' Pension Fund net assets statement | 31 March 2021 £m |
|---|---|---|
| | **Current assets:** | |
| 1.6 | - Top-up grant receivable from Government | 0.0 |
| 0.1 | - other current assets (other than assets in the future) ~ debtor | 0.0 |
| | **Current liabilities:** | |
| -1.7 | - other current liabilities (other than liabilities in the future) | 0.0 |
| **0.0** | **Net assets or liabilities (-) at the end of the year** | **0.0** |

### Notes to the Firefighters' Pension Fund statements

Note 1: Fund operations

The Firefighters' Pension Scheme in England is an unfunded scheme. The employer promises to provide employees with benefits under the scheme but makes no advance funding in the scheme for those benefits. Benefits are paid directly by the employer when they become due. We are required to pay an employer's pension contribution based on a percentage of pay into the pension fund. Each Fire and Rescue authority must run a pension fund and the amounts that must be paid into and out of the pension fund are set by regulation. The legislation that controls its operation is the Firefighters' Pension Scheme (Amendment) (England) Order 2006. The benefits payable are pensions to retired firefighters and/or widows/widowers of retired firefighters. The benefits paid and employee and employers contributions are administered through our human resources management system. The scheme has no investment assets.

The pension fund is balanced to nil at the end of the year by either paying over to the sponsoring government department the amount by which the amount receivable by (due to) the fund is more than the amount payable, or by receiving cash in the form of pension top-up grant from the sponsoring department equal to the amount by which the amount payable from (owed by) the pension fund for the year is more than the amount receivable. An amount of 80% of the estimated grant needed each year is paid to the fund by the Government during the year. The balance is only paid once the Pensions statement has been audited by our external auditors and a claim, certified by the authority's S151 officer, is submitted to the Government.

Note 2: Accounting policies

The financial statements are accounted for on an accruals basis. We did not use any estimation techniques in preparing the statements.

For assets and liabilities in the net asset statement the fair value is deemed to be the carrying value as they are both due within one year.

Note 3: Liabilities

The statements do not take account of any liabilities to pay pensions and other benefits after the period end i.e. 31 March 2021. Details of the long-term pension obligations, employees and employer's contribution rates and actuarial assumptions used in the required disclosures in accounts for the Firefighters' Pension Fund are found in note 37 to the accounts.

Note 4: Contribution levels

Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office (previously dealt with by the Department for Communities and Local Government) and are subject to triennial revaluation by the Actuary.

Note 5: AVCs and added years

Additional voluntary contributions are excluded from the accounts of the Pension Fund. However, where members of the scheme have brought added years within the scheme, these will be included in the Fund contributions.

Note 6: Debtors and creditors

The debtors and creditors for both years are amounts due to/from central government (balance of grant due to balance the account to nil). Other debtors and creditors for both years are the amounts due to or from Warwickshire County Council, the administering authority or tax not yet paid to HMRC. This year we have had less grant from the Home Office than we have needed, so they owe us more money. As the Firefighters' Pension Fund does not have its own separate bank account this means that this year, more money has been received by the County fund than paid out and is therefore owed by Warwickshire County Council to the Pension Fund. All amounts are due within 1 year.

## Glossary

This section explains some of the more complicated terms that have been used in this document.

**Accruals**
Cost of goods and services received in the year but not yet paid for, or income earned but not yet received.

**Actuarial gain (loss)**
For pension assets, actuarial gains or losses happen when the actual return on investments in the pension fund is different from the expected return. For pension liabilities, actuarial gains and losses happen when the actual liability is different from the expected liability. For assumptions, actuarial gains or losses happen as a result of changes to the population or financial assumptions the actuary uses to work out the liability. Liabilities are valued in terms of 'today's money'.

**Amortisation**
The drop-in value of intangible assets as they are used or become out of date.

**Asset**
An item which is purchased or created to be used by the Council.

**Benefits we have awarded for added years**
When a member of staff retires early because they are made redundant, we can give added years of scheme membership. We meet the costs of giving these added years, usually from the savings that will be made.

**Budget**
A statement of our spending plans for a financial year, which starts on 1 April and ends on 31 March.

**Business rates (National Non-Domestic Rates)**
Businesses pay these rates, set annually by government, to billing authorities instead of council tax. Business rates are shared between local authorities partly on the basis of need and partly on the basis of increased business rates generated locally. The amount each business is charged is based on multiplying the rateable value of each business property by the national rate in the pound.

**Capital Adjustment Account**
This account includes the value of capital charges to the Comprehensive Income and Expenditure Statement that do not directly affect the level of council tax.

**Capital programme**
Our plan of capital projects and future spending on buying land, buildings, vehicles and equipment.

**Capital receipts**
Income from selling assets that we would consider capital expenditure if we were the purchaser.

**Capital spending**
Spending on assets that have a lasting value, for example, land, buildings and large items of equipment such as computers or vehicles.

**CIPFA**
Chartered Institute of Public Finance and Accountancy

**Contingent asset**
A possible asset which may arise pending decisions that are not under our control.

**Contingent liability**
A possible liability which may arise when we know the outcome of outstanding claims made against us.

**Council tax**
A tax based on property which is retained by local authorities to fund their expenditure. In Warwickshire, the district or borough councils issue council tax bills and collect the council tax.

**Creditors**
People or organisations we owe money to for work, goods or services which have not been paid for by the end of the financial year.

**Current assets**
Short-term assets which constantly change in value such as stocks, debtors and bank balances.

**Current liabilities**
Short-term liabilities which are due to be paid in less than one year such as bank overdrafts and money owed to suppliers.

**Current service cost**
Officers employed during the year will have earned a year of pensionable service. The current service cost is the increase in the value of the pension scheme's liabilities arising from the employee service during the period.

**Debtors**
People who owe us money that is not paid by the end of the financial year.

**Depreciation**
The drop in the value of assets, for example, through wear and tear, age and becoming out of date.

**Disclosure**
Information we must show in the accounts under the Code.

**Earmarked reserves**
Money set aside for a specific purpose.

**Fair value**
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.

**General reserves**
Money set aside to be used in the future.

**Historic cost**
The cost of initial acquisition of an asset.

**International Financial Reporting Standard (IFRS)**
Standards on the way we need to treat certain items in our accounts.

**Liabilities**
Money we will have to pay to people or organisations in the future.

**Material related-party transactions**
Two or more organisations are 'related parties' if, during the year, one of them has some form of control over the other. By ‘material’ we mean of ‘significant value’.

**Minimum revenue provision (MRP)**
The amount we must set aside to repay loans.

**Net book value**
The value of an asset after depreciation.

**Non-current asset**
An asset which is expected to be used for more than 12 months.

**Non-distributed costs**
Costs which are not allocated to specific services, according to the Service Expenditure Reporting Code of Practice.

**Past service costs**
The past service cost is the extra liability that arises when we grant extra retirement benefits that did not exist before, such as when we agree early retirement or extra years of service.

**Pensions interest cost and expected return on assets**
The pensions interest cost is the increase in the value of the liabilities that arise because those liabilities are one year closer to being paid. The return on assets is the value of the return expected to be achieved on the fund's investments in the long term.

**Provisions**
Money set aside to meet specific service liabilities and to meet spending.

**Reserves**
Savings we have built up from surpluses or by not spending income which has conditions on its use.

**Return on assets**
The return on assets is the value of the return we expect to achieve on the Pension Fund's investments in the long term.

**Revaluation Reserve**
This account contains the difference between the amount paid for assets and the amount that they are currently worth.

**Revenue spending**
Spending on the day-to-day running of services - mainly wages, running expenses of buildings and equipment, and debt charges. These costs are met from council tax, business rates, government grants and fees and charges.

**Revenue expenditure funded by capital under statute (REFCUS)**
Spending on assets that have a lasting value, for example land and buildings, but which we do not own.

**Settlement costs**
Settlement costs arise when we make a lump-sum payment to a scheme member in exchange for their rights to receive certain pension benefits.

**Specific grants**
Payments from external bodies to cover local authority spending on a particular service or project.

**TUPE - Transfer of Undertakings (Protection of Employment)**
Regulations to protect employees if the business in which they are employed changes hands. Its effect is to move employees and any liabilities associated with them from the old employer to the new employer by operation of law.

**Unrealised**
A change in the market value which does not actually take place until an asset is sold.