



Scan the code above or visit www.nwleics.gov.uk/meetings for a full copy of the agenda.

| | |
|--------------------|---|
| Meeting | AUDIT AND GOVERNANCE COMMITTEE |
| Time/Day/Date | 6.30 pm on Monday, 9 December 2024 |
| Location | Abbey Room, Stenson House, London Road, Coalville, LE67 3FN |
| Officer to contact | Democratic Services (01530 454512) |

AGENDA

| Item | Pages |
|---|-----------------|
| 1. APOLOGIES FOR ABSENCE | |
| 2. DECLARATION OF INTERESTS | |
| Under the Code of Conduct members are reminded that in declaring interests you should make clear the nature of that interest and whether it is a disclosable pecuniary interest, registerable interest or other interest. | |
| 3. MINUTES | |
| To confirm and sign the minutes of the meeting held on 20 November 2024 | 3 - 6 |
| 4. COMMITTEE WORK PLAN | |
| To note the Committee's work plan | 7 - 8 |
| 5. AUDIT DELAY BACKLOG UPDATE | |
| Report of the Strategic Director of Resources | 9 - 14 |
| 6. AUDIT COMPLETION REPORT 2021-22 | |
| Report of the Strategic Director of Resources | 15 - 40 |
| 7. AUDIT STRATEGY AND COMPLETION REPORT - 2022/23 | |
| Report of the Strategic Director of Resources | 41 - 76 |
| 8. DRAFT AUDITORS ANNUAL REPORT - 2021/22 AND 2022/23 | |
| Report of the Strategic Director of Resources | 77 - 110 |

9. STATEMENT OF ACCOUNTS 2021/22

Report of the Strategic Director of Resources

111 - 222

10. STATEMENT OF ACCOUNTS 2022/23

Report of the Strategic Director of Resources

223 - 320

Circulation:

Councillor P Moulton (Chair)
Councillor D Everitt (Deputy Chair)
Councillor A Barker
Councillor R Boam
Councillor D Cooper
Councillor R Johnson
Councillor G Rogers
Councillor J G Simmons
Councillor N Smith
Councillor R Sutton

MINUTES of a meeting of the AUDIT AND GOVERNANCE COMMITTEE held in the Abbey Room, Stenson House, London Road, Coalville, LE67 3FN on WEDNESDAY, 20 NOVEMBER 2024

Present: Councillor P Moulton (Chair)

Councillors D Everitt, A Barker, R Boam, D Cooper, R Johnson, G Rogers, J G Simmons, N Smith and R Sutton

Officers: Mrs A Crouch, Ms K Hiller, Mr T Devonshire, Ms K Beavis, Ms B Leonard, Ms A Morgan

External Audit: Ms H Crouch (Azets)

24. APOLOGIES FOR ABSENCE

Apologies were received from Councillor N Smith.

25. DECLARATION OF INTERESTS

There were no interests declared.

26. MINUTES

Consideration was given to the minutes of the meetings held on 25 September 2024.

It was moved by Councillor R Johnson, seconded by Councillor JG Simmons, and

RESOLVED THAT:

The minutes of the meetings held on 25 September 2024 be confirmed as accurate records of proceedings.

27. COMMITTEE WORK PLAN

Consideration was given to the inclusion of any items on the work programme.

The Chair read a statement to the Committee.

The statement detailed information from the Strategic Director of Resources regarding the audit backlog in England and consultations the Strategic Director had undertaken with other local authorities, external auditors, and central Government. The Government had resolved to clear the national audit backlog and improve the national audit system. The Council had written to the Ministry of Housing, Communities and Local Government to receive advice regarding an inability to meet the backstop date for the financial year of 2023/24. No response or guidance had been received to date.

The Chair has requested that the Strategic Director of Resources provide a report to the December 9 Committee to keep members up to date with the Council's position in respect of backstop dates.

28. ANNUAL GOVERNANCE STATEMENT 2023-24

The Head of Finance presented the report.

Following discussions between the Head of Finance and the Chair, it was agreed that the

recommendation for the report would be revised to note the Annual Governance Statement rather than approve it. This would allow Members to comment on the statement and changes be made before it was brought back to the Committee in February.

A member noted the importance of the document and commended the progress that had been made, though they expressed some concerns around the provision of budget related information and clarity regarding future challenges.

It was moved by Councillor A Barker, seconded by Councillor R Sutton, and

RESOLVED THAT:

The Annual Governance statement 2023/24 be noted by the Committee.

29. TREASURY MANAGEMENT UPDATE REPORT - QUARTER 2

The Head of Finance presented the report.

It was moved by Councillor R Johnson, seconded by Councillor JG Simmons, and

RESOLVED THAT:

The Treasury Management 2024-25 Quarter 2 Activity Report be noted.

30. CORPORATE RISK UPDATE

The Head of Finance presented the report.

The Committee discussed some of the Corporate Risks from the updated Register. Members raised a range issues around safeguarding, the budget, redundancy risks, recruitment and retention and procurement. Officers advised Members on various pieces of work ongoing to mitigate risks including ongoing budget work, with the Finance Settlement expected 19 December; an update to procurement procedures, which would be reported to the Governance Working Group; concerns around staffing would also be addressed in the new Workforce Strategy to be published in 2025.

Members also discussed the Freeport, which was a significant potential risk, and whether this was being adequately covered within the quarterly risk updates. Officers set out some procedural considerations and governance arrangements regarding the Freeport and the Council's role, and it was agreed that Officers would consider presenting a more detailed report about the Freeport to a future committee meeting.

It was moved by Councillor JG Simmons, seconded by Councillor N Smith, and

RESOLVED THAT:

The latest Corporate Risk Register be noted.

31. STANDARDS AND ETHICS REPORT – QUARTER 2

The Interim Head of Legal and Support Services and Monitoring Officer presented the report.

It was moved by Councillor A Barker, seconded by Councillor R Johnson, and

RESOLVED THAT:

The report be received and noted.

32. QUARTER 2 AUDIT PROGRESS REPORT

The Audit Manager presented the report.

A Member expressed concern at the delays with the payroll recommendations, and the impacts delays in this service could have on various other services across the Council. The Head of Finance advised that the recommendations related to Finance and Human Resources systems. Progress was being made to resolve the issues, and it was important to thoroughly correct any issues with these crucial systems before tackling other issues.

At this point the Committee requested to move into confidential session to discuss the restricted information at appendix 2 of the report.

It was moved by Councillor P Moulton, seconded by Councillor R Sutton and

RESOLVED THAT:

In pursuance of Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the remainder of the meeting on the grounds that the business to be transacted involves the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Act and that the public interest in maintaining this exemption outweighs the public interest in disclosing the information.

A discussion was had.

It was moved by Councillor R Johnson, seconded by Councillor JG Simmons, and

RESOLVED THAT:

The report be noted.

The meeting commenced at 6.30 pm

The Chair closed the meeting at 7.38 pm.

This page is intentionally left blank

AUDIT AND GOVERNANCE COMMITTEE – WORK PROGRAMME (as at 29/11/24)

| Issue | Report Author | Meeting at which will be reported |
|--|--|--|
| February 2025 | | |
| Draft Accounting Policies 2023/24 | Anna Crouch, Head of Finance | 5 February 2025 |
| Annual Review of the Council's Constitution | Kate Hiller, Interim Head of Legal and Support Services and Monitoring Officer | 5 February 2025 |
| Annual IT Health Check | Sam Outama, ICT Team Manager | 5 February 2025 |
| Standards and Ethics Report - Quarter 3 | Kate Hiller, Interim Head of Legal and Support Services and Monitoring Officer | 5 February 2025 |
| Treasury Management Update Report - Quarter 3 To present the quarterly treasury management report to members. | Anna Crouch, Head of Finance | 5 February 2025 |
| Quarter 3 Audit Progress Report | Kerry Beavis, Audit Manager | 5 February 2025 |
| April 2025 | | |
| Annual Member Conduct Report | Kate Hiller, Interim Head of Legal and Support Services and Monitoring Officer | 23 April 2025 |
| Draft Accounting Policies 2024/25 To present the Draft Accounting Policies 2024/25 to members for approval | Anna Crouch, Head of Finance | 23 April 2025 |
| Audit Plan | Kerry Beavis, Audit Manager | 23 April 2025 |
| Internal Audit Charter | Kerry Beavis, Audit Manager | 23 April 2025 |
| Quarter 4 Audit Progress Report | Kerry Beavis, Audit Manager | 23 April 2025 |
| Audit Strategy and Charter | Kerry Beavis, Audit Manager | 23 April 2025 |
| June 2025 | | |

| Issue | Details | Report Author | Meeting at which will be reported |
|---|--|---------------|-----------------------------------|
| Standards and Ethics Report - Quarter 4 | Kate Hiller, Interim Head of Legal and Support Services and Monitoring Officer | 4 June 2025 | |
| Treasury Management Stewardship Report 2024/25 To report the Treasury Management Stewardship Report 2024/25 to members | Anna Crouch, Head of Finance | 4 June 2025 | |
| | | | |

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – MONDAY, 9
DECEMBER 2024

| | | |
|--|---|---------------------------|
| Title of Report | AUDIT DELAY BACKLOG UPDATE | |
| Presented by | Paul Stone Director of Resources | |
| Background Papers | Statement of Accounts Update - Council 22 February 2024 Statement of Accounts Update - Council 5 November 2024 | Public Report: Yes |
| Financial Implications | There are no financial implications arising from this report. | |
| | Signed off by the Section 151 Officer: yes | |
| Legal Implications | The Accounts and Audit (Amendment) Regulations 2024 were laid in parliament on 9 September 2024 and came into force on 30 September 2024 to allow implementation of the backstop dates as set out in paragraph 1.6 below. | |
| | Signed off by the Monitoring Officer: yes | |
| Staffing and Corporate Implications | There are no staffing implications arising from this report. | |
| | Signed off by the Head of Paid Service: yes | |
| Purpose of Report | To provide an update on the Government's proposals to address the backlog of local audits. | |
| Recommendations | THAT AUDIT AND GOVERNANCE COMMITTEE NOTES THE POSITION IN RESPECT OF LOCAL AUDIT DELAYS. | |

1.0 BACKGROUND

- 1.1 This report is further to the reports considered at the Council meetings on 22 February 2024 and 5 November 2024 and is to update the Committee with details of the Government's proposals to address the backlog of audits.
- 1.2 There are significant issues across the local authority financial reporting and local audit system. Public Sector Auditor Appointments (PSAA) has published its Contract Monitoring Data Pack: Quarter 2 for 2024/25. As of 30 September 2024, a total of 518 audit opinions were delayed for the financial years 2018/19 to 2022/23. The delays are in the context of a number of challenges facing the local authority financial reporting and local audit system.

- 1.3 The backlog of local audits in England has reached critical levels, prompting the Government to take decisive action. Recent consultations and webinars have highlighted the steps being taken to address this issue, aiming to restore timely auditing practices and enhance accountability.
- 1.4 The reasons for the delays can be summarised as below. Members received a detailed letter from the Director of Resources in a letter sent to Audit and Governance Committee in May 2024.
- An enhanced regulatory focus on balance sheet items where there is a degree of estimation.
 - A lack of capacity within the local audit firms to complete the work to deadlines, potentially driven by the low fee rates, capacity pinch points such as the audit of the NHS accounts and challenges in recruiting.
 - Similar capacity issues within local authorities which has impacted on the quality of the working papers and accounts prepared.
- 1.5 The former Government proposed legislative changes which would require local authorities to finalise all their outstanding audited financial statements by 30 September 2024, bringing audits up to date for financial years 2015/16 through 2022/23. This is known as the 'backstop date' and was a first step in clearing the backlog and restoring the timeliness of audit opinions.
- 1.6 On 30 July, the Minister of State for Housing, Communities and Local Government (MHCLG), Jim McMahon MP, laid a written ministerial statement in Parliament setting out proposals to tackle the local audit backlog in England.
- 1.7 The measures proposed setting a statutory 'backstop' date of 13 December 2024 to clear the backlog of unaudited accounts up to and including financial year 2022/23, and for five further backstop dates up to and including financial year 2027/28, to allow assurance to be rebuilt over several audit cycles. For subsequent financial years (2023/24 to 2027/28), the deadlines have been set as follows:
- 2023/24: 28 February 2025
 - 2024/25: 27 February 2026
 - 2025/26: 31 January 2027
 - 2026/27: 30 November 2027

2.0 LEGAL REQUIREMENTS

- 2.1 On 9 September, the Government laid in Parliament two pieces of legislation which would give effect to the backstop dates:
- the Accounts and Audit (Amendment) Regulations 2024 and,
 - on behalf of the Comptroller & Auditor General of the National Audit Office, a draft Code of Audit Practice 2024.
- 2.2 The regulations also amended the publication date of draft (unaudited) accounts for financial years 2024/5 to 2027/28. The period for the exercise of public rights for category 1 authorities, which includes larger local authorities such as district councils,

must commence on or before the first working day of July. This means that the date authorities should publish their draft accounts will be 30 June.

- 2.3 The draft Code of Audit Practice has been laid in Parliament, as required by Section 5(5) of Schedule 6 to the Local Audit and Accountability Act 2014. Subject to Parliament’s approval, the Code will come into force in late autumn 2024.

3.0 SYSTEM PARTNERS

- 3.1 Organisations involved in the regulation and oversight of local body financial reporting and audit include the Chartered Institute of Public Finance and Accountancy (CIPFA), the Financial Reporting Council (FRC), the Institute of Chartered Accountants in England and Wales (ICAEW), the Ministry of Housing, Communities and Local Government (MHCLG), the National Audit Office (NAO) and Public Sector Audit Appointments (PSAA). These ‘system partners’ have been working collectively to agree a proposed solution to clear the outstanding historical audit opinions and ensure that delays do not return.

4.0 AUDIT OPINIONS

- 4.1 The objective of the audit under auditing standards is to obtain sufficient evidence to conclude that there is reasonable assurance that the financial statements as a whole are free from material misstatement. Where an auditor is unable to gain enough evidence or is unable to reach this conclusion based on the evidence gathered, they are required to issue a modified opinion. Auditors will disclaim their opinion where they lack the evidence to support an opinion.
- 4.2 There are four opinions that an auditor may give on completion of their audit work. These are:

| Audit Opinion | Description |
|-----------------------|--|
| Unmodified | This is the best possible outcome. It means the auditor obtains sufficient evidence to support a view that the financial statements are materially accurate and fairly represent the audited body’s financial situation. |
| Qualified | This is problematic. The auditor has material concerns either because of a lack of evidence or evidence which suggests material error. However, the effect on the financial statements is contained in specific areas and is not widespread. |
| Disclaimer of opinion | This is more problematic than being qualified, reflecting a lack of evidence which means that the auditor cannot provide an opinion. The possible effects on the financial statements of undetected misstatements could be both material and widespread. |
| Adverse opinion | Normally considered the worst-case scenario. The auditor does have sufficient evidence, but it suggests that material misstatements exist that undermine the reliability of the financial statements as a whole. |

5.0 GUIDANCE ISSUED BY THE NAO AND FRC

- 5.1 The NAO has produced the ‘Local Audit Reset and Recovery Implementation Guidance’ (LARRIG) to assist auditors in meeting their responsibilities under the Code of Audit Practice. The FRC has issued an accessible guide to explain what the

recovery process may look like in practice. This is particularly aimed at finance teams in local authorities elected members and other interested parties who deal with modified or disclaimed audit opinions primarily resulting from statutorily imposed backstop dates.

6.0 REBUILDING ASSURANCE

6.1 The LARRIG contains guidance for auditors about the processes to follow to rebuild assurance over opening balances and when to communicate with those charged with governance. The process of rebuilding assurance will be a difficult process for both auditors and preparers.

7.0 SUMMARY

7.1 The system partners have recently held webinars to highlight the approach to be taken. The Government has an ambition to make significant process in addressing the backlog in the next two years.

7.2 The Government is clear that local authorities should not be unfairly judged based on disclaimed or modified opinions, caused by the introduction of the backstop dates that are largely beyond their control. Auditors are expected to provide clear reasons for the issuing of such opinions to mitigate the potential reputational risk that local authorities may face.

| Policies and other considerations, as appropriate | |
|--|--|
| Council Priorities: | - A Well-Run Council |
| Policy Considerations: | None. |
| Safeguarding: | None. |
| Equalities/Diversity: | None. |
| Customer Impact: | None. |
| Economic and Social Impact: | None. |
| Environment, Climate Change and Zero Carbon | None. |
| Consultation/Community/Tenant Engagement: | The Council has responded to Government consultations in respect of backstop dates. |
| Risks: | <ul style="list-style-type: none"> - Loss of public trust and confidence in the Council's financial management and governance. - Reduced transparency and accountability to the Council's stakeholders, including taxpayers, service users, creditors, grant providers and regulators. - Increased scrutiny and intervention from external bodies, such as the Department for Levelling Up, Housing and Communities and Local Government, the National Audit Office, the Local Government |

| | |
|-----------------|---|
| | <p>Association and the Public Sector Audit Appointments.</p> <ul style="list-style-type: none">- Potential legal challenges or claims from aggrieved parties who may rely on the accuracy and timeliness of the financial information in the Statement of Accounts.- Additional costs and resources required to resolve the audit issues and complete the audit process. |
| Officer Contact | <p>Paul Stone Director of Resources paul.stone@nwleicestershire.gov.uk</p> |

This page is intentionally left blank

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – MONDAY, 9
DECEMBER 2024

| | | |
|--|---|---------------------------|
| Title of Report | AUDIT COMPLETION REPORT 2021-22 | |
| Presented by | Paul Stone Strategic Director of Resources | |
| Background Papers | External Audit Strategy Memorandum 2021/22 – Audit and Governance Committee 26 April 2023 | Public Report: Yes |
| Financial Implications | There are no financial implications as a direct result of this report. Signed off by the Section 151 Officer: yes | |
| Legal Implications | There are no legal implications as a direct result of this report. Signed off by the Monitoring Officer: yes | |
| Staffing and Corporate Implications | There are no staffing or corporate implications as a direct result of this report. Signed off by the Head of Paid Service: yes | |
| Purpose of Report | To consider the External Auditors Report | |
| Recommendations | THAT THE COMMITTEE: <ol style="list-style-type: none"> 1. NOTES THE EXTERNAL AUDITOR’S AUDIT COMPLETION REPORT AS SET OUT IN APPENDIX A. 2. APPROVES THE MANAGEMENT REPRESENTATION LETTER. | |

1.0 BACKGROUND

- 1.1 The report attached at Appendix A is the External Auditor’s Forvis Mazars LLP Audit Completion Report (ACR) for the year ended 31 March 2022.
- 1.2 The ACR details the audit findings and conclusions. The report covers the issues arising from the annual audit of accounts and any matters which are formally required to be reported under the Code of Audit Practice and International Standard of Auditing (UK and Ireland) (ISA 260) “communication of audit matters with those charged with governance”.
- 1.3 A draft Management Representation Letter is included as part of the ACR report. This letter is issued by the Council to the auditor in writing as part of audit evidence. Subject to approval by the committee, the letter will be signed by the Section 151 Officer and confirms that the Council has provided all relevant information to the auditors.

1.4 A representative from Mazars is in attendance to present the report.

| Policies and other considerations, as appropriate | |
|--|--|
| Council Priorities: | A Well-Run Council |
| Policy Considerations: | Not applicable |
| Safeguarding: | Not applicable |
| Equalities/Diversity: | Not applicable |
| Customer Impact: | Not applicable |
| Economic and Social Impact: | Not applicable |
| Environment, Climate Change and Zero Carbon | Not applicable |
| Consultation/Community/Tenant Engagement: | Not applicable |
| Risks: | Not applicable |
| Officer Contact | Anna Crouch Head of Finance anna.crouch@nwleicestershire.gov.uk |



Audit Completion Report

North West Leicestershire District Council – year ended 31 March 2022

December 2024

Those Charged With Governance

North West Leicestershire District Council

Stenson House,
London Road,
Coalville,
LE67 3FN
December 2024

Forvis Mazars
2 Chamberlain Square
Birmingham
B3 3AX

Dear Committee Members,

Audit Completion Report – Year ended 31 March 2022

We are pleased to present our Audit Completion Report for the year ended 31 March 2022. The purpose of this document is to summarise our audit conclusions. The scope of our work, including identified significant audit risks, and other key judgement areas, was outlined in our Audit Strategy Memorandum, which we presented to you on 26 April 2023.

As a result of the legislative backstop arrangements introduced by the amendments to the Accounts and Audit Regulations 2015, as communicated to you via our audit progress report in April 2024 we are unable to complete the audit as originally planned, in advance of the backstop date of 13 December 2024. We provide more information on the legislative backstop arrangements and its implications for the audit and our audit report, in section 3.

2024/23 is the final year of our appointment as the Council's auditor. We have had no contact from the incoming auditor, but when we do we will fully cooperate with the incoming auditor to support an efficient audit handover process and provide access to such information from our audits that they deem necessary.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on Mark.Surr ridge@mazars.co.uk.

Yours faithfully

Mark Surr ridge

Forvis Mazars LLP

Contents

- 01** Executive summary
- 02** Audit approach
- 03** Significant findings
- 04** Value for Money arrangements

Appendices

- A** Draft management representation letter
- B** Draft audit report
- C** Confirmation of our independence

01

Executive Summary

Executive summary

The scope of our audit and implications of the backstop arrangements

Our audit of the financial statements

The detailed scope of our work as your appointed auditor for 2021/22 is set out in the National Audit Office's (NAO) Code of Audit Practice ('the Code'). Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 ("the 2014 Act") and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) ("auditing standards") and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

The scope of our work, including identified significant audit risks, and other key judgement areas, was outlined in our Audit Strategy Memorandum, which we presented to you on 26th April 2023. Since then, Government has introduced measures intended to resolve the local government financial reporting backlog. Amendments to the Accounts and Audit Regulations require the Council to publish its audited 2021/22 financial statements and accompanying information on or before 13 December 2024. In accordance with the Code, we are required to provide our audit report in sufficient time to enable the Council to meet these responsibilities, whether the audit is completed or not.

Auditing standards require auditors to consider whether they have obtained sufficient appropriate assurance that the financial statements present a true and fair view and have been prepared, in all material respects, in line with the Code of Practice on Local Authority Accounting. Where the auditor determines they have been unable to obtain sufficient appropriate assurance, they must consider the implications of this on their audit report.

As a result of the backstop arrangements, whilst we have performed some work on the 2021/22 financial statements, we have determined that there is insufficient time to complete our audit procedures so as to obtain sufficient appropriate evidence, and, in our view, the effects of the resulting lack of assurance is pervasive to the financial statements as a whole. As a result, we intend to issue a disclaimer of opinion on the [Council's] financial statements. We have included our proposed audit report in Appendix B.

When an opinion is disclaimed the auditor does not express an opinion on the financial statements and, consequently, no assurance is provided on the financial statements. Members will note that the form and content of this report differs substantially from the report which they will have seen in previous years. We provide more details on this in section 3.

Internal control recommendations and misstatements

Despite our intention to issue a disclaimer of opinion, where matters come to our attention through the course of our audit, we may be required to report these to you. Section 3 sets out any internal control recommendations we have made and any misstatements identified in the draft financial statements and how these have been addressed by management.

Value for Money arrangements

The amendments to the Accounts and Audit Regulations do not affect our responsibilities in relation to the Council's Value for Money arrangements. We anticipate having significant weaknesses in arrangements in relation to the arrangements that the Council has in place for Governance. A summary is provided in section 7 of this report. Further detail on our Value for Money work is provided in section 4 of this report.

Whole of Government Accounts

As a result of the backstop arrangements and our intention to issue a disclaimer of opinion on the Council's financial statements, we anticipate reporting to the NAO that we are unable to complete the mandatory audit procedures specified in their Group Audit Instructions. We are awaiting confirmation of when and how this should be reported to the NAO.

Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We can confirm that no such correspondence from electors has been received.

02

Audit Approach

Audit Approach

Changes since we issued our Audit Strategy Memorandum

Section 1 of this report explains the implications of the backstop arrangements introduced by the recent amendments to the Accounts and Audit Regulations and confirms that we intend to issue a disclaimer of opinion on the Council's financial statements. As a result, we have not completed our planned procedures to respond to the significant and enhanced risks which we previously reported to you.

Materiality

We are required to determine materiality and report this to you, irrespective of whether we are disclaiming our opinion

Our provisional materiality at the planning stage of the audit was set at £1.19m using a benchmark of 2% of gross revenue expenditure at surplus / deficit on provision of services.

Based on the final financial statement figures, the final overall materiality we applied was £1.3m (final performance materiality: £1.04m final clearly trivial threshold: £39,000).

Summary of Risks

There have been no changes to the risks identified which we communicated in our Audit Strategy Memorandum, issued in April 2023.

Whilst we planned our audit to address the risks of material misstatement we identified at the planning stage, we will not have completed our work in advance of the backstop date and as such do not provide any assurance over individual areas of the financial statements or the financial statements as a whole, nor do we provide assurance over any of the identified risks. These risks are summarised below.

Significant risks

1. Management override of controls;
2. Defined benefit liability valuation; and
3. Valuation of land & buildings, investment properties and council dwelling.

Although we are unable to provide any assurance over the areas of risks we have identified, where matters have come to our attention during the course of the audit that we consider to be important to bring to your attention, we have included these in section 3 of this report.

03

Significant findings

Significant findings

Background and modification of the audit opinion

As we outlined earlier in this report, as a result of the backstop arrangements, we have not been able to complete sufficient audit procedures to enable us to provide an unmodified opinion on the Council's financial statements. As we have determined that the pervasive effects, or potential pervasive effects on the financial statements of the lack of sufficient appropriate assurance are pervasive, we will be issuing a disclaimer of opinion. This means we are expressing no opinion on the financial statements.

Appendix B sets out our draft audit report which explains the basis of our disclaimer of opinion being the introduction of the backstop arrangements which require the Council to publish its audited 2021/22 financial statements by 13 December 2024.

Members will note that the draft audit report does not report on other matters that would usually appear in an unmodified audit report. These include:

- the use of the going concern assumption in the preparation of the financial statements; and
- the consistency of the other information presented with the financial statements.

Although we are disclaiming our audit opinion, auditing standards require us to report matters to you that have come to our attention during the course of our audit, which we include in this section of this report.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2021/22 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

Significant matters discussed with management

During our audit we communicated the following significant matters to management:

- Accounting treatment of an investment property disposal where there were contingencies built into the contract around the fee the Council would receive for the asset;
- Completeness of the Council's asset register with several assets being added to the register in year despite being owned for a significant period of time;
- The unavailability of expected information examples include a reconciliation between the valuation report to the financial statements, and payroll reconciliations.

As part of our audit, we sought and obtained information from management in relation to actual or suspected non-compliance with laws and regulations, and any actual or suspected fraud which could materially impact upon the financial statements.

Based on our review of the information received, we have no matters to report in relation to fraud and the Council's compliance with laws and regulations. We have not undertaken any further work in these areas and do not provide any assurance that the financial statements are free from material error .

Significant difficulties during the audit

The Council's finance team experienced a number of staffing issues during the accounts production and audit timeframe. As a result our audit has identified that the standard of the working papers provided to support the figures within the financial statements fell below our expectations. Examples include missing information, and incorrect interpretation and application of guidance. It also led to extensive unexpected effort required to obtain sufficient appropriate audit evidence/

Our observations on internal control

As part of our planning procedures, we obtained an understanding of the Council's internal control environment and control activities relevant to the preparation of the financial statements, which was sufficient to plan our audit and to determine the nature, timing and extent of our audit procedures. Although our audit was not designed to express an opinion on the effectiveness of the Council's internal controls, we are required to evaluate any deficiencies in internal control that come to our attention, even though we intend to issue a disclaimer of opinion.

A deficiency in internal control exists if:

- a control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/or correct potential misstatements in the financial statements; or
- a necessary control to prevent, detect, and/or correct misstatements in the financial statements on a timely basis is missing.

The purpose of our audit, as originally planned before the backstop arrangements came into force, was to express an opinion on the financial statements. The matters reported in this section of our report are limited to those deficiencies and other control recommendations that we have identified through the audit procedures we were able to complete before the backstop date. If we had performed more extensive procedures on internal control, we might have identified more deficiencies to report or concluded that some of the reported deficiencies need not in fact have been reported. Our comments in this section should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Significant deficiencies in internal control

A significant deficiency in internal control is one which, in our professional judgement, has the potential for financial loss, damage to reputation, or a loss of information which may have implications on the achievement of business strategic objectives. Our view is that observations categorised as a significant deficiency are of sufficient importance to merit the attention of Those Charged With Governance.

The significant deficiencies in the Council's internal controls that we have identified as at the date of this report are in set out on the following pages.

Other observations on internal control

We also report to you, our observations on the Council's internal controls where, in our professional judgement, there is a need to strengthen internal control or enhance business efficiency that do not constitute significant deficiencies in internal control but which we view as being important for consideration by management.

We do not have any other internal control observations to bring to your attention as at the date of this report.

Whether internal control observations merit attention by Those Charged With Governance and/or management is a matter of professional judgment, taking into account the risk of misstatement that may arise in the financial statements as a result of those observations.

Our observations on internal control

Significant deficiencies in internal control

In our view, the deficiencies in internal control set out in this section result in a potential for financial loss, damage to reputation, or a loss of information. This may have implications for the achievement of business strategic objectives. Our recommendations should be considered for immediate action.

Description of deficiency

The Council identified several assets during the year that should have been included on the asset register but had been incorrectly excluded and hence they had not been included in the asset revaluation cycle.

Potential effects

The Council is unaware of what assets are owned, hence the assets are not revalued in a timely manner as required and the balance sheet could be materially misstated.

27

Recommendation

The Council performs an exercise with the Estate's Team to reconcile all of the assets owned to the fixed asset register to ensure all necessary assets have been included.

Management response

An exercise will be completed during the completion of the 2023/24 Statement of Accounts to ensure all material assets are included within the balance sheet.

Description of deficiency

During our testing of related parties we identified a number of related parties that had not been disclosed as part of the register of interest returns. For a number of related parties transactions had taken place in year which in several cases were of a material nature and had not been disclosed in the Council's statement of accounts.

Potential effects

Related party transactions are not undertaken at arms length and material transactions are incorrectly disclosed in the statement of accounts.

Recommendation

The Council conducts training to ensure that Members and Officers are aware of what relationships need to be disclosed in the register of interest returns. This will ensure that the register of interests is kept up to date and the Council can have oversight of any related party transactions and put controls in place to ensure that they are at arms length.

Management response

Training and updated guidance will be provided prior to March 2025, to ensure Members and Officers are aware of what needs to be disclosed in time for the completion of the 2024/25 Register of Interests return.

Summary of amendments to the financial statements

The Council's S151 Officer authorised the Council's draft financial statements for issue.

Although we intend to issue a disclaimer of opinion, we still report any amendments which management have made to the draft financial statements, identified either through the audit procedures that we have undertaken, or separately by management.

This information is provided to the Audit and Governance Committee for information and to support it to discharge its responsibilities. It is important for members to note that, given we are issuing a disclaimer of opinion, we provide no assurance over the material accuracy of the amendments that have been made to the draft financial statements which are summarised in this section.

Amendments to the financial statements

Management has processed the amendments set out in the table below which exceed the trivial threshold for adjustment of £39,000.

| Details of amendment | Comprehensive Income and Expenditure Statement | | Balance Sheet | |
|---|--|-------------|---------------|--------------|
| | Dr (£ '000) | Cr (£ '000) | Dr (£ '000) | Cr (£ '000) |
| Dr: I & E gain / loss on disposal | | | | |
| Cr: Debtors | | | | |
| The note relates to the sale of Cropstone Drive which the Council sold during the year receiving £500,000 cash for the asset with further income of £2,300,000 expected based on contingencies including houses being built and sold on the land. The whole £2,800,000 was recorded as income with £2,300,000 recorded as a long term debtor. However, this treatment is incorrect as the income is not certain and instead the Council should recognise a £2,300,000 contingent asset. | 2,300 | | | 2,300 |
| Aggregate effect of amendments | 2,300 | | | 2,300 |

Classification and other amendments processed

- We noted that £3.37m of capital grants was incorrectly included within fees, charges and other service income. It should instead be split out as its own separate line item.
- Several related party transactions were identified that had not been disclosed the only transaction identified as being material to both parties was with Dunkin Rushton for £15,000

Unadjusted misstatements

When we issue a disclaimer of opinion as a result of the backstop arrangements, auditing standards require us to consider whether we are aware of any matter that would have otherwise required a modification to our opinion. Such matters may include, for example, material misstatements that have been identified which have not been amended by management in the final financial statements. We confirm that no such matters have come to our attention. We did identify one immaterial error that we have agreed with the client does not require adjustment this is in relation to the Accumulated Absences account where the figures do not cast by £258,000..

04

Value for Money arrangements

Value for Money

Approach to Value for Money

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services;
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks; and
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Council arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report in December 2024.

Status of our work

We have completed our work in respect of the Council's arrangements for the year ended 31 March 2022 and 2023 (we have issued a combined report) and have identified 1 significant weakness in arrangements and have made associated recommendations. We provide further details on the identified significant weaknesses and our recommendations later in this section of our report.

Our draft audit report at Appendix B confirms that we have matters to report in respect of significant weaknesses. As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report in December 2024.

Value for Money

Identified significant weaknesses in arrangements and recommendations for improvement

As a result of our work we have identified significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. These identified weaknesses have been outlined in the table below.

| | Identified significant weakness in arrangements | Financial Sustainability | Governance | Improving the 3Es | Recommendation for improvement | Council response |
|---------|---|--------------------------|------------|-------------------|---|--|
| 51 1 | <p>Financial statement preparation</p> <p>We have been unable to complete the majority of our work on the 2022/23 statement of accounts audit which has mainly been due to:</p> <ul style="list-style-type: none"> the Council not maintaining accurate or up-to-date property records leading to materially incorrect asset valuations in the financial statements; and capacity challenges in the finance team exacerbated by a shortage of skilled and capable resources in the labour market." <p>The Council made a conscious decision that constrained resources were diverted into budget setting and financial ledger implementation rather than financial reporting. Further, as the identified accounting issues lie in asset valuations, we do not believe there is a threat to financial sustainability or unreliable budget setting/financial planning as a result of the delays.</p> | | ● | | <p>We recommend that the Council:</p> <ul style="list-style-type: none"> Ensure that there is suitable capacity within their finance team; Ensure that now the financial ledger system implementation is completed priority is turned to rebuilding assurances over the financial statements. | <p>Additional capacity has been brought into the finance team to provide support for the completion of the Statement of Accounts, budget setting/ monitoring, and continued implementation of Unit 4. An action plan has been produced and is regularly monitored to ensure the Council rebuilds the assurances over the financial statements.</p> |

Appendices

A: Draft management representation letter

B: ~~D~~raft audit report

C: Confirmation of our independence

3 Chamberlain Square

Birmingham

B3 3AX

XX December 2024

Dear Mark Surridge,

North West Leicestershire District Council - Audit for Year Ended 31 March 2022

This representation letter is provided in connection with your audit of the financial statements of North West Leicestershire District Council the Council for the year ended 31 March 2022. I note that you intend to issue a disclaimer of opinion in respect of your audit. I understand I am still required to provide the representations set out in this letter so you can complete your audit in accordance with relevant auditing standards.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code, as amended by the Code Update and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Strategic Director of Resources that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and

related information, including minutes of all Council and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that the methods, significant assumptions and the data used by the Council in making the accounting estimates, including those measured at fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code, as amended by the Code Update and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Strategic Director of Resources for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;

- all knowledge of fraud or suspected fraud affecting the Council involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code, as amended by the Code Update and applicable law.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Charges on assets

All the Council's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

The Council has no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code, as amended by the Code Update and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Impacts of Russian Forces entering Ukraine

I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Council, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events note to the financial statements fairly reflects that assessment.

Covid-19

I confirm that I have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the business, including the impact of mitigation measures and uncertainties, and that the

disclosure in the Annual Report and the subsequent events note to the financial statements fairly reflects that assessment.

Brexit

I confirm that I have carried out an assessment of the impact of the United Kingdom leaving the European Union, including the impact of the Trade and Cooperation Agreement, and that the disclosure in the Annual Report fairly reflects that assessment.

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Annual Governance Statement

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

The disclosures within the Narrative Report fairly reflect my understanding of the Council's financial and operating performance over the period covered by the financial statements.

Arrangements to achieve economy, effectiveness and efficiency in Use of Resources (Value for Money arrangements)

I confirm that I have disclosed to you all findings and correspondence from regulators for previous and ongoing inspections of which I am aware. In addition, I have disclosed to you any other information that would be considered relevant to your work on value for money arrangements.

Yours faithfully,

Strategic Director of Resources / s151 officer

Appendix B: Draft audit report

The report is pending consultation prior to being finalised.

Appendix C: Confirmation of our independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Contact

Forvis Mazars

Mark Surridge

Partner

Mark.Surridge@mazars.co.uk

69

Forvis Mazars LLP is the UK firm of Forvis Mazars Global, a leading global professional services network. Forvis Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London, EC4M 7AU. Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: GB 839 8356 73

© Forvis Mazars 2024. All rights reserved.

This page is intentionally left blank

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – MONDAY, 9
DECEMBER 2024

| | | |
|--|---|---------------------------|
| Title of Report | AUDIT STRATEGY AND COMPLETION REPORT - 2022/23 | |
| Presented by | Paul Stone Strategic Director of Resources | |
| Background Papers | None | Public Report: Yes |
| Financial Implications | There are no financial implications as a direct result of this report. | |
| | Signed off by the Section 151 Officer: yes | |
| Legal Implications | There are no legal implications as a direct result of this report. | |
| | Signed off by the Monitoring Officer: yes | |
| Staffing and Corporate Implications | There are no staffing or corporate implications as a direct result of this report. | |
| | Signed off by the Head of Paid Service: yes | |
| Purpose of Report | To consider the External Auditor's Report. | |
| Recommendations | THAT THE COMMITTEE: <ol style="list-style-type: none"> 1. NOTES THE EXTERNAL AUDITOR'S AUDIT COMPLETION REPORT AS SET OUT IN APPENDIX A. 2. APPROVES THE MANAGEMENT REPRESENTATION LETTER. | |

1.0 BACKGROUND

- 1.1 The report attached at Appendix A is the External Auditor's Forvis Mazars LLP Audit Completion Report (ACR) for the year ended 31 March 2023.
- 1.2 The ACR details the audit findings and conclusions. The report covers the issues arising from the annual audit of accounts and any matters which are formally required to be reported under the Code of Audit Practice and International Standard of Auditing (UK and Ireland) (ISA 260) "communication of audit matters with those charged with governance".
- 1.3 A draft Management Representation Letter is included as part of the ACR report. This letter is issued by the Council to the auditor in writing as part of audit evidence. Subject to approval by the committee, the letter will be signed by the Section 151 Officer and confirms that the Council has provided all relevant information to the auditors.

1.4 A representative from Mazars is in attendance to present the report.

| Policies and other considerations, as appropriate | |
|--|--|
| Council Priorities: | A Well-Run Council |
| Policy Considerations: | Not applicable |
| Safeguarding: | Not applicable |
| Equalities/Diversity: | Not applicable |
| Customer Impact: | Not applicable |
| Economic and Social Impact: | Not applicable |
| Environment, Climate Change and Zero Carbon | Not applicable |
| Consultation/Community/Tenant Engagement: | Not applicable |
| Risks: | Not applicable |
| Officer Contact | Anna Crouch Head of Finance anna.crouch@nwleicestershire.gov.uk |



43

Audit Strategy and Completion Report

North West Leicestershire District Council – Year ended 31 March 2023

December 2024

Those Charged With Governance

North West Leicestershire District Council

Stenson House,
London Road,
Coalville,
LE67 3FN
December 2024

Forvis Mazars

2 Chamberlain Square

Birmingham

B3 3AX

Dear Committee Members,

Audit Strategy and Completion Report – Year ended 31 March 2023

We are pleased to present our Audit Strategy and Completion Report for North West Leicestershire District Council for the year ended 31 March 2023. The purpose of this document is to summarise our audit and to explain how the statutory backstop arrangements introduced by the Accounts and Audit (Amendment) Regulations 2024, have affected the completion of our work and the reporting consequences. We consider two-way communication with you to be key to a successful audit and particularly important in the context of the backstop arrangements as it facilitates:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities; and
- providing you with constructive observations arising from the audit process even though this has been curtailed by the backstopped arrangements.

We would usually report the results of our planning work, including the significant risks identified and our planned procedures, in our Audit Strategy Memorandum. The results of our audit, including significant matters identified would usually be reported to you in our Audit Completion Report. As a result of the backstop arrangements, we have determined that the most appropriate way to communicate each of the matters required under auditing standards, in this single Audit Strategy and Completion Report.

As it is a fundamental requirement that an auditor is, and is seen to be, independent of audited bodies, section 8 of this document summarises our considerations and conclusions on our independence as auditors.

2022/23 is the final year of our appointment as the Council's auditor. We will fully cooperate with the incoming auditor to support an efficient audit handover process and provide access to such information from our audits that they deem necessary.

I would like to express our thanks for the assistance of your team during the course of our audit. If you would like to discuss any matters in more detail then please do not hesitate to contact me at mark.surridge@mazars.co.uk

Yours faithfully

Mark Surridge

Forvis Mazars LLP

Contents

- 01** Our audit and the implications of the statutory backstop
- 02** Your audit team
- 03** Our audit approach
- 04** Materiality
- 05** Significant findings
- 06** Value for Money arrangements
- 07** Audit fees and other services
- 08** Confirmation of our independence

Appendices

- A** Draft management representation letter
- B** Draft audit report
- C** Key communication points
- D** Current year updates, forthcoming accounting and other issues

Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited.
Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

01

Our audit and the implications of the statutory backstop

Our audit and the implications of the statutory backstop

We are appointed to perform the external audit of North West Leicestershire District Council (the Council) for the year to 31 March 2023. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>.

Our audit of the financial statements

The detailed scope of our work as your appointed auditor for 2022/23 is set out in the National Audit Office's (NAO) Code of Audit Practice ('the Code'). Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 ('the 2014 Act').

We are appointed to audit the financial statements in accordance with International Standards on Auditing (UK), and under normal circumstances our objectives would be to form and express an opinion on whether the financial statements present a true and fair view of the Council's financial affairs for the year and whether they have been prepared, in all material respects, in accordance with the Code of Practice on Local Authority Accounting.

Government has recently introduced measures intended to resolve the local government financial reporting backlog. Amendments to the Accounts and Audit Regulations require the Council to publish its audited 2022/23 financial statements and accompanying information on or before 13 December 2024. In accordance with the Code, we are required to provide our audit report on those financial statements in sufficient time to enable the Council to meet these responsibilities, whether the audit is completed or not.

As a result of the backstop arrangements, we have determined that there is insufficient time to complete our audit procedures so as to obtain sufficient appropriate evidence, and, in our view, the effects of the resulting lack of evidence is pervasive to the financial statements as a whole. As a result, we intend to issue a disclaimer of opinion on the Council's financial statements. We have included our proposed audit report in Appendix B. When an opinion is disclaimed the auditor does not express an opinion on the financial statements and, consequently, no assurance is provided on the financial statements. Members will note that the form and content of this report differs substantially from the report which they will have seen in previous years. We provide more details on this in section 5.

Further information on the procedures we have undertaken in order to issue a disclaimer of opinion in advance of the backstop date is provided in section 3.

Responsibilities in respect of fraud and internal control

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both Those Charged With Governance and management. This includes establishing and maintaining internal controls over compliance with relevant laws and regulations, and the reliability of financial reporting. As part of our audit procedures in relation to fraud we are required to inquire of Those Charged with Governance and including key management including Internal audit, other key individuals where relevant as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks.

Management is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Despite our intention to issue a disclaimer of opinion, where matters come to our attention through the course of our audit, we may be required to report these to you.

Wider reporting and electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounts of the Council and consider objections made to the accounts. We also have a broad range of reporting responsibilities and powers under the 2014 Act. No correspondence or objections from electors have been raised.

Value for Money arrangements

The amendments to the Accounts and Audit Regulations do not affect our responsibilities in relation to the Council's Value for Money arrangements. We are responsible for forming a view on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work and our findings further in section 6 of this report.

Whole of Government Accounts

On 22 November 2024, the National Audit Office's group audit team confirmed that they will not require auditors to provide any further assurances or additional procedures for the WGA 2022-23.

02

Your audit team

Your audit team



Mark Surridge

Role: Key Audit Partner

Email: Mark.Surridge@mazars.co.uk



Leah Parsons

Role: Senior Audit Manager

Email: Leah.Parsons@mazars.co.uk

03

Our audit approach

Our audit approach

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements. Our audit of the financial statements has been conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. We have also had regard to the Local Audit Reset and Recovery Implementation Guidance ('LARRIG') issued by the National Audit Office and endorsed by the Financial Reporting Council in delivering our audit in the context of the backstop arrangements introduced by the 2024 amendments to the Accounts and Audit Regulations.

Our approach to the audit of the financial statements

In the absence of the backstop arrangements, our audit would be risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. After completing our detailed risk assessment work and developing our audit strategy, we would design and complete audit procedures in response to the risks identified.

The conditions created by the imposition of the backstop arrangements mean that we have not carried out all of the work necessary to issue a detailed audit plan and to complete all the required audit procedures to provide an opinion on the financial statements. The approach we have taken to carrying out the Council's audit has been designed so that we can comply with International Standards on Auditing (UK) and issue our audit report to allow the Council to meet the backstop date of 13 December 2024 for publishing the financial statements and other relevant information.

We summarise below, the work we have undertaken to inform our audit strategy and our determination that it is necessary to issue a disclaimer of opinion on the Council's financial statements. As we have not completed all our planning procedures, including all risk assessment work, we do not include a summary of significant and enhanced risks as part of this report.

| Area of the audit | Summary of our procedures |
|--------------------------------|---|
| Acceptance and continuance | We have carried out all acceptance and continuance procedures including consideration of: <ul style="list-style-type: none">• The financial reporting framework adopted by the Council and the existence of any unusual or controversial accounting policies• The form, timing and expected content of our communication with Those Charged with Governance• Any actual or potential threats to our independence• The existence of any other factors that indicate we should not continue as the Council's auditor |
| Understanding the entity | We have carried out audit procedures to understand and document our understanding of the Council across a range of areas, including but not limited to: <ul style="list-style-type: none">• The Council's structure,• Key accounting policies• Accounting estimates• The use of experts |
| Control environment assessment | We have documented our consideration of the Council's control environment. We carry out this work to inform both our work on the financial statements and as an element of our Value for Money arrangements risk assessment work. |

Our audit approach

| Area of the audit | Summary of our procedures |
|--|---|
| Fraud | We have carried out work on identifying potential fraud risks and made specific inquiries of management and Those Charged with Governance in respect of actual, potential or suspected fraud. |
| Materiality | We have considered the application of materiality for the audit of the Council's financial statements. Further details on the materiality thresholds determined, is included later in this section of our report. |
| Laws and regulations | We have obtained an understanding of the legal and regulatory framework applicable to the Council and made specific inquiries with management and Those Charged with Governance in respect of any instances of noncompliance with laws and regulations. |
| Written representations | We have requested certain written representations from management in accordance with ISA (UK) 580. The draft management letter of representation is provided in Appendix A. |
| 52 Completion, review and reporting | <p>We have undertaken sufficient review procedures to ensure our audit complies with the requirements of ISA (UK) 230. This includes specific work to document our consideration of the implications of the backstop arrangements on our audit and the reporting implications.</p> <p>We have also considered whether any matters have come to our attention that we deem should be reported to Those Charged with Governance or that may be relevant to our auditor's report. Such matters may include misstatements identified in the draft financial statements or internal control recommendations.</p> <p>As we intend to issue a disclaimer of opinion, additional quality and risk management processes have also been followed.</p> |

04

Materiality

Materiality

Definitions

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.

Misstatements in the financial statements are considered to be material if they could, individually or in aggregate, reasonably be expected to influence the economic decisions of users based on the financial statements.

Our approach to determining materiality

Although we intend to issue a disclaimer of opinion on the financial statements as a result of the backstop arrangements, we are required to determine materiality and communicate this to Those Charged with Governance.

We determine materiality for the financial statements as a whole (overall materiality) using a benchmark that, in our professional judgement, is most appropriate to entity. We also determine an amount less than materiality (performance materiality), which is applied when we carry out our audit procedures and is designed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Further, we set a threshold above which all misstatements we identify during our audit (adjusted and unadjusted) will be reported to Those Charged With Governance.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on a consideration of the common financial information needs of users as a group and not on specific individual users.

An assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- Have a reasonable knowledge of business, economic activities, and accounts;
- Have a willingness to study the information in the financial statements with reasonable diligence;
- Understand that financial statements are prepared, presented, and audited to levels of materiality;
- Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement, and consideration of future events; and
- Will make reasonable economic decisions based on the information in the financial statements.

We consider overall materiality and performance materiality while planning and performing our audit based on quantitative and qualitative factors. When planning our audit, we make judgements about the size of misstatements we consider to be material.

The overall materiality and performance materiality that we determine does not necessarily mean that uncorrected misstatements that are below materiality, individually or in aggregate, will be considered immaterial.

We revise materiality as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Materiality

Our approach to determining materiality (continued)

We consider that Gross Revenue Expenditure at Surplus/deficit on Provision of Services level is the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We have set a materiality threshold of 2% of Gross Revenue Expenditure at Surplus/deficit on Provision of Services.

As set out in the table below, overall materiality for the year ended 31 March 2023 was £1.29m (£1.3m in the prior year), and performance materiality was £1.03m (£1.04m in the prior year).

| | 2022/23 £'000s | 2021/22 £'000s |
|--|-------------------|-------------------|
| Overall materiality | £1,299 | £1,300 |
| Performance materiality | £1,039 | £1,040 |
| Clearly trivial | £39 | £39 |
| Specific materiality – Senior Officer remuneration | £5 | £5 |

05

Significant findings

Significant findings

Background and modification of the audit opinion

As a result of the backstop arrangements, we have not been able to complete sufficient audit procedures to enable us to provide an unmodified opinion on the Council's financial statements. As we have determined that the effects, or potential effects on the financial statements of the lack of sufficient appropriate evidence are pervasive, we will be issuing a disclaimer of opinion. This means we are expressing no opinion on the financial statements.

Appendix B sets out our draft audit report which explains the basis of our disclaimer of opinion being the introduction of the backstop arrangements which require the Council to publish its audited 2022/23 financial statements by 13 December 2024.

Members will note that the draft audit report does not report on other matters that would usually appear in an unmodified audit report. These include:

- the use of the going concern assumption in the preparation of the financial statements; and
- the consistency of the other information presented with the financial statements.

Although we are disclaiming our audit opinion, auditing standards require us to report matters to you that have come to our attention during the course of our audit, which we include in this section of this report.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2022/23 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

Significant matters discussed with management

During our audit we communicated the following significant matters to management:

- Delays in the production of draft accounts
- Implications of the backstop arrangements

As part of our audit, we sought and obtained information from management in relation to actual or suspected non-compliance with laws and regulations, and any actual or suspected fraud which could materially impact upon the financial statements.

Based on our review of the information received, we have no matters to report in relation to fraud and the Council's compliance with laws and regulations. We have not undertaken any further work in these areas and do not provide any assurance that the financial statements are free from material error .

Significant difficulties during the audit

The Council's finance team experienced a number of staffing issues during the accounts production and audit timeframe which led to a delay in the statement of accounts being produced.

Our observations on internal control

As part of our planning procedures, we obtained an understanding of Council's internal control environment and control activities relevant to the preparation of the financial statements, which was sufficient to inform our audit strategy. Although our audit was not designed to express an opinion on the effectiveness of Council's internal controls, we are required to evaluate any deficiencies in internal control that come to our attention, even though we intend to issue a disclaimer of opinion.

A deficiency in internal control exists if:

- a control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/or correct potential misstatements in the financial statements; or
- a necessary control to prevent, detect, and/or correct misstatements in the financial statements on a timely basis is missing.

The matters reported in this section of our report are limited to those deficiencies and other control recommendations that we have identified through the audit procedures we were able to complete before the backstop date. If we had performed more extensive procedures on internal control, we might have identified more other matters to report. Our comments in this section should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Significant deficiencies in internal control

A significant deficiency in internal control is one which, in our professional judgement, has the potential for financial loss, damage to reputation, or a loss of information which may have implications on the achievement of business strategic objectives. Our view is that observations categorised as a significant deficiency are of sufficient importance to merit the attention of Those Charged With Governance.

We have not identified any significant deficiencies in the Council's internal controls as at the date of this report.

Other observations on internal control

We also report to you, our observations on the Council's internal controls where, in our professional judgement, there is a need to strengthen internal control or enhance business efficiency that do not constitute significant deficiencies in internal control but which we view as being important for consideration by management.

We do not have any other internal control observations to bring to your attention as at the date of this report.

Whether internal control observations merit attention by Those Charged With Governance and/or

management is a matter of professional judgment, taking into account the risk of misstatement that may arise in the financial statements as a result of those observations.

Summary of amendments to the financial statements

The Council's S151 Officer authorised the Council's draft financial statements for issue on 31/10/24.

Although we intend to issue a disclaimer of opinion, we still report any amendments which management have made to the draft financial statements, identified either through the audit procedures that we have undertaken, or separately by management. This information is provided to the Audit and Governance Committee for information and to support it to discharge its responsibilities. It is important for members to note that, given we are issuing a disclaimer of opinion, we provide no assurance over the material accuracy of the amendments that have been made to the draft financial statements which are summarised in this section.

Amendments to the financial statements

Management has not processed any amendments to the draft financial statements.

Unadjusted misstatements

When we issue a disclaimer of opinion as a result of the backstop arrangements, auditing standards require us to consider whether we are aware of any matter that would have otherwise required a modification to our opinion. Such matters may include, for example, material misstatements that have been identified which have not been amended by management in the final financial statements. We confirm that no such matters have come to our attention.

06

Value for Money arrangements

Value for money arrangements

The framework for Value for Money arrangements work

We are required to form a view as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our view and sets out the overall criterion and sub-criteria that we are required to consider.

2022/23 is the third audit year where we are undertaking our value for money (VFM) work under the 2020 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Council has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report. The introduction of the backstop arrangements does not alter our responsibilities in relation to Value for Money arrangements work.

Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services;
2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks; and
3. **Improving economy, efficiency and effectiveness** – how the Council uses information about its costs and performance to improve the way it manages and delivers its services

Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.

| | |
|---|---|
| Planning and risk assessment | Obtaining an understanding of the Council's arrangements for each specified reporting criteria. Relevant information sources include: <ul style="list-style-type: none">• NAO guidance and supporting information;• information from internal and external sources including regulators;• knowledge from previous audits and other audit work undertaken in the year; and• interviews and discussions with officers and Members. |
| Additional risk-based procedures and evaluation | Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness. |
| Reporting | We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements. This will form part of the Auditor's Annual Report. Our commentary will also highlight: <ul style="list-style-type: none">• significant weaknesses identified and our recommendations for improvement; and• emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council. |

Value for money arrangements

Status of our work

We have completed our work in respect of the Council's arrangements for the year ended 31 March 2023 this has been reported in our Annual Auditor's Report that covers the periods 2021/22 and 2022/23, we have identified one significant weakness in arrangements during the 2021/22 financial year and have made associated recommendations below.

Our draft audit report at Appendix B confirms that we have matters to report in respect of significant weaknesses. As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report in December 2024.

Identified risks of significant weaknesses in arrangements

The NAO's guidance requires us to carry out work to understand the Council's arrangements and to identify risks that significant weaknesses in arrangements may exist. The table below outlines the risks of significant weaknesses in arrangements that we have identified to date.

| Identified significant weakness in arrangements | Financial Sustainability | Governance | Improving the 3Es | [Draft] Recommendation for improvement | Council response |
|---|--------------------------|------------|-------------------|---|---|
| <p>62</p> <p>Financial statement preparation (Weakness identified in 2021/22)</p> <p>In November 2024, we reported that the audit of the 2021/22 financial statements was hindered through:</p> <ul style="list-style-type: none"> the Council not maintaining accurate or up-to-date property records leading to materially incorrect asset valuations in the financial statements; and capacity challenges in the finance team exacerbated by a shortage of skilled and capable resources in the labour market. <p>1</p> <p>And that this was indicative of a significant weakness in governance arrangements for the financial year ended 31 March 2022.</p> <p>*This weakness continues into the 2022/23 financial year. The 2022/23 financial statements were published on 31 October 2024, there was insufficient time to address the recommendation and therefore, this weakness continued to be in place for the financial year ended 31 March 2023.</p> | | ● | | <p>We recommend that the Council:</p> <ul style="list-style-type: none"> Ensure that there is suitable capacity within their finance team; Ensure that now the financial ledger system implementation is completed priority is turned to rebuilding assurances over the financial statements. | <p>Additional capacity has been brought into the finance team to provide support for the completion of the Statement of Accounts, budget setting/monitoring, and continued implementation of Unit 4. An action plan has been produced and is regularly monitored to ensure the Council rebuilds the assurances over the financial statements.</p> |

07

Audit fees and other services

Audit fees and other services

Fees for audit and other services

Our fees (exclusive of VAT) for the audit of North West Leicestershire District Council for the year ended 31 March 2023 are outlined below.

Fees for work as the Council's appointed auditor

For 2022/23 PSAA have not prescribed the fees payable for undertaking procedures to issue a disclaimed audit report. The table below sets out our estimate of fee for 2021/22 and 2022/23.

| Area of work | 2021/22 Planned Fee | 2021/22 Actual Fee | 2022/23 Planned fee | 2022/23 Actual Fee | 2023/24 |
|--|---------------------|--------------------|-----------------------|---|-----------------------|
| Scale fee in respect of our work under the Code of Audit Practice | 38,902 | 38,902 | 50,218 | 50,218 Actual procedures performed: 19,500 | 148,948 |
| Additional fees in respect additional testing undertaken to comply with increased regulatory requirements relating to: IAS19 pension liabilities; valuation of land, buildings and investment properties | 8,766 | 8,766 | Included in scale fee | Included in scale fee | Included in scale fee |
| Additional fees in respect of additional work from the introduction of new auditing standards (ISA 540 estimates) | 3,587 | 3,587 | 3,587 | Work not performed | Included in scale fee |
| Additional fees in respect of additional work from the introduction of new auditing standards (ISA 315) | N/A | N/A | 5,000 | Work not performed | |
| Other additional testing – additional costs as a result of quality preparation issues and reporting | - | 7,500 | - | - | |
| Material adjustments | - | 4,997 | N/A | N/A | |
| Other additional costs: • IAS19 Pension Triennial Review • Modified Audit Report | - | 3,952 7,000 | - | - 7,000 | |
| Additional fees in respect of the VFM Commentary | 8,500 | 8,500 | 8,500 | 6,000 | Included in scale fee |
| Additional fees in relation to VFM risks of significant weakness in arrangements | - | 660 | 660 | 660 | |
| Total fee variations | 20,853 | 44,962 | 18,747 | TBC | |
| Total fees | 59,755 | 83,864 | 68,965 | TBC | 148,948 |
| MHCLG Grant for NWLDC to cover fees | (20,054) | (20,054) | (20,924) | (20,924) | |

08

Confirmation of our independence

Confirmation of our independence

We are committed to independence and confirm that we comply with the FRC's Ethical Standard. In addition, we have set out in this section any matters or relationships we believe may have a bearing on our independence or the objectivity of our audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities, that create any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place that are designed to ensure that we carry out our work with integrity, objectivity, and independence. These policies include:

- All partners and staff are required to complete an annual independence declaration.
- All new partners and staff are required to complete an independence confirmation and complete annual ethical training.
- Rotation policies covering audit engagement partners and other key members of the audit team.
- Use by managers and partners of our client and engagement acceptance system, which requires all non-audit services to be approved in advance by the audit engagement partner.

Prior to the provision of any non-audit services, Mark Surridge will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our independence as auditor.

We confirm, as at the date of this report, that the engagement team and others in the firm as appropriate are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence, please discuss these with Council in the first instance.



Appendices

A: Draft management representation letter

B: Draft audit report

C: Key Communication points

D: Forthcoming accounting and other issues

3 Chamberlain Square

Birmingham

B3 3AX

XX December 2024

Dear Mark Surridge,

North West Leicestershire District Council - Audit for Year Ended 31 March 2023

This representation letter is provided in connection with your audit of the financial statements of North West Leicestershire District Council the Council for the year ended 31 March 2023. I note that you intend to issue a disclaimer of opinion in respect of your audit. I understand I am still required to provide the representations set out in this letter so you can complete your audit in accordance with relevant auditing standards.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code, as amended by the Code Update and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Strategic Director of Resources that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and

related information, including minutes of all Council and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that the methods, significant assumptions and the data used by the Council in making the accounting estimates, including those measured at fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code, as amended by the Code Update and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Strategic Director of Resources for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;

- all knowledge of fraud or suspected fraud affecting the Council involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code, as amended by the Code Update and applicable law.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Charges on assets

All the Council's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

The Council has no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code, as amended by the Code Update and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Impacts of Russian Forces entering Ukraine

I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Council, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events note to the financial statements fairly reflects that assessment.

Covid-19

I confirm that I have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the business, including the impact of mitigation measures and uncertainties, and that the

disclosure in the Annual Report and the subsequent events note to the financial statements fairly reflects that assessment.

Brexit

I confirm that I have carried out an assessment of the impact of the United Kingdom leaving the European Union, including the impact of the Trade and Cooperation Agreement, and that the disclosure in the Annual Report fairly reflects that assessment.

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Annual Governance Statement

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

The disclosures within the Narrative Report fairly reflect my understanding of the Council's financial and operating performance over the period covered by the financial statements.

Arrangements to achieve economy, effectiveness and efficiency in Use of Resources (Value for Money arrangements)

I confirm that I have disclosed to you all findings and correspondence from regulators for previous and ongoing inspections of which I am aware. In addition, I have disclosed to you any other information that would be considered relevant to your work on value for money arrangements.

Yours faithfully,

Strategic Director of Resources / s151 officer

Appendix B: Draft audit report

The report is pending consultation prior to being finalised.

Appendix C: Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA (UK) 260 *Communication with Those Charged with Governance* and ISA (UK) 265 *Communicating Deficiencies In Internal Control To Those Charged With Governance And Management* specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Our Audit Strategy and Completion Report; and
- Our Auditor's Annual Report

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate. We have taken the decision to report to you all of the matters which we would usually report in our Audit Strategy Memorandum and Audit Completion Report, within this single Audit Strategy and Completion Report given the nature of the backstop arrangements and the impact upon our audit.

Key communication points at the planning and completion stage of our audit communicated our Audit Strategy and Completion Report

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit and the effects of the backstop arrangements;
- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements;
- Fees for audit and other services.
- Significant deficiencies in internal control;

- Significant findings from the audit including any significant matters discussed with management and significant difficulties, if any, encountered during the audit;
- Summary of misstatements and other corrections made to the draft financial statements;
- Management representation letter; and
- Our proposed draft audit report.

Appendix D: Forthcoming accounting & other issues

New standards and amendments

The information provided on this page outlines forthcoming amendments to existing IFRS and the issuance of new standards. How these are adopted and adapted into the Code of Practice on Local Authority Accounting is yet to be determined and is subject to the approval of the Financial Reporting Advisory Board (FRAB).

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Issued January 2020), Deferral of Effective Date (Issued July 2020) and Non-current Liabilities with Covenants (Issued October 2022)

The January 2020 amendments clarify the requirements for classifying liabilities as current or non-current in IAS 1 by providing clarification surrounding: when to assess classification; understanding what is an 'unconditional right'; whether to determine classification based on an entity's right versus discretion and expectation; and dealing with settlements after the reporting date.

The October 2022 amendments specify how covenants should be taken into account in the classification of a liability as current or non-current. Only covenants with which an entity is required to comply with by the reporting date affect the classification as current or non-current. Classification is not therefore affected if the right to defer settlement of a liability for at least 12 months is subject to compliance with covenants at a date after the reporting date. These amendments also clarify the disclosures about the nature of covenants, so that users of financial statements can assess the risk that non-current debts accompanied by covenants may become repayable within 12 months.

Amendments to IAS 16 Leases: Lease Liability in Sale and Leaseback (Issued September 2022)

The amendments include additional requirements to explain how to subsequently measure the lease liability in a sale and leaseback transaction, specifically how to include variable lease payments.

For further information, please refer to our blog article: [Amendments to IFRS 16 Leases – Lease Liability in a Sale and Leaseback](#)

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued May 2023)

The amendments introduce changes to the disclosure requirements around supplier finance arrangements with the intention of providing more detailed information to help users analyse and understand the effects of such arrangements.

The amendments provide an overarching disclosure objective to ensure that users of financial statements are able to assess the effects of such arrangements on an entity's liabilities and cash flows, as well as some additional disclosure requirements relating to the specific terms and conditions of the arrangement, quantitative information about changes in financial liabilities that are part of the supplier financing arrangement, and about an entity's exposure to liquidity risk.

For further information, please refer to our blog article: [IASB publishes final amendments on supplier finance arrangements](#)

Appendix D: Forthcoming accounting & other issues

New standards and amendments (continued)

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements: Disclosure of Accounting Policies (Issued February 2021)

The amendments set out new requirements for material accounting policy information to be disclosed, rather than significant accounting policies. Immaterial accounting policy information should not be disclosed as accounting policy information taken in isolation is unlikely to be material, but it is when the information is considered together with other information in the financial statements that may make it material.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Issued February 2021)

The amendment introduces a new definition for accounting estimates and clarifies how entities should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events.

IFRS 17 Insurance Contracts (issued May 2017) and Amendments to IFRS 17 Insurance Contracts (Issued June 2020)

IFRS 17 is a new standard that will replace IFRS 4 *Insurance Contracts* (IFRS 4). The standard sets out the principles for the recognition, measurement, presentation and disclosure about insurance contracts issued, and reinsurance contracts held, by entities.

Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 Financial Instruments (Issued December 2021)

The amendments address potential mismatches between the measurement of financial assets and insurance liabilities in the comparative period because of different transitional requirements in IFRS 9 and IFRS 17. The amendments introduce a classification overlay under which a financial asset is permitted to be presented in the comparative period as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset in the comparative period. The classification overlay can be applied on an instrument-by-instrument basis.

Contact

Forvis Mazars

Mark Surridge
Audit Partner

Mark.Surridge@mazars.co.uk

76

Forvis Mazars LLP is the UK firm of Forvis Mazars Global, a leading global professional services network. Forvis Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London, EC4M 7AU. Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: GB 839 8356 73

© Forvis Mazars 2024. All rights reserved.

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – MONDAY, 9
DECEMBER 2024

| | | |
|--|---|---------------------------|
| Title of Report | DRAFT AUDITOR'S ANNUAL REPORT - 2021/22 AND 2022/23 | |
| Presented by | Paul Stone Strategic Director of Resources | |
| Background Papers | None | Public Report: Yes |
| Financial Implications | There are no financial implications as a direct result of this report. | |
| | Signed off by the Section 151 Officer: yes | |
| Legal Implications | There are no legal implications as a direct result of this report. | |
| | Signed off by the Monitoring Officer: yes | |
| Staffing and Corporate Implications | There are no staffing or corporate implications as a direct result of this report. | |
| | Signed off by the Head of Paid Service: yes | |
| Purpose of Report | To consider the External Auditor's Report | |
| Recommendations | THAT THE COMMITTEE NOTES THE DRAFT AUDITOR'S ANNUAL REPORT 2021/22 AND 2022/23 | |

1.0 BACKGROUND

- 1.1 The report attached at Appendix A is the External Auditor's Forvis Mazars LLP Draft Auditor's Annual Report (AAR) for the years ended 31 March 2022 and 31 March 2023.
- 1.2 The AAR summarises the work undertaken as the External Auditors for the Council. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.
- 1.3 A representative from Mazars is in attendance to present the report.

| Policies and other considerations, as appropriate | |
|--|--------------------|
| Council Priorities: | A Well-Run Council |
| Policy Considerations: | Not applicable |
| Safeguarding: | Not applicable |

| | |
|---|--|
| Equalities/Diversity: | Not applicable |
| Customer Impact: | Not applicable |
| Economic and Social Impact: | Not applicable |
| Environment, Climate Change and Zero Carbon | Not applicable |
| Consultation/Community/Tenant Engagement: | Not applicable |
| Risks: | Not applicable |
| Officer Contact | Anna Crouch Head of Finance anna.crouch@nwleicestershire.gov.uk |



79

Draft Auditor's Annual Report
North West Leicestershire District Council – year ended 31 March 2022 and 31 March 2023

December 2024

Contents

- 01** Introduction
- 02** Audit of the financial statements
- 03** Commentary on VFM arrangements
- 04** Other reporting responsibilities

- A** Appendix A: Further information on our audit of the Council's financial statements

08

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council. No responsibility is accepted to any member or officer in their individual capacity or to any third party.

Forvis Mazars LLP is the UK firm of Forvis Mazars Global, a leading global professional services network. Forvis Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London, EC4M 7AU. Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: GB 839 8356 73

01

Introduction

Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for North West Leicestershire District Council ('the Council') for the year ended 31 March 2023. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



Opinion on the financial statements

We intend to issue our audit report in December 2024. Our opinion on the financial statements for the year ended 2022 and 2023 were disclaimed. In line with the Accounts and Audit (Amendment) Regulations 2024 ('The Amendment Regulations') we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

82



Value for Money arrangements

In our audit report which we intend to issue in December 2024 we reported that we had not completed our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and had issued recommendations in relation to identified significant weaknesses in those arrangements at the time of reporting. Section 3 confirms that we have now completed this work and provides our commentary on the Council's arrangements and a summary of our recommendations.

Following the completion of our work we have issued our audit certificate which formally closes the audit for the 2021/22 and 2022/23 financial year. In the audit certificate we included reference to any significant weaknesses identified and a summary of our recommendations since we issued our audit report.



Wider reporting responsibilities

In line with group audit instructions issued by the NAO, we intend to complete our work on the Council's Whole of Government Accounts return in December and report to the group auditor in line with their instructions.

02

Audit of the financial statements

Audit of the financial statements 2021/22

The scope of our audit and the results of our opinions

The scope of our work as your appointed auditor for 2021/22 is set out in the National Audit Office's (NAO) Code of Audit Practice ('the Code'). Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 ('the 2014 Act') and our audit has been conducted in accordance with International Standards on Auditing (UK) ('auditing standards').

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 ('The Amendment Regulations') came into force. The Amendment Regulations require the Council to publish its Accountability Statements, which include the financial statements and auditor's opinion for the year ended 31 March 2022, by 13 December 2024 ('the backstop date').

In accordance with the Code, we are required to provide our audit report in sufficient time to enable the Council to meet these responsibilities, whether the audit is completed or not.

The backstop date introduced by the Amendment Regulations has impeded our ability to obtain sufficient appropriate evidence upon which to form an opinion on the financial statements as there has been insufficient time to perform all necessary audit procedures.

In our view, the effects of the resulting lack of assurance is pervasive to the financial statements as a whole. As a result, we issued a disclaimer of opinion on the Council's financial statements. When an opinion is disclaimed the auditor does not express an opinion on the financial statements and, consequently, no assurance is provided on the financial statements.

Significant matters discussed with management

During our audit we communicated the following significant matters to management:

- Accounting treatment of an investment property disposal where there were contingencies built into the contract around the fee the Council would receive for the asset;
- Completeness of the Council's asset register with several assets being added to the register in year despite being owned for a significant period of time;
- The unavailability of expected information examples include a reconciliation between the valuation report to the financial statements, and payroll reconciliations.

As part of our audit, we sought and obtained information from management in relation to actual or suspected non-compliance with laws and regulations, and any actual or suspected fraud which could materially impact upon the financial statements.

Based on our review of the information received, we have no matters to report in relation to fraud and the Council's compliance with laws and regulations. We have not undertaken any further work in these areas and do not provide any assurance that the financial statements are free from material error .

Significant difficulties during the audit

The Council's finance team experienced various staffing challenges during the accounts production and audit timeframe. As a result, our audit has identified that the standard of the working papers provided to support the figures within the financial statements fell below our expectations. Examples include missing information, and incorrect interpretation and application of guidance. It also led to extensive unexpected effort required to obtain sufficient appropriate audit evidence.

Audit of the financial statements 2022/23

The scope of our audit and the results of our opinions

The scope of our work as your appointed auditor for 2022/23 is set out in the National Audit Office's (NAO) Code of Audit Practice ('the Code'). Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 ("the 2014 Act") and our audit has been conducted in accordance with International Standards on Auditing (UK) ("auditing standards").

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 ('The Amendment Regulations') came into force. The Amendment Regulations require the Council to publish its Accountability Statements, which include the financial statements and auditor's opinion for the year ended 31 March 2023, by 13 December 2024 ('the backstop date').

In accordance with the Code, we are required to provide our audit report in sufficient time to enable the Council to meet these responsibilities, whether the audit is completed or not.

The Council presented the 2022/23 financial statements to Audit & Governance Committee on 30 October 2024. The backstop date introduced by the Amendment Regulations has impeded our ability to obtain sufficient appropriate evidence upon which to form an opinion on the financial statements as there has been insufficient time to perform all necessary audit procedures.

In our view, the effects of the resulting lack of assurance is pervasive to the financial statements as a whole. As a result, we issued a disclaimer of opinion on the Council's financial statements. When an opinion is disclaimed the auditor does not express an opinion on the financial statements and, consequently, no assurance is provided on the financial statements.

03

Our work on Value for Money arrangements

VFM arrangements

Overall Summary

87



VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:



Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.



Governance - How the Council ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and directors

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks on page [X].

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.




We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements** - We make these recommendations for improvement where we have identified a significant weakness in the Council arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations** - We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken.

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

VFM arrangements – Overall summary

Overall summary by reporting criteria

| Reporting criteria | Commentary page reference | Identified risks of significant weakness? | Actual significant weaknesses identified? | Other recommendations made? |
|---|---------------------------|---|---|---------------------------------|
|  Financial sustainability | 13-17 | No | No | Yes – see commentary on page 14 |
|  Governance | 19-22 | Yes – see risk on page 19 | Yes – see recommendation 1 on page 26 | Yes – see commentary on page 20 |
|  Improving economy, efficiency and effectiveness | 24 | No | No | No |

VFM arrangements

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services



VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability

| | |
|--|-----|
| Significant weaknesses in 2020/21 | Nil |
| Significant weaknesses identified in 2021/22 | Nil |
| Significant weaknesses identified in 2022/23 | Nil |

Position brought forward from 2020/21

We reported in our Annual Auditor's Report for 2020/21, that we had:

- Reviewed the 2020/21 financial performance and forecasts during the year and considered the Council's financial outturn position as presented in the financial statements;
- Reviewed the 2021/22 General Fund and Housing Revenue Account budget;
- Reviewed the Council's Annual Governance Statement for any significant issues; and
- Considered the general finds from our audit work in other areas.

As set out in the table above, there are no indications of a significant weakness in the Council's arrangements for financial sustainability brought forwards from 2020/21. The Council's underlying arrangements in relation to financial sustainability are not significantly different in 2021/22 and 2022/23.

Overall responsibilities for financial governance

We have reviewed the Council's overall governance framework, including Council and committee reports, the 2021/22 and 2022/23 Annual Governance Statement, and Statement of Accounts for 2021/22 and 2022/23. These confirm the Council undertook its responsibility to define the strategic aims and objectives, approve budgets and monitor financial performance against budgets and plan to best meet the needs of the Council's service users.

Budget Setting and the Medium-Term Financial Plan

We considered the 2021/22 and 2022/23 budget setting process, including the Medium-Term Financial Plan

(MTFP) as part of our work on the review of arrangements, with no significant concerns arising. The MTFP sets out the overall framework on which the Council plans and manages its financial resources to ensure that they fit with, and support, the direction of the Council's vision and strategic priorities. The MTFP integrates revenue allocations, savings targets and capital investment, provides the budget for the next financial year and provides indicative budgets, future council tax and housing rent levels for the period covered by the strategy. We read the report to the February 2021 and 2022 full council meetings for the respective years MTFP as evidence of adequate arrangements in place for budget setting.

VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability - continued

Arrangements for the identification, management and monitoring of funding gaps and savings

For the 2022/23 General Fund budget, the Council set a balanced budget which relied on a savings target aimed at delivering efficiency savings and cuts against services totalling £895k. This budget was revised part way through the year to account for the Local Government Finance Settlement. The revised budget projected a surplus of £1.2m which would be transferred to reserves and still assumed the same level of J2SS savings.

We reviewed the outturn position reported in June 2023 to Cabinet, which confirmed the General Fund achieved a surplus of £0.91m compared to a budgeted surplus of £1.2m. This represents a reduction in the budgeted contribution to reserves of £0.29m. This was largely impacted by unachieved Journey to Self Sufficiency (J2SS) savings of £0.9m. Although not achieved, this does not represent a risk of significant weakness in the Council's arrangements for the overall outturn for 2022/23. The Housing Revenue Account (HRA) achieved a surplus of £0.8m after appropriations which compares to a budgeted surplus of £0.06m.

The Council's financial outturn does not present a risk of significant weakness in arrangements.

We have noted there are challenges that the Council will face going forwards. The Medium-Term Financial Plan (MTFP) covering years 2023/24 – 2027/28 highlights the challenges as the Council has a balanced budget up until 2023/24 but then there are annual rising deficits thereafter on a 'do nothing' basis, not even use of reserves, leading to a gap of £10m through to 2027/28, but with commitment to bridge the gap through refreshed corporate plan. We have reviewed the 2024/2025 – 2028/29 MTFP which has since been published and this demonstrates the gap can be closed as a result of actions, with balanced budget for 24/25 and £385k gap in 25/26 and £604k gap in 25/26 – again before any use of reserves.

It has been noted that as part of the budget setting report that "A robust corporate and financial plan is required to bridge the funding gap and ensure the Council can balance its budget for 2024/25 and over the medium term." No detailed plan is within the report nor in the 24/25 MTFP which explains a "transformational plan" is developed but doesn't provide details.

Other recommendation

We have determined an "other recommendation" is required to improve the clarity in arrangements to address future financial gaps, because the Council does not currently report consistently on how achievable savings proposals are within their MTFP or whether the identified savings have been attained. We recommend that the Council set out specific details of savings that are proposed as aligned to the MTFP (with greater detail on those in the forthcoming year), which are rating based how achievable they are judged to be and what risk are involved, as well as who is responsible for oversight and implementation. We would expect to see a report produced at year end detailing which savings had been achieved, whether they are recurrent or one off and for those savings not achieved whether they will roll into future years savings proposals. This will enable to Council to give members better oversight over arrangements for financial sustainability.

2021/22 and 2022/23 Statement of Financial Position

We are issuing a disclaimed opinion on the 2021/22 and 2022/23 financial statements, however, our review of the draft financial statements of 2021/22 and the draft financial statements for 2022/23 does not highlight a risk of significant weakness in arrangements for financial sustainability.

The purpose of the Council's general fund reserve is to meet costs arising from any unplanned or emergency events. It also acts as a financial buffer to help mitigate against the financial risks the Council faces and can be used to a limited degree to 'smooth' expenditure on a one-off basis across years. Whereas earmarked reserves are set aside for specific purposes.

We carried out a high-level analysis of the financial statements subject to our audit, including the Movement in Reserves Statement and our work to date has not highlighted any risks of significant weakness in arrangements or indicators of a risk to the Council's financial sustainability:

| £'000 | 31-Mar-19 | 31-Mar-20 | 31-Mar-21 | 31-Mar-22 | 31-Mar-23 |
|------------------------------|---------------|---------------|---------------|---------------|---------------|
| General Fund Balance | 14,233 | 16,742 | 21,456 | 18,216 | 19,034 |
| HRA | 14,423 | 16,793 | 19,406 | 7,351 | 7,216 |
| Capital Receipts Reserves | 7,452 | 9,496 | 8,170 | 10,465 | 12,425 |
| Other Usable Reserves | 2,336 | 2,163 | 3,026 | 4,404 | 6,171 |
| Total usable reserves | 38,444 | 45,194 | 52,058 | 40,436 | 44,847 |

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – continued

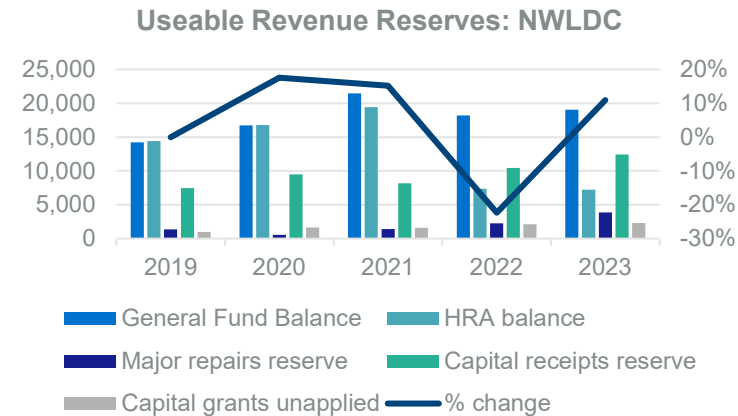
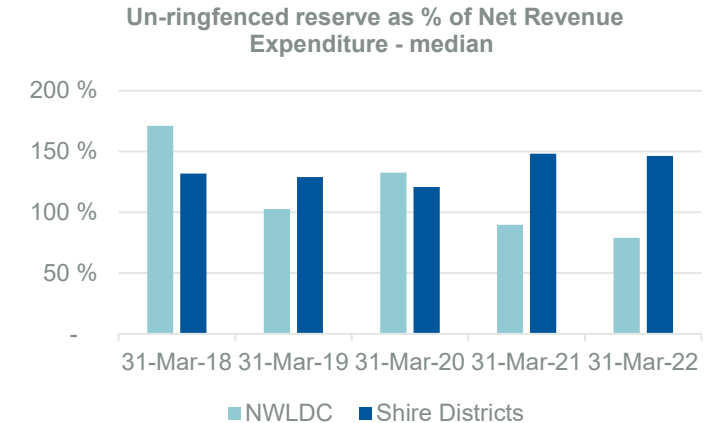
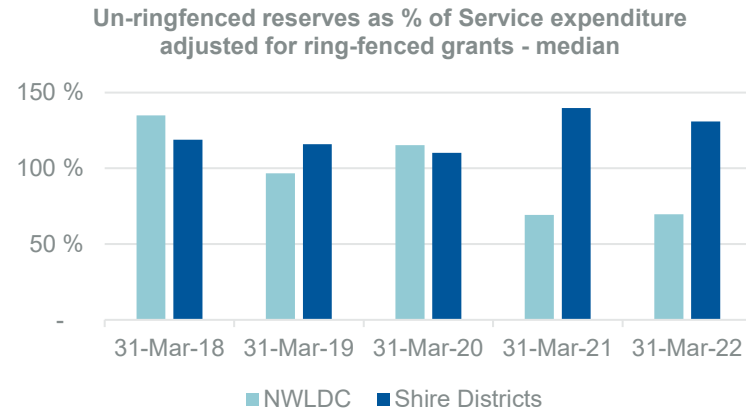
Financial sustainability and revenue reserves

The purpose of the Council's general fund reserve is to meet costs arising from any unplanned or emergency events. It also acts as a financial buffer to help mitigate against the financial risks the Council faces and can be used to a limited degree to 'smooth' expenditure on a one-off basis across years. Whereas earmarked reserves, are set aside for specific purposes.

We have also performed a more detailed review of the Council's revenue reserves:

1. We reviewed data published in May 2023 by the Department for Levelling Up, Housing and Communities on Local authority general fund earmarked and unallocated reserve levels, 2017-18 to 2021-22. The Council's reserves have generally been below the median compared to other district Council since 2018 (top two charts right).
2. Through a review of the financial statements, we have considered the Council's useable revenue reserves over time.

The Council's Reserves position does not give us cause for immediate concern in relation to a risk of significant weakness in arrangements to secure financial sustainability for the year ended 31 March 2022 or 2023. Whilst reserves remain stable, they are finite.



Details on the definitions and data quality arrangements are available here: <https://www.gov.uk/government/publications/local-authority-general-fund-earmarked-and-unallocated-reserve-levels-2017-18-to-2021-22>

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – continued

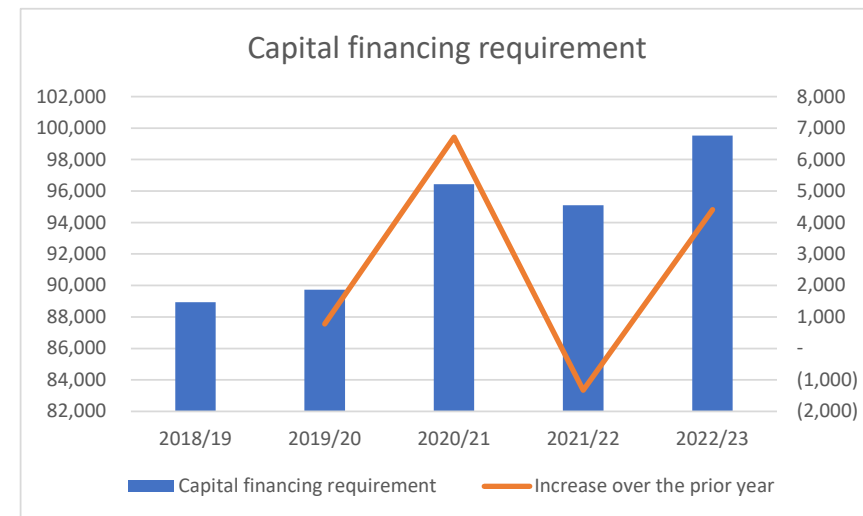
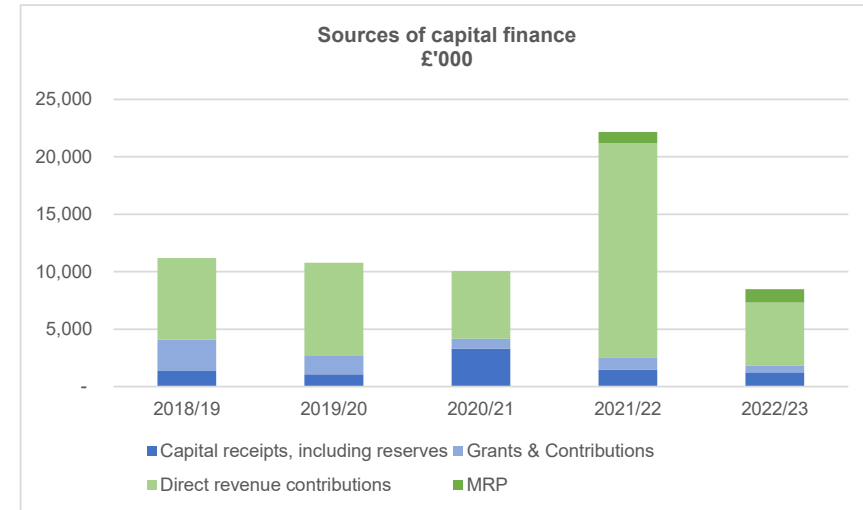
Capital financing

The Council's arrangements for setting and monitoring capital expenditure are consistent with the previous year, which we deem to be adequate.

We considered the Council's capital financing requirement as set out in Note 26 of the financial statements, which has increased from £88.9m in 2018/19 to £99.5m in 2022/23, each increase representing an increasing need to borrow to finance capital expenditure. We also considered the sources of capital finance in the capital programme, which shows over the past five years capital spend has been mainly financed through capital receipts and reserves with more reliance on grants in the current year, for example in 2022/23:

- £1.2m from capital receipts
- £593k in grants and contributions
- £5.5m in direct revenue contributions; and
- £1.2mm through the Minimum Revenue Provision (a minimum amount, set by law, which the Council must charge to the income & expenditure account, for debt redemption or for the discharge of other credit liabilities).

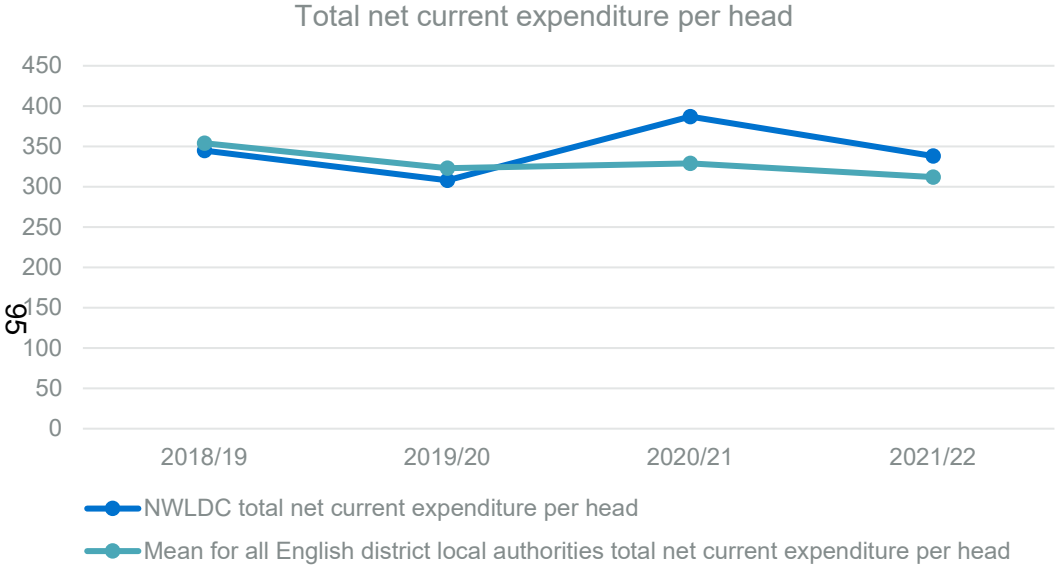
In 2022/23, the Council spent £12.2m on capital additions per Note 8 of the financial. We are satisfied the council's capital expenditure and capital financing does not give rise to a risk of significant weakness in arrangements.



VFM arrangements – Financial Sustainability

The Council's spending benchmarks

We also used VFM spending profiles produced by LG Inform (vfm.lginform.local.gov.uk) to provide context on the Council's spending, which show the Council (blue line) is above average in its spending from 2020/21 onwards when compared to all district councils (green line). Whilst it represents opportunities for cost reduction, it does not present a risk of significant weakness in arrangements for 2021/22 or 2022/23.



VFM arrangements

Governance

How the body ensures that it makes informed decisions and properly manages its risks



VFM arrangements – Improving Economy, Efficiency and Effectiveness

Position brought forward from 2020/21

There are no indications of a significant weakness in the Council's arrangements for governance brought forward from the previous year.

Risks of significant weaknesses in arrangements in relation to Governance

We have outlined below the risk of significant weaknesses in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to the risk.

| Risk of significant weakness in arrangements | Planned procedures |
|---|---|
| <p>Governance: statutory financial reporting <i>Originating on the 2021/22 financial statements and continuing into 2022/23</i></p> <p>97 1</p> <p>The Ministry of Housing, Communities and Local Government (MHCLG) put in place revised regulations effective from 31 March 2021. The Accounts and Audit (Amendment) Regulations 2021 extend the statutory audit deadlines for 2020/21 for all local authorities from 31 July to 30 September 2021 for all local authority bodies. The completion of audited 2020/21 financial statements represents a delay of some 18 months.</p> <p>We believe this delay presents a risk of significant weakness in the Council's arrangements for Governance (how the body ensures that it makes informed decisions and properly manages its risks) including how the body supports its statutory financial reporting requirements.*</p> <p>* Criteria as defined by Auditor Guidance Note 3 (AGN03), Auditors' Work on Value for Money (VFM) Arrangements (December 2021)</p> | <p>Work undertaken: To address the risk identified, we have reviewed the issues identified and considered whether they are indicative of a significant weakness in the Council's governance arrangements.</p> <p>Results of our work We have determined that there is a significant weaknesses in arrangements relating to statutory financial reporting which is detailed below:</p> <p>We have been unable to complete the majority of our work on the 2021/22 and then 2022/23 statement of accounts audit which has mainly been due to weaknesses in arrangements for:</p> <ul style="list-style-type: none"> • the Council not maintaining accurate or up-to-date property records leading to materially incorrect asset valuations in the financial statements; and • capacity challenges in the finance team exacerbated by a shortage of skilled and capable resources in the labour market. <p>Of the work performed on 2021/22 material errors were identified been corrected, although none affect general fund balances. The Council made a conscious decision that constrained resources were diverted into budget setting and financial ledger implementation rather than financial reporting. Further, as the identified accounting issues lie in asset valuations, we do not believe there is a threat to financial sustainability or unreliable budget setting/financial planning as a result of the delays.</p> |

VFM arrangements – Governance

Overall commentary on Governance

The Authority's governance structure

Arrangements have been consistently in place during 2021/22 and 2022/23

The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of effectiveness, economy and efficiency. In doing this it is responsible for putting in place proper arrangements for the governance of its affairs, effective exercise of its functions and arrangements for the management of risk.

Based on our work, we are satisfied the Council has established governance arrangements, consistent with previous years, in place. These are detailed in the Statement of Accounts and Annual Governance Statement. We have considered both documents against our understanding of the Council as part of our audit.

Our review of corporate governance arrangements confirms the Council has an agreed Constitution, setting out how it operates, how decisions are reached and what procedures are followed to ensure that these are transparent and accountable to local people. Any recommendations for amendments to the Constitution need to be approved by Full Council.

Our review of Council papers confirms that a template covering report is used for all reports, ensuring the purpose, implications, and recommendations are clear. Minutes are published and reviewed by Committees to evidence the matters discussed, challenge and decisions made.

Risk management and internal control

Arrangements have been consistently in place during 2021/22 and 2022/23

The Council has an established risk management strategy and systems in place which are built into the governance structure of the organisation.

The Audit and Governance Committee is responsible for overseeing the effectiveness of the Council's risk management arrangements, challenging risk information and escalating issues to the Executive. We have attended meetings of the Committee and reviewed minutes and reports presented during the year, including

matters relating to risk. From our attendance at meetings and review of the minutes, we are satisfied there is sufficient evidence of Member oversight of risk management, including holding Officers to account.

The Annual Governance Statement is a critical component of the Council's governance arrangements. It is an evidenced self-assessment by the Council on the Council's governance, assurance and internal control frameworks for the financial year. No significant weaknesses in internal control have been identified from our work to date and Internal Audit have not identified or raised any significant concerns. We reviewed the Annual Governance Statements as part of our work on the financial statements with no significant issues arising.

Audit and Governance Committee

Arrangements have been consistently in place during 2021/22 and 2022/23

The Council has an established Audit and Governance Committee that incorporates the functions of an Audit Committee. We have confirmed the Committee meets regularly and reviews its programme of work to maintain focus on key aspects of governance and internal control.

We have reviewed supporting documents and confirmed the Audit and Governance Committee meets regularly and reviews its programme of work to maintain focus on key aspects of governance and internal control. Our attendance at Audit and Governance Committee has confirmed there is an appropriate level of effective challenge.

VFM arrangements – Governance

Overall commentary on Governance

Internal Audit

Arrangements have been consistently in place during 2021/22 and 2022/23

To provide assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud, the Council has an in house Internal Audit function. The annual Internal Audit plan is agreed with management at the start of the financial year and is reviewed by the Governance and Standards Committee prior to final approval. The audit plan is based on an assessment of risks the Council faces and is designed to ensure there is assurance on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. The planned work can be supplemented if necessary by ad hoc reviews in respect of suspected irregularities and other work commissioned by Officers and Members of the Council where relevant to respond to emerging risks and issues.

Internal Audit progress reports are regularly presented to the Audit and Governance Committee meetings including follow up reporting on recommendations from previous Internal Audit reports. At the end of each financial year the Head of Internal Audit provides an Annual Report including an opinion, based on the work completed during the year, on the overall adequacy and effectiveness of the council's control environment.

2021/22

The Head of Internal Audit's opinion for 2021/22 is as follows "For the 12 months ended 31 March 2022, I am able to give reasonable assurance on the overall control environment. To be consistent with our Internal Audit opinion definitions, this means that there is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the areas audited. This is a positive assurance opinion overall." There is no indication of inadequate arrangements in place.

2022/23

The Head of Internal Audit's opinion for 2022/23 is as follows: "For the 12 months ended 31 March 2023, I am only able to give limited assurance on the overall control environment. To be consistent with our Internal Audit opinion definitions, this means that significant gaps, weaknesses, or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage

risks to the achievement of objectives in the area audited. As this is not a positive assurance overall it is expected that a corporate management action plan will be put in place to respond to this annual opinion." The limited assurance continued into 31 March 2024 year end.

In the Head of Internal Audit's report were 13 high and medium risk recommendations from work performed in 2021/22 that had the deadline to implement extended. The audit areas included project and estates management and actions had original due dates ranging from October 2022 – March 2023. Whilst we do not believe this to be a risk of significant weakness in arrangements, because the original deadlines were agreed through to March 2023, this is something that should be monitored going into the 2023/24 year. We have determined an "other recommendation" is required to improve the timeliness of responding to internal audit recommendations and overview of the process in place.

Other recommendation

We recommend that the Council ensure that there is more frequent reporting of recommendation tracking, including considering the role of the Audit & Governance Committee in being satisfied that actions can be deferred

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

Quality of financial reporting

We have experienced issues auditing the financial statements for the 2021/22 year due in part to the lack of capacity in the finance team. There was a delay in receipt of the accounts due to issues in the 2020/21 statement of accounts and the implantation of a new financial system.

During our audit we communicated the following significant matters to management:

- Accounting treatment of an investment property disposal where there were contingencies built into the contract around the fee the Council would receive for the asset;
- Completeness of the Council's asset register with several assets being added to the register in year despite being owned for a significant period of time;
- The unavailability of expected information examples include a reconciliation between the valuation report to the financial statements, and payroll reconciliations.

The issues identified in financial reporting processes, could reasonably be expected to lead to a significant impact on the quality or effectiveness of service or on the Council's reputation. We are of the view that this represents a weakness in arrangements.

The 2022/23 accounts were not received until the 31st October 2024 hence the significant weakness will continue across this financial year.

Budget Setting and the Medium-Term Financial Plan

Arrangements have been consistently in place during 2021/22 and 2022/23

The Council's budget setting and medium-term financial planning follows a similar process and format to previous years and our review is supported by discussions with officers during the year and experience from prior year audits. The arrangements in place for budget setting and updating the Medium-Term Financial Plan are as expected for a district Council, with arrangements for: consultation, scrutiny, evaluation of financial risk, alignment to business plans and sources of funding.

We read the assumptions underpinning both the 2022/23-2026/27 and 2023/24-2027/28 Medium-Term Financial Plans as included in reports to the Cabinet. In our view, these include an adequate level of detail over the assumptions and cost pressures facing the council.

In addition, there is sufficient narrative to explain the rationale and key financial risks.

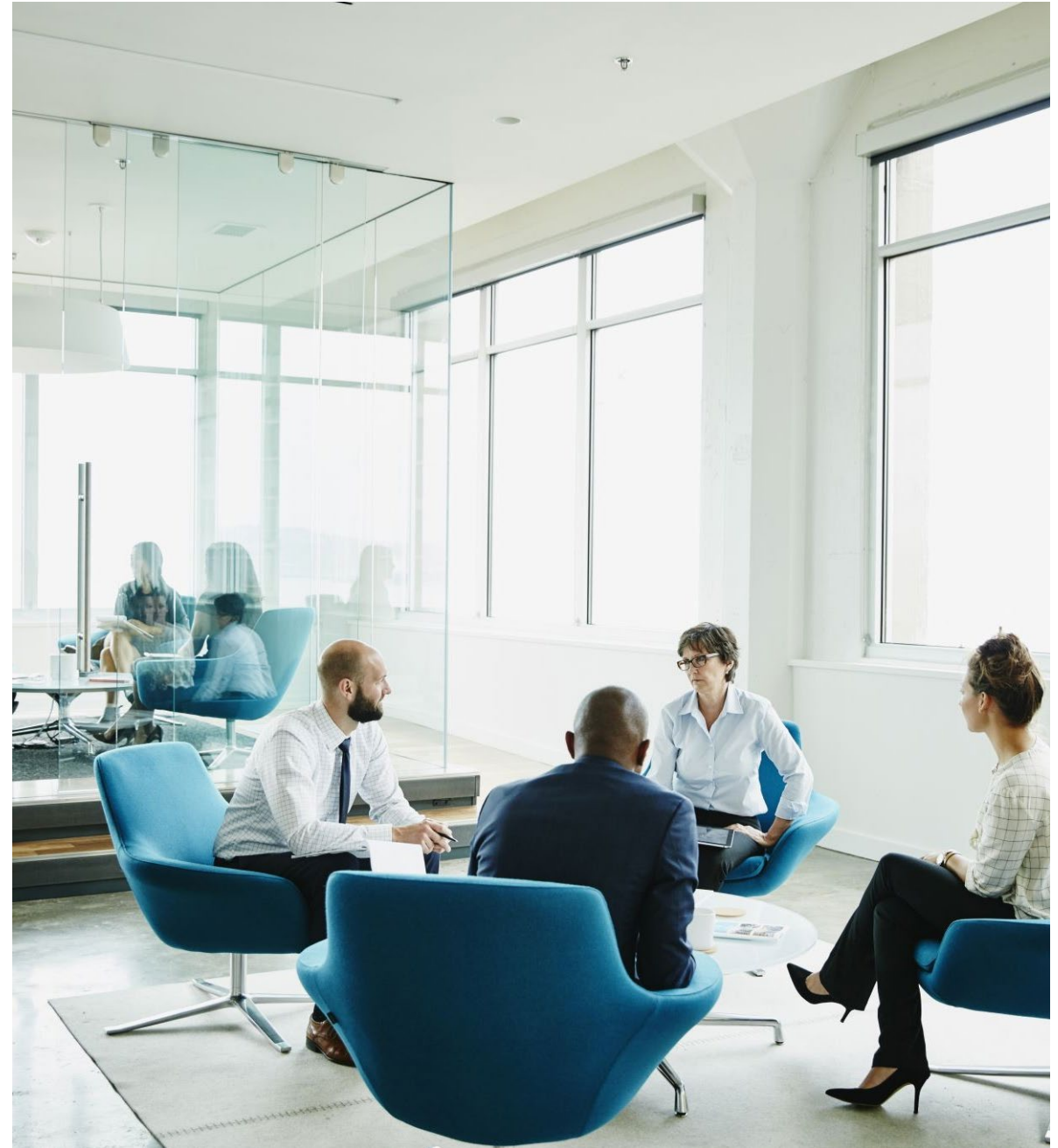
Regulators

There are few external regulators for district councils, and we have not identified any matters reported which indicate significant weaknesses in the Council's governance arrangements. We reviewed the Local Government and Social Care Ombudsman's (LGSCO) 2022/23 report which was considered by the Audit and Governance Committee at its September 2023 meeting. The Committee report includes a summary of the outcomes and summarised management's assessment of the matters raised by LGSCO. The report does not highlight any significant concerns in relation to the Council's governance arrangements

VFM arrangements

Improving Economy, Efficiency and Effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services



VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on Improving Economy, Efficiency and Effectiveness

| | |
|--|-----|
| Significant weaknesses in 2020/21 | Nil |
| Significant weaknesses identified in 2021/22 | Nil |
| Significant weaknesses identified in 2022/23 | Nil |

Position brought forwards from 2020/21

As set out in the table above, there are no indications of a significant weakness in the Council's arrangements brought forward from the prior year.

Performance Monitoring

Arrangements have been consistently in place during 2021/22 and 2022/23

The Council's arrangements are consistent with the prior year, which were deemed adequate, with the Council's Corporate Strategy setting out what it wants to achieve for local residents and communities and is published on its website. The Council's overall financial objectives and strategy are documented in the Council's budget and Medium-Term Financial Plan which is reviewed and updated annually.

Our review of minutes and reports confirms Members receive regular reporting on performance measures. We reviewed the performance outturn for 2023/24 as evidence of the Council's approach to evaluating performance. In our view, reports contain sufficient narrative, including the appendices, to demonstrate that there are adequate arrangements to assess performance and identify areas for action.

As part of the Council's Performance Management and Continuous Improvement Framework all service areas are required to develop an annual Service Plan which sets out the key activities to be delivered and the measures (performance Indicators) used to monitor the impact of those activities. We reviewed the Overview and Scrutiny Committee (Corporate Resources) performance report from June 2024, which included the Service Plan Performance Indicators for all service areas including:

- People and Transformation
- Neighbourhood Services
- Finance
- Law and Governance

- Planning and Regeneration
- Housing
- Health and Communities.

Procurement

Arrangements have been consistently in place during 2021/22 and 2022/23

The Council has a Procurement Strategy and set of Contract Procurement Rules which outlines how the procurement of goods, works and services is achieved. These documents take into account latest legislative and operational changes at the Council, and provide a corporate framework for the procurement of goods, works and services. There are also controls in place designed to ensure that all procurement activity is conducted with openness, honesty and accountability.

Our work on the financial statements has not identified any significant internal control deficiencies.

Partnerships

Arrangements have been consistently in place during 2021/22 and 2022/23

The Council has a number of partnership arrangements in place, through which the Council works to deliver services in line with its ambitions and priorities. These include having shared service for internal audit and being a part of the Leicester and Leicestershire Enterprise Partnership (LLEP) which aims to drive economic prosperity across the Leicester and Leicestershire area through strong partnerships, robust intelligence and innovation. There are relevant governance frameworks in place for these arrangements and the Council continues to keep its role in these activities under review.

VFM arrangements

Identified significant weaknesses in arrangements and our recommendations



VFM arrangements - Identified significant weaknesses and our recommendations

Identified significant weaknesses in arrangements and recommendations for improvement

As a result of our work we have identified significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. These identified weaknesses have been outlined in the table below.

| Identified significant weakness in arrangements | Financial sustainability | Governance | Improving the 3Es | Recommendation for improvement | Our views on the actions taken to date |
|--|--------------------------|------------|-------------------|---|---|
| <p>Statutory financial reporting We have been unable to complete the majority of our work on the 2021/22 and then 2022/23 statement of accounts audit which has mainly been due to weaknesses in arrangements for:</p> <ul style="list-style-type: none"> • the Council not maintaining accurate or up-to-date property records leading to materially incorrect asset valuations in the financial statements; and • capacity challenges in the finance team exacerbated by a shortage of skilled and capable resources in the labour market.” <p>Of the work performed on 2021/22 material errors were identified been corrected, although none affect general fund balances. The Council made a conscious decision that constrained resources were diverted into budget setting and financial ledger implementation rather than financial reporting. Further, as the identified accounting issues lie in asset valuations, we do not believe there is a threat to financial sustainability or unreliable budget setting/financial planning as a result of the delays.</p> | | ● | | <p>We recommend that:</p> <ul style="list-style-type: none"> • Management have a review process in place to support the preparation of draft financial statements to ensure sufficient quality review procedures are in place to support accurate statutory financial reporting; • Sufficient capacity is made available within the Finance team to support the rebuilding assurance process. | <p>This recommendation was issued in November 2024 and therefore the Council has had a limited time to address the recommendations.</p> |

Other reporting responsibilities and our fees

Other reporting responsibilities

Other reporting responsibilities

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We intend to submit this information to the NAO in December 2024.

Appendices

Appendix A: Further information on our audit of the Council's financial statements

107

Appendix A: Further information on our audit of the Council's financial statements

Significant risks and audit findings

As part of our audit of the Council, we identified significant risks to our opinion on the financial statements during our risk assessment. The table below summarises these risks, how we responded and our findings.

2021/22

| Risk | Our audit response and findings |
|---|---|
| Significant Risk 1 Management override of control | Although we are unable to provide any assurance over the areas of risks we have identified, where matters have come to our attention during the course of the audit that we consider to be important to bring to your attention, we have included these in our ACR. |
| Significant Risk 2 Defined benefit liability valuation 108 | Although we are unable to provide any assurance over the areas of risks we have identified, where matters have come to our attention during the course of the audit that we consider to be important to bring to your attention, we have included these in our ACR. |
| Significant Risk 3 Valuation of land and buildings, investment properties and council dwellings | Although we are unable to provide any assurance over the areas of risks we have identified, where matters have come to our attention during the course of the audit that we consider to be important to bring to your attention, we have included these in our ACR. |

2022/23

| Risk | Our audit response and findings |
|---|---|
| Significant Risk 1 Management override of control | Although we are unable to provide any assurance over the areas of risks we have identified, where matters have come to our attention during the course of the audit that we consider to be important to bring to your attention, we have included these in our ACR. |
| Significant Risk 2 Defined benefit liability valuation | Although we are unable to provide any assurance over the areas of risks we have identified, where matters have come to our attention during the course of the audit that we consider to be important to bring to your attention, we have included these in our ACR. |
| Significant Risk 3 Valuation of land and buildings, investment properties and council dwellings | Although we are unable to provide any assurance over the areas of risks we have identified, where matters have come to our attention during the course of the audit that we consider to be important to bring to your attention, we have included these in our ACR. |

Contact

Forvis Mazars

Mark Surridge

Partner

Mark.Surridge@mazars.com

Leah Parsons

Senior Manager

Leah.Parsons@mazars.com

109

Forvis Mazars LLP is the UK firm of Forvis Mazars Global, a leading global professional services network. Forvis Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London, EC4M 7AU. Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: GB 839 8356 73

© Forvis Mazars 2024. All rights reserved.

This page is intentionally left blank

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – MONDAY, 9
DECEMBER 2024

| | | |
|--|--|---------------------------|
| Title of Report | STATEMENT OF ACCOUNTS 2021/22 | |
| Presented by | Paul Stone Strategic Director of Resources | |
| Background Papers | Statement of Accounts 2021/22 – Audit and Governance Committee 25 September 2024 | Public Report: Yes |
| Financial Implications | There are no financial implications as a direct result of this report. | |
| | Signed off by the Section 151 Officer: yes | |
| Legal Implications | There are no legal implications as a direct result of this report. | |
| | Signed off by the Monitoring Officer: yes | |
| Staffing and Corporate Implications | There are no staffing or corporate implications as a direct result of this report. | |
| | Signed off by the Head of Paid Service: yes | |
| Purpose of Report | For the Committee to consider and approve the Statement of Accounts 2021/22. | |
| Recommendations | THAT THE COMMITTEE: <ol style="list-style-type: none"> 1. APPROVES THE ANNUAL STATEMENT OF ACCOUNTS 2021/22. 2. AUTHORISES THE CHAIR OF THE COMMITTEE TO SIGN THE STATEMENT OF ACCOUNTS 2021/22. 3. DELEGATES AUTHORITY TO THE COMMITTEE CHAIR AND THE SECTION 151 OFFICER TO APPROVE ANY MINOR NON-MATERIAL AMENDMENTS, AS AGREED WITH THE EXTERNAL AUDITORS, TO THE STATEMENT OF ACCOUNTS 2021/22 ON BEHALF OF THE COMMITTEE. | |

1.0 BACKGROUND

- 1.1 At its meeting on the 25 September 2024, the Audit and Governance Committee approved the Statement of Accounts 2021/22. The committee provided delegation for minor non-material amendments; however, this is one material amendment that needs

to be made to the accounts and therefore the accounts need reapproving by this committee.

2.0 MATERIAL AMENDMENT

2.1 Mazars, the Council's external auditor has identified an incorrect classification in Note 18 – Income and Expenditure Analysed by Nature. The Capital Grants and Contributions of £3.4m had been incorrectly included within the Fees, Charges and Other Service Income. The Statement of Accounts have now been updated to reflect this and table one below shows the before and after impact.

Table 1: Summary of Changes

| Restated 2020/21 | | | | 2021/22 | | |
|------------------|----------|------------|--|----------|----------|------------|
| Approved | Revised | Difference | Income | Approved | Revised | Difference |
| (27,976) | (26,131) | (1,845) | Fees, charges and other service income | (37,881) | (34,504) | (3,377) |
| - | (1,845) | 1,845 | Capital Grants and Contributions | - | (3,377) | 3,377 |

2.2 The revised Statement of Accounts are documented in Appendix A for approval.

| Policies and other considerations, as appropriate | |
|---|--|
| Council Priorities: | A Well-Run Council |
| Policy Considerations: | None |
| Safeguarding: | None |
| Equalities/Diversity: | None |
| Customer Impact: | None |
| Economic and Social Impact: | None |
| Environment, Climate Change and Zero Carbon | None |
| Consultation/Community/Tenant Engagement: | None |
| Risks: | Complying with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice - Local Authority Accounting in the United Kingdom ("the Code") minimises the risk that the accounts do not 'present a true and fair view' of the financial position of the Council. |
| Officer Contact | Anna Crouch Head of Finance anna.crouch@nwleicestershire.gov.uk |



CONTENTS

| | | Page No |
|------------------|---|----------------|
| Section 1 | Narrative Report | 1-18 |
| | Statement of Responsibilities for the Statement of Accounts | 19 |
| Section 2 | Core Accounting Statements | 20-26 |
| | Comprehensive Income & Expenditure Account | 22 |
| | Movement in Reserves Statement | 23 |
| | The Balance Sheet | 24-25 |
| | Cash Flow Statement | 26 |
| Section 3 | Notes to the Core Financial Statements | 27-94 |
| Section 4 | Housing Revenue Account | 95-100 |
| Section 5 | Collection Fund | 101-103 |
| Section 6 | Glossary of Main Financial Terms | 104-108 |

Section 1 Narrative Report

1. North West Leicestershire as a place

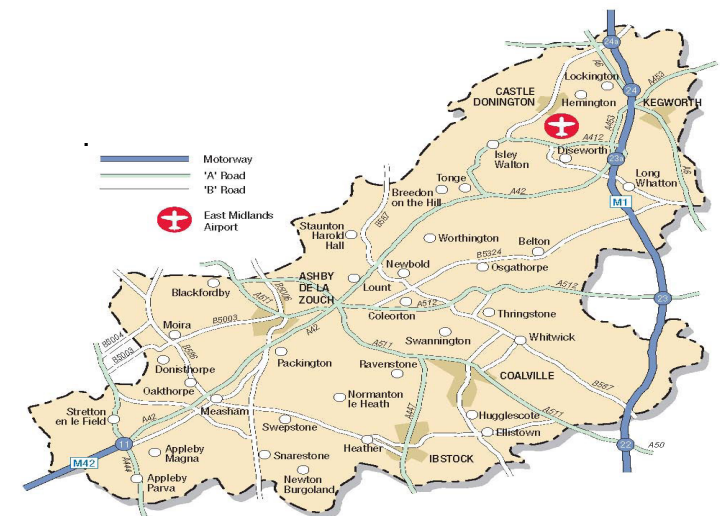
North West Leicestershire is a semi-rural district with a population of approximately 108,000. Most people live in the district's two main towns of Coalville and Ashby de la Zouch. Around the district are a handful of large villages (Castle Donington, Kegworth, Ibstock and Measham) and numerous smaller villages.

In the 1990s and 2000s, Coalville and the wider area underwent significant regeneration and the District's economy has been one of the fastest growth areas in the East Midlands. The coal mining sites formerly used for mineral extraction are now home to a diverse array of business parks and industrial estates providing local employment and drawing from a wide regional labour market.

North West Leicestershire sits at the axis of the Midlands, strategically located within 25 miles of Birmingham, Derby, Leicester and Nottingham. It is served by the M1/M42 (A42) and A50 and is also home to East Midlands Airport – the UK's busiest 'pure' cargo airport.

The district has one of the highest jobs density figures in the Region – indicating a very high level of jobs and this is because our location has proved to be a major attraction to inward investors and developers as well as continuing to be a place that indigenous businesses call home. Key employment sectors in the district are wholesale and retail trade, transport and storage, manufacturing and professional, scientific and technical activities.

We are very proud that our district lies at the heart of the National Forest which spans across parts of Derbyshire, Leicestershire, and Staffordshire. We are a key partner in an ongoing project that is transforming former mining areas through tree planting and forest activities.



2. The council

Governance

We operate a cabinet style government with separation of executive and scrutiny functions. All Cabinet members have been allocated a specific portfolio and are responsible for driving forward the Council's key strategic aims.

Political structure in 2021/22

The Council's political structure as at the 31 March 2022 was:

- Conservative Party – 22 councillors
- Labour Party – 9 councillors
- Liberal Democrat Party – 4 councillors
- Independent – 2 councillors
- Green Party – 1 councillor

The council's Leader, Councillor Richard Blunt was re-elected in May 2021. Councillor Blunt subsequently appointed six Cabinet Members for various portfolios and the delegation of executive functions.

Chief Officer Structure

Councillors are supported by the Corporate Leadership Team (CLT) which is led by the Council's Chief Executive. CLT are responsible for the overall management of the Council, for setting and monitoring overall direction and ensuring high performance in the delivery of council services. Including the Chief Executive, CLT is made up of eleven members: two Strategic Directors and eight Heads of Service (which include the Monitoring Officer and Section 151 Officer).

Reviewing our governance

Every year we undertake a review of our governance framework, assessing against the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' 2016. This review of effectiveness is informed by the work of senior managers and directors within the Council who have responsibility for the development and maintenance of the internal control environment, the Internal Audit Annual Report, the work of the Audit and Governance Committee plus the

comments of external auditors and other review agencies and inspectorates. Our Annual Governance Statement summarises our view of the arrangements and can be found on our [website](#).

Our priorities

The Council's vision is that "North West Leicestershire is a place where people and business belong and are proud to call home". Our Council Delivery Plan for 2021/22 sets out our priorities and aims for the coming years. Our priority areas are:

- Supporting Coalville to be a more vibrant, family friendly town.
- Our communities are safe, healthy and connected.
- Local people live in high quality, affordable homes.
- Supporting business and helping people into local jobs.
- Developing a clean and green district.

The priorities are underpinned by a balanced budget, set in February each year, a constant focus on value for money, local income generation where

appropriate and a prudent approach to future challenges to our funding and expenditure.

Our vision is supported by four key programmes that were launched in 2017/18, each of which oversee the delivery of multiple projects:

- **Customer First** – making sure we put customers at the heart of what we do, driving and improving services and increasing the choice customers have in where, when and how they engage with the council
- **Place** – co-ordinating projects that will develop and shape our environment, both built and natural, ensuring delivery of quality homes and facilities for our residents and business
- **People** – making sure we develop our staff to have the skills for a 21st century business, valuing our staff and transforming the organisation
- **Journey to Self-sufficiency** – having effective financial management that increases our resilience and adaptability to changing financial pressures.

Who works for the council?

The council employs 558 individuals across a wide range of services, many of whom are part-time and hold multiple roles. Our full time equivalent number of employees is 480 and 10 of these are apprenticeship roles. The majority of the council's services are provided in-house, and our employed positions reflect this, with roles across many job types including manual operatives, skilled tradesmen and accredited service professionals.

Our People Plan

Our People Plan sets an ambition to develop a sustainable, ambitious, effective and efficient workforce that reflects the local communities we serve. The plan was developed in 2018 is based on five themes:

- Being an employer of Choice.
- Developing and Supporting Staff.
- Leadership.
- Happy and Healthy workforce.
- Communicate and Listen.

We have made good progress against the plan including gaining Investors In People accreditation in 2019.

Our Values

In 2019 we adopted corporate values with staff which reflect how we want to be as a Council:

Trust – We are honest, fair and transparent and we value trust

Respect – We respect each other and our customers in a diverse, professional and supportive environment

Excellence – We will always work to be the best that we can be

Pride – We are proud of the role we play in making North West Leicestershire a happy, healthy and vibrant place to live and work

Growth – We will work together to grow and continually improve.

3. The council's non-financial performance

Below is a summary of some of our key achievements for the 2021/22 year under each of the council's five priorities.

Supporting Coalville to be a more vibrant family friendly town

- Delivery has commenced on some of the projects identified in the Coalville Regeneration Framework – an example being the Mantle Lane Bridge environmental improvements.
- A contractor has been appointed to deliver the Marlborough Square improvement works and material are being ordered to start the works.
- The NewMarket continues to go from strength to strength with a range of events and activities increasing footfall and leading to some excellent feedback from participants.

- Negotiations are continuing with private sector partners to try to seek a cinema venue in Coalville.
- After extensive stakeholder engagement, an options paper has been prepared for the former Hermitage Leisure Centre site and its environs.

Our communities are safe, healthy and connected

- A number of initiatives to improve our interactions with customers in both the service centre and in linking in back-office service areas have progressed during the quarter. These will lead to better linking of contact options and improvements to the call management arrangements.
- Usual levels at the New Whitwick and Coalville Leisure Centre have continued to be very encouraging since the opening in February.
- Five neighbourhoods Plan group have been supported.

- Consultation on the development strategy element of the Local Plan substantive review was undertaken.
- The three main priorities of the Integrated Neighbourhood Plan in relation to the care Planning pilot, a health needs analysis was completed in the Overweight and Obesity area and a mental health accelerator area is being identified with the Integrated Neighbourhood team locality.

Local people live in high quality, affordable homes

- Our plans to deliver more homes through S106 agreements with developments were subject to slippage due to disruptions in the building trade and our reliance on developers to achieve this objective. However, seven units are due for completion in the first quarter of 2022/23 and nine units are scheduled for later in the year.

- Working with Housing Associations and partners we have exceeded the target of over 100 affordable homes, with two hundred and ninety-five delivered during the year.
- We are continuing to invest in the Council rented housing stock with £3 million of works rolled forward from the year as we do everything we can to catch up from the delays caused by the COVID pandemic. continue.
- Work is anticipated to commence on the Appleby Magna Caravan site during early 2022/23.

Support for businesses and helping people into local jobs

- Our Economic Growth Plan was approved by Cabinet in March 2022.
- The Economic Development Team continued to provide support to new business enquiries.
- The new high street loyalty card was rolled out across the districts

key shopping areas which seeks to encourage and reward people for shopping locally.

- The build of the new Whitwick and Coalville Leisure Centre generated significant social value contributions to the local economy.
- The East Midlands Development Company is progressing with a Chairman and Managing Director now in place. Current work is to develop the delivery strategy for East Midlands Airport.

Developing a clean and green district

- We have continued to work with the National Forest to develop the Heart of the Forest Masterplan, and the Sustainable Tourism Accommodation design guide and the accelerator programme.
- We have been awarded further government funding to support the installation of Electric Vehicle charging points in Measham. This is now the sixth location in Council

owned car parks to be fitted with EV points and a further four have been installed at the new Leisure Centre.

- Hydrotreated Vegetable Oil (HVO) is now being used for all the Council's former diesel operated fleet. We have made progress with ordering electric vehicles for use as alternatives across our operations.
- We are continuing to seek to tackle the on-going problem in littering and fly-tipping working with volunteer groups and our in-house cleansing teams. This is through an emphasis on education, clearance and fines.
- We have achieved our aim of reducing the vehicle emissions on hackney carriages and private vehicle operators.

4. The council's financial performance

Financial Outturn for 2021/22

The Council has two main accounts, the General Fund and Housing Revenue Account as well as a Special Expenses account covering services to parishes and unparished areas. Each account has a revenue budget for provision of services and a capital budget for delivery of significant projects.

General Fund

Our General Fund account summarises the expenditure on the council's main services which are paid for in part by council tax.

We budgeted to contribute £1.1 million into our self-sufficiency reserve balances in 2021/22. However, there was a reduction of this amount by £991,000 to £111,000.

The reduction in the surplus was mainly due to additional costs in the Refuse and Recycling Service due to operating the service in a COVID safe manner and not achieving the budgeted self-sufficiency savings.

A more detailed review of variances is shown overleaf.

| Service | Budget £'000 | Outturn £'000 | Variance £'000 |
|---|-----------------|------------------|-------------------|
| Chief Executive | 274 | 260 | - 14 |
| Human Resources inc Covid | 248 | 611 | 363 |
| Legal and Commercial Services | 1,497 | 1,504 | 7 |
| Strategic Director of Place | 341 | 517 | 176 |
| Community Services | 6,751 | 7,628 | 877 |
| Planning and Infrastructure | 794 | 1,011 | 217 |
| Economic Development | 843 | 957 | 114 |
| Joint Strategic Planning | 12 | 12 | - |
| ICT | 1,038 | 1,045 | 7 |
| Revenues & Benefits | 747 | 675 | - 72 |
| Property Services | 498 | 352 | - 146 |
| Customer Services | 831 | 811 | - 20 |
| Finance | 1,050 | 971 | - 79 |
| Strategic Housing | 535 | 658 | 123 |
| J2SS | - 570 | - | 570 |
| Corporate And Democratic Core | 38 | 13 | - 25 |
| Non-Distributed Costs | 92 | 151 | 59 |
| Net Recharges | - 1,582 | - 1,629 | - 47 |
| Net Financing Costs | 1,458 | 1,394 | - 64 |
| Investment Income | - 6 | - 31 | - 25 |
| Localisation Of Council Tax Grant | 48 | 48 | - |
| Revenue Contribution To Capital | - | 44 | 44 |
| Debt Restructuring Premium | - | 2 | 2 |
| IAS19 | - | - | - |
| Transfer to Reserves | 1,102 | 111 | - 991 |
| Transfer to Other | - | 805 | 805 |
| Transfer from Reserves | - | - 44 | - 44 |
| Asset adjustment | - | - 699 | - 699 |
| Funding of Capital Expenditure | - | 922 | 922 |
| Section 106 | - | - 1,364 | - 1,364 |
| Net Cost of Services after Recharges | 16,039 | 16,735 | 696 |
| New Homes Bonus | 2,452 | 2,452 | - |
| Transfer From Collection Fund | - 99 | - 99 | - |
| Other Grants | 550 | 1,246 | 696 |
| Council Tax | 5,525 | 5,525 | - |
| National Non Domestic Rates Baseline | 7,611 | 7,611 | - |
| Total Funding | 16,039 | 16,735 | 696 |

The analysis opposite shows the major variances in the General Fund revenue budget for 2021/22. The majority of the adverse variances are associated with the loss of income from services suspensions during the pandemic as well as the additional costs associated with providing essential services in a COVID safe manner.

Favourable variances are largely attributed to underspends in budgets, additional planning fee income and grants received.

| Major Variances | £'000 |
|---|----------------|
| Adverse Variances | |
| Costs associated with sale of Cropston Drive | - 184 |
| Grounds Maintenance - reduction of income and increased vehicle hire costs | - 157 |
| Additional Support to Leisure Contract during COVID | - 412 |
| Refuse and Recycling - additional salaries, vehicle hire, wash down and legal fees | - 756 |
| Depot - contract cleaning and general repairs | - 42 |
| Cleansing Services - additional salaries and vehicle hire costs and reduced income | - 96 |
| Fleet - reduction in recharges and additional equipment | - 312 |
| Environment Protection - Restructure Savings Target not achieved | - 17 |
| Car Parks - reduced income and additional electricity costs | - 70 |
| Coalville Market - reduced income and additional legal fees | - 105 |
| Planning and Development - agency costs to cover additional workload | - 72 |
| Section 106 | - 353 |
| Building Control - Charges for legacy work | - 122 |
| Homelessness Prevention - additional bed and breakfast and | - 143 |
| Elections - contribution to contingency reserve | - 95 |
| Economic Development - COVID memorial benches | - 68 |
| Property Services - loss of income due to vacant units and additional cleaning (COV | - 111 |
| Rent Allowances and Rent Rebates - higher than budgeted | - 268 |
| Procurement - Consultancy Fees | - 57 |
| Non Distributed Surplus Assets | - 75 |
| Journey to Self Sufficiency - savings not achieved | - 570 |
| Revenue Contribution to Capital | - 44 |
| | - 4,129 |
| Favourable Variances | |
| Salary Savings | 434 |
| Human Resources - Corporate Training | 32 |
| Electoral Registration | 22 |
| Economic Development - saving on consultancy | 50 |
| Council Offices - general repairs | 239 |
| ICT - Equipment Maintenance | 21 |
| Revenues/Benefits - additional grants and compensation, reduction in partnership fe | 301 |
| Finance - unidentified income, reduction in bad debts and asset protection | 132 |
| Corporate & Democratic Core - Redmond Review Implementation Grant | 20 |
| Net Financing Costs - additional investment income/reduced MRP | 90 |
| Additional Non-Specific Grants | 252 |
| Refuse & Recycling - additional income, savings food waste and other vehicle costs | 749 |
| Cleansing Services - Vehicles and Other Income | 30 |
| Safe and Stronger - Community Focus/Safety and Free Tree Scheme | 27 |
| Car Parks - reduced NNDR and credit card charges | 35 |
| Border Inspection Post - Vet Expenditure | 23 |
| HS2 - reduced costs | 53 |
| Planning Fee Income | 298 |
| Planning Policy - Local Development Framework | 50 |
| Homelessness Prevention Grant | 251 |
| | 3,109 |
| Deminmus Non Salary Variances | 324 |
| | - 696 |

Housing Revenue Account (HRA)

The Housing Revenue Account summarises income and expenditure relating to the rented housing accommodation of the 4,100 homes provided by the Council.

The HRA is a ring-fenced account, meaning that HRA funds are maintained separately from other council finances and must only be spent on the council's housing stock and tenants' services. Its primary source of income is from collecting £18 million of rent from properties let at either social or affordable rental rates.

| Service | Budget £'000 | Outturn £'000 | Variance £'000 |
|-----------------------------------|-----------------|------------------|-------------------|
| Repairs and Maintenance | 5,566 | 6,741 | 1,175 |
| Supervision and Management | 3,054 | 3,134 | 80 |
| Provision for Doubtful Debts | 100 | - 77 | - 177 |
| Capital Financing | 3,182 | 2,295 | - 887 |
| J2SS Savings | - 225 | - | 225 |
| Total Expenditure | 11,677 | 12,093 | 416 |
| Rental Income and Service Charges | - 18,491 | - 18,344 | 147 |
| Net Cost of Services | - 6,814 | - 6,251 | 563 |
| Capital Financing (Interest) | 3,365 | 2,231 | - 1,134 |
| Investment Income | - 3 | - 16 | - 13 |
| Net (Surplus)/Deficit | - 3,452 | - 4,036 | - 584 |

| Major Variances | £'000 |
|---|----------------|
| Adverse Variances | |
| Rental Income | - 41 |
| Service Charges and Garage Rent Income | - 54 |
| Salaries and Agency Costs | - 64 |
| Supervision and Management - Other Income | - 42 |
| Compliance Testing and Inspections | - 89 |
| Council Tax on Void Properties | - 35 |
| Repairs and Maintenance Overspend | - 1,580 |
| J2SS Savings not achieved | - 225 |
| Supervision & Management (After adjustment for items reported separately) | - 191 |
| Minor Adverse Variances | - 5 |
| | - 2,326 |
| Favourable Variances | |
| Corporate Democratic Core Recharge | 22 |
| Provision for Doubtful Debts | 177 |
| Corporate recharges & Asset Rentals | 39 |
| Depreciation & Impairment | 888 |
| Interest Charges | 1,134 |
| Ofgem RHI | 197 |
| Responsive Repairs | 292 |
| Cyclical Maintenance | 28 |
| Car Allowances | 45 |
| Energy Costs | 61 |
| Housing Needs Contributions | 20 |
| Minor Favourable Variances | 7 |
| | 2,910 |
| | 584 |

| Service | Budget £'000 | C/Fwd £'000 | In Year £'000 | Total £'000 | Outturn £'000 | Variance £'000 |
|--------------------------------------|-----------------|----------------|------------------|----------------|------------------|-------------------|
| General Fund | | | | | | |
| ICT Systems | 57 | 102 | 324 | 483 | 463 | 20 |
| Fleet | 1,363 | 1,197 | - 183 | 2,377 | 43 | 2,334 |
| Leisure Centres | 1,894 | 8,881 | 3,127 | 13,902 | 12,791 | 1,111 |
| Disabled Facilities Grant | 670 | - | - 21 | 649 | 649 | - |
| Property | 2,999 | 3,234 | - 2,255 | 3,978 | 1,181 | 2,797 |
| Other Schemes | 50 | 205 | 3 | 258 | 174 | 84 |
| | 7,033 | 13,619 | 995 | 21,647 | 15,301 | 6,346 |
| Housing Revenue Account (HRA) | | | | | | |
| Housing Improvement Programme | 4,500 | 815 | - | 5,315 | 2,243 | 3,072 |
| New Supply | 5,082 | 426 | - | 5,508 | 769 | 4,739 |
| Estates Improvements | 591 | 391 | - | 982 | 306 | 676 |
| Compliance | 100 | 470 | - | 570 | 39 | 531 |
| Major Aids and Adaptions | 300 | 23 | - | 323 | 374 | - 51 |
| Zero Carbon | 250 | - | - | 250 | 750 | - 500 |
| Supported Housing Improvements | 50 | 230 | - | 280 | - | 280 |
| Active Asset Management | 350 | - | - | 350 | 206 | 144 |
| New Housing System | 180 | - | - | 180 | 490 | - 310 |
| Capital Salaries | 678 | - | - | 678 | 683 | - 5 |
| | 12,081 | 2,355 | - | 14,436 | 5,860 | 8,576 |
| | | | | - | | - |
| Total Capital | 19,114 | 15,974 | 995 | 36,083 | 21,161 | 14,922 |

Capital

We spent £15.3 million on capital schemes in the General Fund and £5.9 million in the Housing Revenue Account in 2021/22.

General Fund:

The main areas of spending were on our new Leisure Centre in Coalville which opened in February 2022, purchase of replacement fleet vehicles and Marlborough Square improvements.

Housing Revenue Account:

The majority of the expenditure was in relation to the Housing Improvement Programme, New Supply and Zero Carbon.

Our Assets and Liabilities

Pension Liabilities

£48.2 million

This is how much the council owes across future years offset by the value of assets invested in the pension fund. Net liabilities decreased by £15.1 million from 2020/21.

The pension fund, which is a Local Government Pension Scheme, is revalued every three years to set the future contribution rates. The scheme was revalued in 2022.

Cash flow

£22.2 million

The Council's cash flow shows an increase of £1.3 million in its cash and cash equivalents from the previous

year. Generally, cash balances have been healthy throughout the year and the Council invests these in accordance with its Treasury Management Strategy Statement which aims to minimise risk to these balances.

Borrowing

£65.2 million

As at 31 March 2022 the Council has total external borrowing of £65.2 million, a reduction of £14.2 million when compared with the previous year. The majority of this borrowing was taken out to fund the Housing Revenue Account self-financing and are made up of Public Works Loan Board loans. All of our borrowing complies with the Prudential Code which means it is prudent, sustainable and affordable.

Provisions

£2.2 million

This provision for Business Rates appeals was created as a result of the adoption in 2013/14 of the Business Rates Retention scheme through which the Council bears part of the risk for future appeals. The Council's estimate of the value of outstanding appeals up to 31 March 2022 is £5.4 million (£5.0 million as at 31 March 2021), the value of appeals used in completing the Collection Fund position as at 31 March 2022. The Council receives 40% of business rates as part of the localised system and must therefore bear 40% of the appeals provision which is £2.16 million.

Financial health

The Council has maintained a good level of financial health but like all local authorities faces significant pressures from reduced funding, demand pressures and the longer-term impact of COVID.

Usable Revenue Reserves

Usable revenue reserves are the most recognised and accepted measure of Local Government financial health. They help the Council to cope with unpredictable financial pressures and plan for future spending commitments. The Council will continue to use reserves to balance competing pressures for example:

- Using reserves to offset funding reductions and protect services – although this can only be a short-term strategy as reserves are a one-off funding resource – the Journey to Self Sufficiency Reserve

is held to provide resources to meet anticipated funding reductions which will provide time and resources to adapt the authority for lower levels of funding

- Using reserves to provide ‘one-off’ expenditure to meet corporate priorities.
- Investing in making changes that reduce the cost of providing services in the longer-term.
- Increasing reserves to strengthen resilience against future, uncertain cost pressures.

General Fund usable revenue reserve balances at 31 March 2022 were £18.2 million, a decrease of £3.2 million on the previous year. Most of this decrease is due to COVID grant allocations that have been spent or returned in 2021/22 and when the effect of this is removed, usable

revenue reserves remained at similar levels. The HRA has usable revenue reserves of £7.4 million, a decrease of £12.1 million compared with 2020/21. The reason for the reduction is due to the repayment of debt.

Funding Outlook

Like all authorities, North West Leicestershire has received significant reductions in funding in recent years and anticipates future reductions as well as pressures on services. The Council, unlike some other authorities, receives no Revenue Support Grant and its entire funding comes from Council Tax, Business Rates and New Homes Bonus. The outlook in respect of each of these income streams is considered below:

- **Council Tax** – the Collection Fund statement shows that we collected £69.9 million in Council Tax but retained only about 9% of this with the majority being passed on to the County Council, Police and Fire services and parish councils. North West Leicestershire froze its share of the Council Tax in 2021/22 for the eleventh consecutive year which means all of our growth in respect of council tax income results from growth in the number of homes in North West Leicestershire. The COVID pandemic has had the effect of

increasing Council Tax Support and also non payment, both of which will reduce Council Tax income in the next years.

- **Business Rates** – the Council collected £73.5 million in business rates income in 2021/22 but retained £10.7 million with the remainder being returned to the Government to fund other local services. A significant proportion of the amount retained is due to accumulated growth of business rates in the area which the Council is able to keep as part of the Government's business rates localisation scheme. A planned reset of this scheme will significantly reduce the Council's income from business rates in the medium term.
- **New Homes Bonus** – the Council received £2.4 million in New Homes Bonus in 2021/22 an amount significantly above average reflecting the significant home growth in the district. However, the

Government reduced the size of this reward in 2021/22 and is set to reduce it further in 2022/23. Beyond this point, it is uncertain whether this funding stream will be maintained and this will have a further detrimental impact on the Council's funding position.

5. Risk Management

We have a Risk Management Policy in place which was approved in September 2021

The overall objective of the Council's risk management approach is the identification, analysis, management and financial control of those risks which can most impact on the Council's ability to pursue its approved delivery plan.

A Corporate Risk Register, approved by the Corporate Leadership Team and Elected Members is in place. The Corporate Risk Register is a live document constantly under review to ascertain progress on managed risks and new risks that could impact on the Council. Our risk review cycle aligns with the service planning process and service risks monitored by service areas.

The Corporate Risk Group (CRG) is represented by each of the Council's services. The CRG identify new risks and review the corporate risk register, whilst the review of all risk management activity is part of the terms of reference of the Audit and Governance Committee. Risks are reported to Cabinet as part of the Quarterly Performance Management Report. In addition, all reports to Council, Cabinet and Committees have a risk management section for consideration of risks associated with specific decisions. All service areas and corporate projects maintain service and project-based risk registers.

Set out overleaf are the key risks from the Council's corporate risk register.

| Risk Description | Cause and Consequence | Inherent Risk Score | Control Measures | Residual Risk Score |
|--|---|---------------------|--|---------------------|
| Death / Serious Harm to vulnerable person receiving council service | Poor safeguarding or service failure leading to death / serious harm to vulnerable person resulting in reputational damage and loss of confidence in the Council. | 12 | <ul style="list-style-type: none"> Identified corporate leads Safeguarding Team Safeguarding Policy Dedicated group of Designated Safety Officers (DSOs) Computerised system for reporting and monitoring cases Quarterly management reporting and annual report and action plan | 3 |
| Mismanagement of Council finances | Poor financial systems and/or budgetary control resulting in government intervention and/or special measures and adverse publicity. | 16 | <ul style="list-style-type: none"> Regular budget monitoring and reporting Regular internal and external audit New finance system Access to specialist advisors | 4 |
| Insufficient resources due to unplanned absence/vacancies or change in financial picture | Failure to resources plan adequately so Council or partners unable to meet statutory duties | 12 | <ul style="list-style-type: none"> Advance resource planning Medium Term Financial Plan Sound recruitment processes Best Employee Experience Programme | 6 |
| Contracts not properly managed | Poor contract management or procurement resulting in additional costs, contract failure/overrun and service disruption | 9 | <ul style="list-style-type: none"> Procurement strategy in place Additional external expertise utilised as necessary | 6 |
| Data protection breach – loss or unlawful use of personal data | Systems / staff failure resulting in adverse publicity and investigation / penalties from Information Commissioner | 9 | <ul style="list-style-type: none"> Policies and procedures in place Council has dedicated SIRO / DPO Regular information governance training Regular internal audit | 4 |

| Risk Description | Cause and Consequence | Inherent Risk Score | Control Measures | Residual Risk Score |
|--|---|---------------------|--|---------------------|
| Failure to respond appropriately to an emergency | General public at risk of harm or unable to access relevant services. Inadequate business continuity management results in risks to public, breakdown in relationship with other responders and adverse publicity | 12 | <ul style="list-style-type: none"> • Business Continuity Plans (BCP) and relevant policies and procedures • Business Continuity tests undertaken • LRF partnership • System of ICO/FLMs rotas in place | 4 |
| Infiltration of ICT systems | Systems insufficient or lapse in security awareness resulting in ICT failure from cyber attack | 16 | <ul style="list-style-type: none"> • Fully resilient environment in place • Quarterly Cyber security awareness training • Twice annually phishing campaigns • Yearly IT Security Health Checks • Business recovery arrangements • Accreditation to Cyber Essentials Plus and the Public Services Network | 6 |
| Projects are poorly managed | Poor management of projects resulting in failure to achieve corporate objectives. Insufficient use/waste of resources, | 12 | <ul style="list-style-type: none"> • Use of professional project managers for key projects • Board structure covering all major projects in place • Properly convened project teams • Project framework published | 6 |
| Council makes ultra vires decisions | Lack of understanding results in unlawful decision resulting in potential litigation / intervention and reputational damage | 12 | <ul style="list-style-type: none"> • Governance policy and procedures in place and subject to annual review | 4 |
| Council is subject to fraud, corruption or theft | Poor controls resulting in financial and reputation damage to the council | 12 | <ul style="list-style-type: none"> • Anti-Fraud and Corruption Policy, Confidential Reporting (Whistleblowing) Policy and Anti-Money Laundering Policy • Internal Audit work plan and reviews • Internal control environment • Trained Fraud Officers in Revenues and Benefits | 6 |

| Risk Description | Cause and Consequence | Inherent Risk Score | Control Measures | Residual Risk Score |
|--|---|----------------------------|--|----------------------------|
| Reduced income | Council suffers reduction in funding income or fees and charges resulting in reductions in service | 12 | <ul style="list-style-type: none"> • Medium Term Financial Strategy • Annual budget process | 6 |
| Council is affected by Local Government Reorganisation | Local Government re-organisation results in significant disruption to service, communities and employees | 12 | <ul style="list-style-type: none"> • Active engagement with political leaders and Chief Executives across the County and wider region. | 3 |
| Council is affected by UKs departure from the EU and possible 'no deal' Brexit. | The UK's departure from the EU, including an inability to agree the terms of the exit by 31 October 2019 could lead to: - increase in checks on goods by Environmental Officers at East Midlands Airport meaning increase in resources / costs. | 16 | <ul style="list-style-type: none"> • Engagement with national local government groups for border control • Leicestershire Resilience Forum | 4 |
| Council is subject to large scale reduction in staffing / supplies etc due to national economic situations | Pandemic or other national infrastructure interruption resulting in supply chain issues and resulting impact on services | 16 | <ul style="list-style-type: none"> • Active participation in Leicestershire Resilience Forum | 6 |

6. Basis of preparation

When assessing what to include in these financial statements, the principle of materiality has been applied. This ensures that the core issues considered to have an impact on the council's strategies, governance, performance and aspirations in respect of matters such as the services it provides and the wellbeing of its local community, are presented. This includes matters that are ordinarily outside of the scope of financial reporting but which are deemed to have a significant effect on the authority's ability to meet its objectives. Where information in this report is based on other information published by the council, it is prepared on that same basis, and is reconcilable and referenced to that published information.



The Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required: -

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of Finance
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- To approve the Statement of Accounts.

The Responsibilities of the S151 Officer

The Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice'). In preparing this Statement of Accounts, the S151 Officer has: -

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice.

The S151 Officer has also: -

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2022.

Paul Stone
Strategic Director of Resources

Date

Councillor Peter Moul
Chair of Audit and Governance Committee

Date

Section 2 Core Statements

Core Statements

1. Introduction

The following pages summarise the financial activities of North West Leicestershire District Council for 2021/22. The Council's Accounts have been produced in accordance with the *Code of Practice on Local Authority Accounting 2021/22* and the Service Reporting Code of Practice 2021/22, supported by the International Financial Reporting Standards (IFRS). Explanatory notes to the accounts have been included to give further information where appropriate. The layout of the accounts follows the recommendations of the Code. For 2021/22 the accounts consist of these 'core' Financial Statements:

- **Comprehensive Income and Expenditure Statement** which shows income and expenditure of all main services.
- **Movement in Reserves Statement** which shows the movement in the year on the different reserves held by the council analysed into 'usable' reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves (i.e. those that cannot be used to fund expenditure)

- **Balance Sheet** which sets out the overall financial position of the council at 31 March 2022 showing its assets, liabilities and reserves
- **Cash Flow Statement** which summarises the movements of cash and cash equivalents into and out of the Council arising from transactions with third parties
- **The Expenditure and Funding Analysis (EFA)** – This shows how annual expenditure is used and funded from resources by the Council in comparison with how those resources by the Council are consumed or earned by the Council. It also shows how this expenditure is allocated for the decision making purposes between the council's portfolio holders
- **Notes to the Core Financial Statements** which provide explanations of key figures within the statements.

Other financial statements:

- **The Housing Revenue Account (HRA) Income & Expenditure Account and Statement of Movement on the HRA balance** – details income and expenditure on HRA services included in the whole Council Income & Expenditure Account and the latter reconciles the surplus for the year to the movement on the HRA balance.
- **The Collection Fund Income and Expenditure Account** – this fulfils the Council's Statutory requirement as a billing authority to maintain a separate Collection Fund showing transactions for the Council Tax Non-domestic Rates and how these have been distributed to precepting authorities and the General Fund.

Comprehensive Income and Expenditure Statement

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

136

| | 2020/21 | | | | 2021/22 | | |
|--|----------------------------|-----------------------|--------------------------|-------|----------------------------|-----------------------|--------------------------|
| | Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 | Notes | Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 |
| | 37 | (16) | 21 | | | | |
| | | | | | 174 | (5) | 169 |
| | 4,229 | (4,385) | (156) | | 2,244 | (1,547) | 697 |
| | 879 | (287) | 592 | | 1,055 | (411) | 644 |
| | 15,049 | (2,481) | 12,568 | | 17,474 | (3,335) | 14,139 |
| | 3,616 | (1,519) | 2,097 | | 4,989 | (1,714) | 3,275 |
| | 2,128 | (81) | 2,047 | | 1,496 | (69) | 1,427 |
| | 134 | (134) | 0 | | 304 | (289) | 15 |
| | 0 | 0 | 0 | | 53 | (14) | 39 |
| | 0 | 0 | 0 | | 14,480 | (12,869) | 1,611 |
| | 0 | 0 | 0 | | (2) | 0 | (2) |
| | 1,283 | (445) | 838 | | 1,473 | (753) | 720 |
| | 16,586 | (13,859) | 2,727 | | 22 | (22) | 0 |
| | (1,995) | (67) | (2,062) | | 963 | (86) | 877 |
| | 1,081 | 0 | 1,081 | | 1,152 | (20) | 1,132 |
| | 14 | 0 | 14 | | 240 | 0 | 240 |
| | 9,829 | (17,969) | (8,140) | | 11,487 | (18,072) | (6,585) |
| | 52,870 | (41,243) | 11,627 | | 57,604 | (39,206) | 18,398 |
| | | | 7,383 | | | | 7,973 |
| | | | 3,475 | 5 | | | 4,353 |
| | | | (22,063) | 6 | | | (24,783) |
| | | | 422 | 7 | | | 5,941 |
| | | | (17,894) | | | | (30,641) |
| | | | 0 | | | | 0 |
| | | | 18,635 | | | | (21,298) |
| | | | 741 | | | | (51,939) |
| | | | 1,163 | | | | (45,998) |

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce taxation) and unusable reserves. The statement shows how the movement in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and statutory adjustments required to return to the amounts chargeable to Council Tax or rents for the year. The net increase/decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

| | General Fund Balance £'000 | Housing Revenue Account £'000 | Capital Receipts Reserve £'000 | Major Repairs Reserve £'000 | Capital Grants Unapplied £'000 | Total Usable Reserves £'000 | Unusable Reserves £'000 | Total Authority reserves £'000 |
|--|-------------------------------|----------------------------------|-----------------------------------|--------------------------------|-----------------------------------|--------------------------------|----------------------------|-----------------------------------|
| Balance as at 1 April 2020 | 16,742 | 16,793 | 9,496 | 534 | 1,629 | 45,194 | 163,678 | 208,872 |
| Total Comprehensive Income and Expenditure | (2,834) | 2,412 | 0 | 0 | 0 | (422) | (741) | (1,163) |
| Adjustments between accounting basis and funding basis under regulations | 7,548 | 201 | (1,326) | 886 | (23) | 7,286 | (7,286) | 0 |
| Increase/(Decrease) in Year | 4,714 | 2,613 | (1,326) | 886 | (23) | 6,864 | (8,027) | (1,163) |
| Balance as at 31 March 2021 | 21,456 | 19,406 | 8,170 | 1,420 | 1,606 | 52,058 | 155,651 | 207,709 |
| Total Comprehensive Income and Expenditure | (12,015) | 6,074 | 0 | 0 | 0 | (5,941) | 51,940 | 45,998 |
| Adjustments between accounting basis and funding basis under regulations | 8,775 | (18,129) | 2,295 | 856 | 522 | (5,682) | 5,682 | 0 |
| Increase/(Decrease) in Year | (3,240) | (12,055) | 2,295 | 856 | 522 | (11,622) | 57,622 | 46,000 |
| Balance at 31 March 2022 carried forward | 18,216 | 7,351 | 10,465 | 2,276 | 2,128 | 40,436 | 213,273 | 253,710 |

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories.

The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.

The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

The council has a £3.5m LOBO (Lender Option, Borrower Option) loan where the lender has the option on set dates to propose an increase in the rate payable; The council will then have the option to accept the new rate or repay the loan without penalty. The lender therefore has the effective right to demand repayment and these loans are therefore shown in the Balance Sheet as Short Term Borrowing. The loan option date is every 6 months from loan inception.

| 31 March 2021 | | NOTES | 31 March 2022 | |
|------------------|-----------------------------------|-------|---------------|------------------|
| £'000 | | | £'000 | £'000 |
| 305,695 | Property Plant and Equipment | 8 | 346,150 | |
| 15,186 | Investment Property | 9 | 10,049 | |
| 248 | Intangible Assets | | 201 | |
| 625 | Heritage Assets | | 725 | |
| 0 | Assets Held For Sale | | 0 | |
| 0 | Surplus Assets | | 1,575 | |
| 0 | Long Term Investments | | 0 | |
| 0 | Long Term Debtors | | 0 | |
| 321,754 | Long Term Assets | | | 358,700 |
| 29,000 | Short Term Investments | | 26,000 | |
| 150 | Inventories | | 160 | |
| 12,292 | Short Term Debtors | 10 | 6,896 | |
| 20,894 | Cash and Cash Equivalents | 11 | 22,221 | |
| 62,336 | Current Assets | | | 55,277 |
| (17,680) | Short Term Borrowing | | (5,706) | |
| (24,500) | Short Term Creditors | 12 | (37,475) | |
| (2,010) | Provisions | | (2,160) | |
| (44,190) | Current Liabilities | | | (45,341) |
| (61,819) | Long Term Borrowing | | (59,549) | |
| (63,294) | Other Long Term Liabilities | | (48,176) | |
| (733) | Revenue Grants Receipt In Advance | | (374) | |
| (6,345) | Capital Grants Receipt In Advance | | (6,754) | |
| 0 | Deferred Liabilities | | (75) | |
| (132,191) | Long Term Liabilities | | | (114,928) |
| 207,709 | Net Assets | | | 253,708 |
| 21,456 | General Fund Balance | | 18,216 | |
| 19,406 | Housing Revenue Account | | 7,351 | |
| 8,170 | Capital Receipts Reserve | | 10,465 | |
| 1,420 | Major Repairs Reserve | | 2,276 | |
| 1,606 | Capital Grants Unapplied | | 2,128 | |
| 52,058 | Usable Reserves | | | 40,436 |

Balance Sheet

| 31 March 2021 | | NOTES | 31 March 2022 | |
|----------------|--|-------|---------------|----------------|
| £'000 | | | £'000 | £'000 |
| 93,520 | Revaluation Reserve | 14 | 121,685 | |
| 132,479 | Capital Adjustment Account | 14 | 142,589 | |
| (1,221) | Financial Instruments Adjustment Account | 14 | (1,239) | |
| (63,294) | Pension Reserve | 14 | (48,176) | |
| (5,562) | Collection Fund Adjustment Account | 14 | (1,059) | |
| (270) | Accumulated Absences Account | 14 | (528) | |
| 155,651 | Unusable Reserves | | | 213,272 |
| 207,709 | Total Reserves | | | 253,708 |

Cash Flow Statement

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

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

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

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

| Direct Method | | | |
|----------------------|---|--------------|----------------|
| 2020/21 | | NOTES | 2021/22 |
| £'000 | | | £'000 |
| (422) | Net surplus or (deficit) on the provision of services | | (5,941) |
| 14,566 | Adjustments to net surplus or deficit on the provision of services for non-cash movements | 15 | 38,403 |
| 7,021 | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 15 | (3,805) |
| 21,165 | Net Cash flows from operating activities | | 28,658 |
| (11,682) | Net Cash flows from Investing Activities | 16 | (15,700) |
| 536 | Net Cash flows from Financing Activities | 17 | (11,631) |
| 10,019 | Net increase or (decrease) in cash and cash equivalents | | 1,326 |
| 10,875 | Cash and cash equivalents at the beginning of the reporting period | | 20,894 |
| 20,894 | Cash and cash equivalents at the end of the reporting period | 11 | 22,221 |

Section 3 Notes to the Core Financial Statements

Notes to the accounts

Accounting policies

1. General Principles

The Statement of Accounts has been prepared with reference to the objective of showing the results of the stewardship and accountability of elected members and management for the resources entrusted to them, and on the underlying assumption of a going concern basis.

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022.

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which requires the statement to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2020/21, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the Local Government Act 2003.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Council's accounting policies are updated annually to reflect any changes in IFRS, including changes in International Public Sector Accounting Standards (IPSAS), HM Treasury guidance, CIPFA guidance or any other change in statute, guidance or framework impacting on the Council's accounts.

The Council's accounting policies as far as possible have been developed to ensure that the accounts are understandable, relevant, free from material error or misstatement, reliable and comparable, and are applied consistently. A glossary of terms can be found at the end of this document.

2. Accruals of income and expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract. Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- 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 revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank

overdrafts that are repayable on demand and form an integral part of the Council's cash management.

4. Exceptional items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

5. Prior period adjustments, changes in accounting policies and estimates and errors

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more

reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

6. Charges to revenue for non-current assets

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

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible assets attributable to the service.

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

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund balance (Minimum Revenue Provision) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Minimum Revenue Provision (MRP) is calculated based on the Asset Life method (Option 3 of the MHCLG guidance), whereby MRP is determined by reference to the useful life of the asset.

7. Council Tax and non-domestic rates (England)

Billing authorities act as agents, collecting Council Tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting Council Tax and NDR for themselves.

Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of Council Tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The Council Tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in the Council's General Fund.

Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

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

8. Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end.

They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g., cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

5

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-employment Benefits

Employees of the Council are members of the Local Government Pensions Scheme, administered by Leicestershire County Council. The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Leicestershire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected

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

- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds.
- The assets of Leicestershire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - Quoted securities – current bid price
 - Unquoted securities – professional estimate
 - Unitised securities – current bid price
 - Property – market value.

The change in the net pension's liability is analysed into the following components:

- Service cost comprising:
 - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive

- Income and Expenditure Statement to the services for which the employees worked.
- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
 - Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes

in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Re-measurements comprising:
 - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - Contributions paid to the Leicestershire County Council pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund

Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

9. Events after the reporting period

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

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

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

10. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund balance to be spread over future years.

The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified using an approach that is based on the business model for holding the financial assets and their Cashflow characteristics. There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit or loss (FVPL), and

- Fair value through other comprehensive income (FVOCI).

There are some exceptions, where the Council holds strategic investments to help it meet other policy objectives, such as the support of economic development in the district.

This means that some investments are ones where contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

→ **Financial Assets measured at amortised cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the

Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The Council has not given any loans to external or voluntary organisations, nor provided guarantees against loans they have received from financial institutions.

When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from

the Financial Instruments Adjustment Account in the Movement in Reserves Statement. Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected credit loss model

The Council recognises expected credit losses on all of its financial assets held at amortised cost or FVOCI, either on a 12 month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12 month expected losses.

Financial assets measured at Fair Value through Profit or Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council 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.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date
- Level 2 inputs – inputs other than quoted prices included within Level 1

that are observable for the asset, either directly or indirectly

- Level 3 inputs – unobservable inputs for the asset.

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

An equity instrument can be elected into a FVOCI treatment rather than a FVPL treatment if it is not held for trading. The Council has reviewed its assets that would be measured at FVPL on the basis of the business model and has elected to classify instruments as either FVPL or FVOCI on an instrument-by-instrument basis based on the assessed benefit to the Council from the chosen classification.

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and

Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

11. Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until

conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has

been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

12. Heritage Assets

The Council has three heritage assets which are held in support of increasing the knowledge, understanding and appreciation of the Council's history and local area. These are Moira Furnace, a listed monument of historical interest located in Moira, the Memorial Clock Tower, a Grade II listed building that services as a historic war memorial located in the centre of Coalville and the 'Heart of the Forest' Sculpture in Ashby.

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment.

The carrying amounts of heritage assets are reviewed where there is evidence of

impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. The Council will occasionally dispose of heritage assets. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see note 18 below).

13. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g., software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are measured initially at cost. Amounts are only revalued where the

fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale

proceeds greater than £10,000) the Capital Receipts Reserve.

14. Inventories and Long-term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula. Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

15. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial

asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

16. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property,

plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception. The asset recognised is matched by a liability for the obligation to pay the lessor.

Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability.

Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period). The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets.

Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation

and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

17. Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

18. Property, plant and equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accrual basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price.
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council's threshold for recognising an individual asset is £10,000. Where the Council purchases a number of individual assets which are separately below this threshold, but collectively above it, they will be treated as a grouped asset and treated in the same regard.

The council has adopted a policy of capitalising borrowing costs incurred whilst assets are under construction.

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

acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- Council offices – current value, determined as the amount that would be paid for the asset in its

existing use (existing use value EUV), except for a few offices that are situated close to the Council's housing properties, where there is no market for office accommodation, and that are measured at depreciated replacement cost (instant build) as an estimate of current value

- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value EUV).

154

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently

regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

- Where decreases in value are identified, they are accounted for by:
- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that

date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

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

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

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases – straight-line allocation over the useful life of the property as estimated by the valuer.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to

the total cost of the item, the components are depreciated separately.

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

Disposals and non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Gains in fair value are recognised only up to the amount of any previously recognised

losses in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the

carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

A proportion of capital receipts relating to housing disposals is payable to the government (50% for land and other assets, net of statutory deductions and allowances and for dwellings, amounts determinable under the Right to Buy and One for One Agreement that the Council signed in 2012). The balance of receipts remains within the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the

General Fund Balance in the Movement in Reserves Statement.

19. Provisions, contingent liabilities, and contingent assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Council has an obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would

otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent assets

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

20. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that

year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

21. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the

General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

22. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

Notes to core financial statement

1 Critical Judgements In Applying Accounting Policies

In applying the accounting policies set out in Section 3, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statements of Accounts are:

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

2 Assumptions Made About The Future and Other Major Sources of Estimation Uncertainty.

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

The items in the Council's Balance Sheet at 31 March 2022 for which there is a significant risk of adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if actual results differ from assumptions |
|-------------------------------|--|---|
| Property, Plant and Equipment | <p>Asset valuations for the council's property portfolio are based on market prices and are reviewed annually to ensure that the Council does not materially misstate its non-current assets. The Council's external valuers provided valuations as at 31 March 2022.</p> <p>In respect of Retail and specific trading related assets/sectors such as Car Parks, as at the valuation date we continued to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant/sufficient market evidence on which to base judgements. The valuation of these assets are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, in respect of these valuations less certainty – and a higher degree of caution – should be attached to the valuations than would normally be the case.</p> <p>The carrying value of Property, Plant and Equipment at 31 March 2022 is £346m.</p> | <p>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and/or a loss as appropriate in the Comprehensive Income and Expenditure Statement. If the value of the Council's properties were to reduce by 10%, this would result in a charge to the Comprehensive Income and Expenditure Statement and/or Revaluation Reserve of approximately of £34.6m.</p> |

Notes to core financial statement

| Item | Uncertainties | Effect if actual results differ from assumptions |
|----------------------------------|---|--|
| Pensions Liability | <p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. An independent firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied, although ultimate responsibility for forming these assumptions remains with the Authority.</p> <p>The carrying amount of the net pension liability at 31 March 2022 is £48.2m.</p> | <p>The effects on the net pensions liability of changes in individual assumptions are included in Note 28. The Council's actuaries provide an annual statement of the pension liabilities and assets, which includes the liability linked to leisure staff that were transferred to Everyone Active In May 2019. The Council's actuaries have advised that during the 2021/22 year, the net pensions liability had decreased by £15.1m as a result of revisions to estimates and judgements.</p> |
| Business Rates Appeals Provision | <p>Since the 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in proportion to their share (40%).</p> <p>The council experienced a reasonably high level of appeals against the 2010 revaluation of business hereditaments. Most of these appeals have been resolved with £0.2m remaining outstanding with the Valuation Office Agency at 31 March 2022.</p> <p>The new Check, Challenge and Appeal process has resulted in much lower appeals being submitted in relation to the 2017 Valuation List and therefore the impact of the new system remains highly uncertain.</p> <p>An appeals provision of £5.4m is held in the Collection Fund currently to counter the potential impact of successful appeals in future years.</p> | <p>If the estimated success rate of existing appeals increased in monetary value by 10%, then this would require the Council to increase it's share of the provision for appeals by an approximate £200k.</p> |
| Arrears | <p>Each year the Council reviews the significant balances for Council Tax, Business Rates and sundry debtor arrears. Officers make a judgement on the likelihood of these debts being repaid in the future based on a number of factors, including the age of debts, past experience and the economic climate. We cannot be certain that the current allowance will be sufficient. The economic impact of the Covid-19 pandemic has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts.</p> | <p>If collection rates were to deteriorate, a doubling of the amount of impairment of doubtful debts would require an additional £897k for Council Tax debts, and £536k for business rates to be set aside as an allowance.</p> |

159

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

Notes to core financial statement

3 Adjustments between Accounting Basis and Funding Basis under Regulations

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

| | 2021/22 | | | | | |
|---|----------------------------|-------------------------------|--------------------------------|------------------------------|--|-------------------------------------|
| | General Fund Balance £'000 | Housing Revenue Account £'000 | Capital Receipts Reserve £'000 | Major Repairs Reserves £'000 | Usable Reserves Capital Grants Unapplied £'000 | Movement in Unusable Reserves £'000 |
| Adjustments primarily involving the Capital Adjustment Account: | | | | | | |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | |
| Charges for depreciation and impairment of non current assets | 956 | 3,155 | | | | (4,111) |
| Revaluation gains and (losses) on Property Plant and Equipment | 941 | (829) | | | | (112) |
| Movements in the market value of Investment Properties | 328 | | | | | (328) |
| Amortisation of intangible assets | 78 | | | | | (78) |
| Depreciation of Heritage Assets | 13 | | | | | (13) |
| Capital grants and contributions applied | (714) | (336) | | | | 1,050 |
| Transfer of depreciation to Major Repairs Account | | (3,099) | | 3,099 | | 0 |
| Revenue expenditure funded from capital under statute | 491 | | | | | (491) |
| Recognition of DFG debtor | | | | | | 0 |
| Principal Repaid on Self Financing Loans | | (14,180) | | | | 14,180 |
| Amount of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 6,233 | 3,163 | | | | (9,396) |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | |
| Statutory provision for the financing of capital investment | (962) | | | | | 962 |
| Capital expenditure charged against the General Fund and HRA balances | (44) | (2,193) | | | | 2,237 |
| Adjustments primarily involving the Capital Grants Unapplied Account: | | | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | 425 | (947) | | | 522 | 0 |

Notes to core financial statement

| 2021/22 - continued | Usable Reserves | | | | | Movement in Unusable Reserves £'000 |
|---|-------------------------------|----------------------------------|-----------------------------------|---------------------------------|-----------------------------------|--|
| | General Fund Balance £'000 | Housing Revenue Account £'000 | Capital Receipts Reserve £'000 | Major Repairs Reserves £'000 | Capital Grants Unapplied £'000 | |
| Adjustments primarily involving the Capital Receipts Reserve: | | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (505) | (3,914) | 4,419 | | | 0 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | | (1,490) | | | 1,490 |
| Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals | 0 | 57 | (57) | | | 0 |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool | 593 | | (593) | | | 0 |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | | (16) | 16 | | | 0 |
| Adjustments primarily involving the Deferred Capital Receipts Reserve: | | | | | | |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 0 | | | | | 0 |
| Adjustment involving the Major Repairs Reserve: | | | | | | |
| Use of the Major Repairs Reserve to finance new capital expenditure | | | | (2,243) | | 2,243 |
| Adjustments involving the Financial Instruments Adjustment Account: | | | | | | |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirements | 18 | 0 | | | | (18) |
| Adjustments involving the Pensions Reserve: | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | 7,258 | 1,827 | | | | (9,085) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (2,033) | (873) | | | | 2,906 |
| Adjustments involving the Collection Fund Adjustment Account: | | | | | | |
| 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 | (4,503) | | | | | 4,503 |

Notes to core financial statement

| 2021/22 - continued | Usable Reserves | | | | | Movement in Unusable Reserves £'000 |
|--|-------------------------------|----------------------------------|-----------------------------------|---------------------------------|-----------------------------------|--|
| | General Fund Balance £'000 | Housing Revenue Account £'000 | Capital Receipts Reserve £'000 | Major Repairs Reserves £'000 | Capital Grants Unapplied £'000 | |
| Adjustments involving the Accumulated Absences Account: | | | | | | |
| Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 202 | 56 | | | | (258) |
| Total Adjustments | 8,775 | (18,129) | 2,295 | 856 | 522 | 5,682 |

Notes to core financial statement

| 2020/21 comparative figures (Restated) | Usable Reserves | | | | | Movement in Unusable Reserves £'000 |
|---|-------------------------------|----------------------------------|-----------------------------------|---------------------------------|-----------------------------------|--|
| | General Fund Balance £'000 | Housing Revenue Account £'000 | Capital Receipts Reserve £'000 | Major Repairs Reserves £'000 | Capital Grants Unapplied £'000 | |
| Adjustments primarily involving the Capital Adjustment Account: | | | | | | |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | |
| Charges for depreciation and impairment of non current assets | 1,073 | 2,950 | | 0 | | (4,023) |
| Revaluation losses/(gains) on Property Plant and Equipment | 426 | (867) | | | | 441 |
| Movements in the market value of Investment Properties | 1,463 | | | | | (1,463) |
| Amortisation of intangible assets | 139 | | | | | (139) |
| Depreciation of Heritage Assets | 20 | | | | | (20) |
| Asset recognitions | (512) | | | | | 512 |
| Capital grants and contributions applied | (864) | (6) | | | | 870 |
| Transfer of depreciation to Major Repairs Account | | (2,864) | | 2,864 | | 0 |
| Revenue expenditure funded from capital under statute | 716 | 0 | | | | (716) |
| Recognition of DFG debtor | | | | | | 0 |
| Principal Repaid on Self Financing Loans | | (1,147) | | | | 1,147 |
| Amount of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 1,275 | 5,804 | | | | (7,079) |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | |
| Statutory provision for the financing of capital investment | (715) | | | | | 715 |
| Capital expenditure charged against the General Fund and HRA balances | (665) | (1,392) | | | | 2,057 |
| Adjustments primarily involving the Capital Grants Unapplied Account: | | | | | | |
| Statement | 29 | (6) | | | (23) | 0 |
| Adjustments primarily involving the Capital Receipts Reserve: | | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (21) | (2,563) | 2,584 | | | 0 |

Notes to core financial statement

| 2020/21 comparative figures continued (Restated) | General Fund Balance £'000 | Housing Revenue Account £'000 | Usable Reserves | | | Movement in Unusable Reserves £'000 |
|---|-------------------------------|----------------------------------|-----------------------------------|---------------------------------|-----------------------------------|--|
| | | | Capital Receipts Reserve £'000 | Major Repairs Reserves £'000 | Capital Grants Unapplied £'000 | |
| Use of the Capital Receipts Reserve to finance new capital expenditure disposals | 0 | 43 | (43) | | | 0 |
| receipts pool | 593 | | (593) | | | 0 |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | | (20) | 20 | | | 0 |
| Adjustment involving the Major Repairs Reserve: | | | | | | |
| Use of the Major Repairs Reserve to finance new capital expenditure | | | | (1,978) | | 1,978 |
| Adjustments involving the Financial Instruments Adjustment Account: | | | | | | |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirements | (30) | | | | | 30 |
| Adjustments involving the Pensions Reserve: | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | 4,640 | 1,170 | | | | (5,810) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (4,941) | (901) | | | | 5,842 |
| Adjustments involving the Collection Fund Adjustment Account: | | | | | | |
| 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 | 4,922 | | | | | (4,922) |
| Adjustments involving the Accumulated Absences Account: | | | | | | |
| Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 0 | 0 | | | | 0 |
| Total Adjustments | 7,548 | 201 | (1,326) | 886 | (23) | (7,286) |

Notes to core financial statement

4 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans into the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2021/22.

| | Balance at 31/3/2020 £'000 | Transfers Out 2020/21 £'000 | Transfers In 2020/21 £'000 | Balance at 31/3/2021 £'000 | Transfers Out 2021/22 £'000 | Transfers In 2021/22 £'000 | Balance at 31/3/2022 £'000 |
|--|-------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| General Fund: | | | | | | | |
| General reserves | 8,484 | (2,829) | 7,758 | 13,413 | (5,570) | 1,317 | 9,160 |
| Ivanhoe Sinking Fund | 181 | (175) | 0 | 6 | 0 | 0 | 6 |
| Hermitage Recreation Ground - 3G Pitch | (12) | 0 | 1 | (11) | 0 | 11 | 0 |
| Hermitage Recreation Ground Mtce Fund | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Asset Protection Fund | 183 | (24) | 57 | 216 | (205) | 0 | 11 |
| Total | 8,836 | (3,028) | 7,816 | 13,624 | (5,775) | 1,328 | 9,177 |
| HRA: | | | | | | | |
| HRA Shops Sinking Fund | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| General Earmarked Reserves | 94 | (94) | 81 | 81 | (18) | 446 | 509 |
| Total | 94 | (94) | 81 | 81 | (18) | 446 | 509 |

Notes to core financial statement

5 Other Operating Expenditure

| 2020/21 £'000 | | 2021/22 £'000 |
|------------------|--|------------------|
| 2,270 | Parish Council Precepts | 2,403 |
| 594 | Payments to the Government Housing Capital Receipts Pool | 593 |
| 4,519 | (Gains)/losses on the disposal of non current assets | 4,977 |
| 7,383 | Total | 7,973 |

6 Financing and Investment Income and Expenditure

| 2020/21 £'000 | | 2021/22 £'000 |
|------------------|---|------------------|
| 2,686 | Interest payable and similar charges | 2,683 |
| 1,015 | Pensions interest cost and expected return on pensions assets | 1,314 |
| (204) | Interest receivable and similar income | (47) |
| (22) | Income and expenditure in relation to investment properties | 403 |
| 3,475 | Total | 4,353 |

7 Taxation and Non-Specific Grant Income

| 2020/21 £'000 | | 2021/22 £'000 |
|------------------|-----------------------------------|------------------|
| (8,173) | Council tax income | (8,533) |
| (6,879) | Non domestic rates | (9,385) |
| (5,166) | Non-ring fenced government grants | (3,698) |
| (1,845) | Capital grants and contributions | (3,168) |
| (22,063) | Total | (24,783) |

Notes to core financial statement

8 Movements on Assets

| | Costs | Council Dwelling £'000 | Other Land and Buildings £'000 | Vehicle, Plant, Furniture and Equipment £'000 | Community Assets £'000 | Assets Under Construction £'000 | Total Property Plant and Equipment £'000 | Surplus Assets £'000 |
|--|-------|---------------------------|-----------------------------------|--|---------------------------|------------------------------------|---|-------------------------|
| Cost or Valuation | | | | | | | | |
| At 1 April 2021 | | 265,644 | 26,854 | 8,864 | 0 | 10,725 | 312,087 | 0 |
| Additions | | 4,769 | 13,485 | 175 | 0 | 1,026 | 19,455 | 0 |
| Accumulated impairment & depreciation written-off to Gross book Value | | | (299) | 0 | 0 | 0 | (299) | 0 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | | 27,101 | 822 | 0 | 0 | 0 | 27,923 | 0 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | | 483 | (1,058) | 0 | 0 | 0 | (575) | 0 |
| Derecognition - Disposals | | (3,200) | 0 | 0 | 0 | 0 | (3,200) | 0 |
| Derecognition - Other | | 0 | | 0 | 0 | 0 | 0 | 0 |
| Assets reclassified | | 0 | 8,483 | 0 | | (10,625) | (2,142) | 1,575 |
| At 31 March 2022 | | 294,797 | 48,287 | 9,039 | 0 | 1,126 | 353,249 | 1,575 |

Notes to core financial statement

| | Accumulated Depreciation and Impairment | | | | | | Total Property Plant and Equipment | Surplus Assets |
|--|---|--------------------------|---|------------------|---------------------------|---------|------------------------------------|----------------|
| | Council Dwelling | Other Land and Buildings | Vehicle, Plant, Furniture and Equipment | Community Assets | Assets Under Construction | £'000 | £'000 | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | |
| At 1 April 2021 | 0 | 0 | (6,392) | 0 | 0 | (6,392) | 0 | |
| Depreciation charge | (3,099) | (305) | (707) | 0 | 0 | (4,111) | 0 | |
| Accumulated depreciation written-off to Gross book value | 0 | 299 | 0 | 0 | 0 | 299 | 0 | |
| Depreciation written out to the Revaluation Reserve | 2,711 | 5 | 0 | 0 | 0 | 2,716 | 0 | |
| Depreciation written out to the Surplus/ Deficit on the Provision of Services | 351 | 1 | 0 | 0 | 0 | 352 | 0 | |
| Impairment losses/(reversals) recognised in the Revaluation Reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Derecognition - Disposals | 37 | 0 | 0 | 0 | 0 | 37 | 0 | |
| Derecognition - Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| At 31 March 2022 | 0 | 0 | (7,099) | 0 | 0 | (7,099) | 0 | |
| Net Book Value | | | | | | | | |
| At 31 March 2022 | 294,797 | 48,287 | 1,940 | 0 | 1,126 | 346,150 | 1,575 | |
| At 31 March 2021 | 265,644 | 27,530 | 15,255 | 0 | 10,726 | 319,155 | 946 | |

Notes to core financial statement

Comparative Movements

| Costs | Council Dwelling £'000 | Other Land and Buildings £'000 | Vehicle, Plant, Furniture and Equipment £'000 | Community Assets £'000 | Assets Under Construction £'000 | Total Property Plant and Equipment £'000 | Surplus Assets £'000 |
|--|---------------------------|-----------------------------------|--|---------------------------|------------------------------------|---|-------------------------|
| Cost or Valuation | | | | | | | |
| At 1 April 2020 | 245,460 | 30,386 | 8,908 | 0 | 2,743 | 287,497 | 473 |
| Additions | 6,244 | 348 | 373 | 0 | 9,081 | 16,046 | 0 |
| Accumulated impairment & depreciation written-off to Gross book Value | | 338 | | | | 338 | |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 17,345 | (2,002) | 0 | 0 | 0 | 15,343 | 0 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 843 | (251) | 0 | 0 | 0 | 592 | 0 |
| Derecognition - Disposals | (2,109) | (1,584) | (423) | 0 | 0 | (4,116) | 0 |
| Derecognition - Other | (3,409) | 0 | 0 | 0 | 0 | (3,409) | 0 |
| Assets reclassified | 1,270 | 295 | 5 | 0 | (1,098) | 472 | 473 |
| At 31 March 2021 | 265,644 | 27,530 | 8,863 | 0 | 10,726 | 312,763 | 946 |

Notes to core financial statement

Comparative Movements

| | Accumulated Depreciation and Impairment | | | | | | Surplus Assets |
|--|---|-----------------------------------|--|---------------------------|------------------------------------|---|----------------|
| | Council Dwelling £'000 | Other Land and Buildings £'000 | Vehicle, Plant, Furniture and Equipment £'000 | Community Assets £'000 | Assets Under Construction £'000 | Total Property Plant and Equipment £'000 | £'000 |
| At 1 April 2020 | 0 | 0 | (5,994) | 0 | 0 | (5,994) | 0 |
| Depreciation charge | (2,864) | (338) | (821) | 0 | 0 | (4,023) | 0 |
| Accumulated depreciation written-off to Gross book value | | 338 | | | | 338 | |
| Depreciation written out to the Revaluation Reserve | 2,631 | | 0 | 0 | 0 | 2,631 | 0 |
| Depreciation written out to the Surplus/ Deficit on the Provision of Services | 208 | 0 | 0 | 0 | 0 | 208 | 0 |
| Impairment losses/(reversals) recognised in the Revaluation Reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Derecognition - Disposals | 25 | 0 | 423 | 0 | 0 | 448 | 0 |
| Derecognition - Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2021 | 0 | 0 | (6,392) | 0 | 0 | (6,392) | 0 |

170

Notes to core financial statement

Fixed Assets Valuation

The fixed assets shown in the Balance Sheet are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institute of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the Code of Practice. The different types of assets have been valued on the following basis:

(i) Operational assets are included in the balance sheet at open market value in existing use or depreciated replacement cost where the asset is of a specialist nature, i.e. there is no market for such an asset.

171 (ii) Non-operational assets, including investment properties and assets that are surplus to requirements, are included in the balance sheet at open market value.

(iii) Infrastructure and community assets are included in the balance sheet at historic cost, net of any depreciation.

(iv) Council dwellings have been valued using the beacon principal, where a typical property is valued as being representative of a particular house type and location. The valuation for each of the beacon properties

| Category | Date of Last Valuation | Basis of Valuation | Details of Valuers |
|-----------------------|------------------------|---|--|
| Council Dwellings | 31.03.22 | The valuations have been made in accordance with the RICS Appraisal and Valuation manual as published by the Royal Institute of Chartered Surveyors. In the case of housing stock this is based upon Existing Use Value for Social Housing. | Mr G Harbord (MA,MRICS,IRRV) Wilks Head and Eve |
| Other Land & Building | 31.03.22 | The valuations have been made in accordance with the RICS Appraisal and Valuation manual as published by the Royal Institute of Chartered Surveyors. | Mr G Harbord (MA,MRICS,IRRV) Wilks Head and Eve |

Major fixed assets held at 31 March 2022, are:-

| 2020/21 No | | 2021/22 No |
|---------------|-----------------------------------|---------------|
| | Leisure Centres | |
| 2 | Leisure Centres with Pools | 2 |
| 2 | Markets | 2 |
| 4 | Cemeteries | 4 |
| | Council dwellings | |
| 2,449 | Houses | 2,404 |
| 926 | Flats and Maisonettes | 928 |
| 816 | Bungalows | 816 |
| | Land | |
| 108 | Parks and Open Spaces (acres) | 108 |
| | Other | |
| 1 | Office Properties | 1 |
| 2 | Depots | 3 |
| 20 | Off Street Car Parks | 17 |
| 5 | Public Conveniences | 5 |
| 12 | Industrial Estates/Business Units | 12 |

Notes to core financial statement

9 Investment Properties

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.

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

| 2020/21 £'000 | 2021/22 £'000 |
|--------------------------------|------------------|
| 667 | 692 |
| (1,677) | (1,095) |
| (1,010) Net gain/(loss) | (403) |

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

| 2020/21 £'000 | 2021/22 £'000 |
|------------------|------------------|
| 16,307 | 15,186 |
| Additions: | |
| 0 | 0 |
| 0 | |
| 342 | 858 |
| Disposals: | |
| | (6,233) |
| (1,463) | (328) |
| Transfers: | |
| 0 | 0 |
| 0 | 566 |
| 0 | 0 |
| 15,186 | 10,049 |

Notes to core financial statement

10 Short-Term Debtors

| 31 March 2021 £'000 | | 31 March 2022 £'000 |
|------------------------|---------------------------------------|------------------------|
| 5,731 | Central Government bodies | 884 |
| 4,569 | Other local authorities | 3,751 |
| 0 | NHS bodies | 0 |
| 321 | Public Corporations and trading funds | 0 |
| 1,671 | Other entities and individuals | 2,261 |
| 12,292 | Total Short-Term Debtors | 6,896 |

11 Cash and Cash Equivalents

| 31 March 2021 £'000 | | 31 March 2022 £'000 |
|------------------------|--|------------------------|
| 2 | Cash held by the Council | 2 |
| 2,392 | Bank current accounts | (781) |
| 18,500 | Short-term deposits and Money Market Funds | 23,000 |
| 20,894 | Total Cash and Cash Equivalents | 22,221 |

12 Short-Term Creditors

| 31 March 2021 £'000 | | 31 March 2022 £'000 |
|------------------------|---------------------------------------|------------------------|
| 12,332 | Central Government bodies | 21,528 |
| 8,362 | Other local authorities | 11,789 |
| 0 | NHS bodies | 0 |
| 244 | Public Corporations and trading funds | 183 |
| 3,562 | Other entities and individuals | 3,975 |
| 24,500 | Total Short-Term Creditors | 37,475 |

Notes to core financial statement

13 Usable Reserves

The Council's usable reserves are detailed in the Movement in Reserves Statement.

14 Unusable Reserves

| 31 March 2021 £'000 | | 31 March 2022 £'000 |
|------------------------|--|------------------------|
| 93,520 | Revaluation Reserve | 121,685 |
| 132,479 | Capital Adjustment Account | 142,589 |
| (1,221) | Financial Instruments Adjustment Account | (1,239) |
| (63,294) | Pensions Reserve | (48,176) |
| (5,562) | Collection Fund Adjustment Account | (1,059) |
| (270) | Accumulated Absences Account | (528) |
| 155,651 | Total Unusable Reserves | 213,272 |

Revaluation Reserve

| 2020/21 £'000 | | 2021/22 £'000 |
|------------------|--|------------------|
| 78,293 | Balance at 1 April | 93,520 |
| 20,870 | Upward revaluation of assets | 30,864 |
| (2,976) | of assets and | (224) |
| 17,894 | Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | 30,641 |
| (1,228) | Difference between fair value depreciation and historical cost depreciation | (1,436) |
| (1,439) | Accumulated gains on assets sold or scrapped | (1,040) |
| (2,667) | Amount written off to the Capital Adjustment Account | (2,476) |
| 93,520 | Balance at 31 March | 121,685 |

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its 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 that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Notes to core financial statement

Capital Adjustment Account

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

The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling posting from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

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

| | 2020/21 £'000 | 2021/22 £'000 | 2021/22 £'000 |
|---|------------------|------------------|------------------|
| 132,237 Balance at 1 April | | | 132,479 |
| Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | | | |
| (4,043) Charges for depreciation and impairment of non-current assets | | (4,125) | |
| 441 Revaluation (losses)/gain on Property, Plant and Equipment | | (113) | |
| (139) Amortisation of Intangible assets | | (78) | |
| (716) Revenue expenditure funded from capital under statute | | (491) | |
| (3,668) Amounts of non current assets written off on disposal or sale as part of the gains/loss on disposal to the Comprehensive Income and Expenditure Statement | | (9,396) | |
| 1,439 Write-out of gains relating to revalued disposed assets | | 1,040 | |
| 1,228 Write-out of depreciation on revalued assets (HCA) | | 1,436 | |
| (5,459) | | | (11,726) |
| (2,899) Other transactions | | 0 | |
| Capital financing applied in the year: | | | |
| 3,294 Use of Capital Receipts Reserve to finance new capital expenditure | | 1,490 | |
| 1,978 Use of the Major Repairs Reserve to finance new capital expenditure | | 2,242 | |
| 789 Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | | 537 | |
| 1,147 Repayment of Debt | | 14,180 | |
| 82 Application of grants to capital financing from the Capital Grants Unapplied Account | | 516 | |
| 715 Statutory provision for the financing of capital investment charged against the General Fund and HRA balances | | 962 | |
| 2,057 Capital expenditure charged against the General Fund and HRA balances | | 2,237 | |
| 7,163 | | | 22,164 |
| (1,463) Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | | | (328) |
| 0 Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement | | | 0 |
| 132,479 Balance at 31 March | | | 142,589 |

Notes to core financial statement

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. The Council accounts for post employee benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible.

The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

| 2020/21 £'000 | 2021/22 £'000 |
|--|------------------|
| (44,691) Balance at 1 April | (63,294) |
| (18,635) Actuarial gains or losses on pensions assets and liabilities | 21,298 |
| (5,810) Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | (9,085) |
| 5,842 Employer's pensions contributions and direct payments to pensioners payable in the year | 2,905 |
| (63,294) Balance at 31 March | (48,176) |

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

Notes to core financial statement

| 2020/21 £'000 | 2021/22 £'000 |
|--|------------------|
| (1,251) Balance at 1 April | (1,221) |
| 0 Premiums incurred in the year and charged to the Comprehensive Income and Expenditure | 0 |
| 0 Proportion of premiums incurred in previous financial years to be charged against the General Fund | 2 |
| 0 Balance in accordance with statutory requirements | 2 |
| 30 Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | (20) |
| (1,221) Balance at 31 March | (1,239) |

Collection Fund Adjustment Account

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

Council Tax

| 2020/21 £'000 | 2021/22 £'000 |
|--|------------------|
| 41 Balance at 1 April | (96) |
| (137) Statement is different from council tax income calculated for the year in accordance with statutory requirements | 180 |
| (96) Balance at 31 March | 84 |

Non-Domestic Rates

| 2020/21 £'000 | 2021/22 £'000 |
|---|------------------|
| (681) Balance at 1 April | (5,466) |
| (4,785) Amount by which Non-Domestic Rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | 4,323 |
| (5,466) Balance at 31 March | (1,143) |

Notes to core financial statement

Accumulated Absences Account

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

| 2020/21 £'000 | 2021/22 £'000 |
|---|------------------|
| (270) Balance at 1 April | (270) |
| Settlement or cancellation of accrual made at the end of the preceding year | |
| 0 Amounts accrued at the end of the current year | (258) |
| 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 | |
| 0 | 0 |
| (270) Balance at 31 March | (528) |

Notes to core financial statement

15 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

| 2020/21 | 2021/22 |
|-----------------------|----------------|
| £'000 | £'000 |
| 204 Interest received | 47 |
| (2,686) Interest paid | (2,683) |
| 0 Dividends received | 0 |
| (2,482) | (2,636) |

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

| 2020/21 | 2021/22 |
|--|---------------|
| £'000 | £'000 |
| 4,043 Depreciation | 4,125 |
| 505 Impairment and downward valuations | 113 |
| 139 Amortisation | 78 |
| 9,285 Increase/(decrease) in creditors | 10,003 |
| (6,828) (Increase)/decrease in debtors | 7,266 |
| 13 (Increase)/decrease in inventories | (10) |
| (76) Movement in pension liability | 6,954 |
| 7,079 Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised | 9,396 |
| 406 Other non-cash items charged to the net surplus or deficit on the provision of services | 478 |
| 14,566 | 38,403 |

Notes to core financial statement

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

| 2020/21 | 2021/22 |
|---|----------------|
| £'000 | £'000 |
| 10,495 Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries) | 3,000 |
| (2,584) Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (4,435) |
| (890) Any other items for which the cash effects are investing or financing cash flows | (2,370) |
| 7,021 | (3,805) |

16 Cash Flow Statement - Investing Activities

| 2020/21 | 2021/22 |
|--|-----------------|
| £'000 | £'000 |
| (16,055) Purchase of property, plant and equipment, investment property and intangible assets | (21,043) |
| 0 Purchase of short-term and long-term investments | 0 |
| 2,584 Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 4,435 |
| 1,789 Other receipts from investing activities | 908 |
| (11,682) Net cash flows from investing activities | (15,700) |

17 Cash Flow Statement - Financing Activities

| 2020/21 | 2021/22 |
|--|-----------------|
| £'000 | £'000 |
| (1,169) Repayments of short- and long-term borrowing | (14,244) |
| 1,705 Other payments for financing activities | 2,613 |
| 536 Net cash flows from financing activities | (11,631) |

Notes to core financial statement

18 Expenditure and Income Analysed by Nature

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

| Restated 2020/21 £'000 | Expenditure/Income | 2021/22 £'000 |
|------------------------------|--|------------------|
| Expenditure | | |
| 19,874 | Employee expenses | 26,713 |
| 30,886 | Other services expenses | 36,603 |
| 5,386 | Depreciation, amortisation, impairment | 5,297 |
| 1,015 | Net pension interest | 1,314 |
| 2,686 | Interest payments | 2,683 |
| 2,270 | Precepts and levies | 2,403 |
| 594 | Payments to Housing Capital Receipts Pool | 593 |
| 4,519 | (Gain) / Loss on the disposal of assets | 4,977 |
| 67,230 | Total Expenditure | 80,582 |
| Income | | |
| (26,131) | Fees, charges and other service income | (34,504) |
| (205) | Interest and investment income | (47) |
| (15,053) | Income from Council Tax and Non-Domestic Rates | (17,917) |
| (23,574) | Government Grants and Contributions | (18,795) |
| (1,845) | Capital Grants and Contributions | (3,377) |
| (66,808) | Total Income | (74,641) |
| 422 | (Surplus) or deficit on the Provision of Services | 5,941 |

Notes to core financial statement

External income received by service

| | 2021/22 |
|---|-----------------|
| 2020/21 Service £'000 | £'000 |
| (16) Chief Executive | (5) |
| (8) Human Resources & Organisational Development | (17) |
| (258) Legal & Support Services | (379) |
| (1,903) Community Services (Including Director of Services) | (2,869) |
| (1,409) Planning | (1,727) |
| (71) Economic Development | (69) |
| (134) Joint Strategic Planning | (289) |
| 0 ICT | (13) |
| 0 Revenues & Benefits | (1,454) |
| 0 Property Services | (664) |
| (142) Housing (General Fund) | (174) |
| (1,573) Customer Services | (0) |
| (50) Finance | (36) |
| 0 Corporate & Democratic Core | (20) |
| 0 Non Distributed Costs | 0 |
| (20,567) Housing Revenue Account | (26,767) |
| (26,131) Total external income in Cost of Services | (34,484) |
| (1,845) Other income and Expenditure (capital grants) | (3,377) |
| (27,976) Total external income | (37,860) |

Notes to core financial statement

19 Members' Allowances

The total value of Members Allowances paid during 2021/22 was £295,291 (2020/21: £285,422).

20 Officers' Remuneration

The table below shows the number of employees whose remuneration (including redundancy payments but excluding pension contribution) was £50,000 or above. These employees constitute the Council's Corporate Management Team.

| 2020/21 No of employees | Remuneration Band | 2021/22 No of employees |
|----------------------------|---------------------|----------------------------|
| 6 | £50,000 - £54,999 | 9 |
| 3 | £55,000 - £59,999 | 4 |
| 4 | £60,000 - £64,999 | 2 |
| 2 | £65,000 - £69,999 | 3 |
| 3 | £70,000 - £74,999 | 3 |
| 0 | £75,000 - £79,999 | 0 |
| 0 | £80,000 - £84,999 | 0 |
| 2 | £85,000 - £89,999 | 0 |
| 0 | £90,000 - £94,999 | 2 |
| 0 | £95,000 - £99,999 | 0 |
| 0 | £100,000 - £104,999 | 0 |
| 0 | £105,000 - £109,999 | 0 |
| 0 | £110,000 - £114,999 | 0 |
| 0 | £115,000 - £119,999 | 0 |
| 0 | £120,000 - £124,999 | 0 |
| 0 | £125,000 - £129,999 | 1 |
| 1 | £130,000 - £134,999 | 0 |

Notes to core financial statement

2021/22 Senior Officers emoluments - salary is between £50,000 and £150,000 per year

| Post information (Post title) | Note | Salary £ | Bonus £ | Compensation (loss of emp) £ | Other £ | Total exc Pension £ | Employers Pension £ | Total inc Pension £ |
|---|------|-------------|------------|------------------------------------|------------|---------------------------|---------------------------|---------------------------|
| Chief Executive | | 128,498 | | | 556 | 129,054 | 33,737 | 162,790 |
| Strategic Director of Place | | 88,274 | | | 3,122 | 91,396 | 23,177 | 114,573 |
| Strategic Director of Housing & Customer Services | | 90,303 | | | 3,349 | 93,652 | 23,709 | 117,361 |
| Head of Finance | 1 | 17,569 | | | 2,242 | 19,812 | 9,042 | 28,854 |
| Head of Finance maternity cover | 2 | 48,386 | | | 3,122 | 51,508 | 12,121 | 63,629 |
| Head of Legal & Support Services | | 68,323 | | | 3,428 | 71,751 | 18,246 | 89,997 |
| Head of Community Services | | 68,323 | | | 3,442 | 71,765 | 17,939 | 89,703 |
| Head of Housing | | 68,323 | | | 5,316 | 73,639 | 17,939 | 91,577 |
| Head of Planning | | 62,232 | | | 5,124 | 67,356 | 16,339 | 83,695 |
| Head of Economic Regeneration | | 61,084 | | | 3,122 | 64,205 | 16,037 | 80,243 |
| Head of Joint Strategic Planning | | 62,232 | | | 3,283 | 65,515 | 16,339 | 81,854 |
| Head of Customer Services | 3 | 14,156 | | | 780 | 14,937 | 3,376 | 18,313 |
| Head of HR & Organisation Development | | 63,451 | | | 4,934 | 68,385 | 16,660 | 85,045 |
| | | 841,154 | 0 | 0 | 41,819 | 882,973 | 224,662 | 1,107,635 |

Note 1: The Head of Finance left on the 30/1/22. The annual salary was £63,451.

Note 2: Maternity cover for the Head of Finance ended on 18/03/22. The annual salary was £47,817 (£68,323 full time).

Note 3: The Head of Customer Services left on 13/6/21. The annual salary was £63,451.

Notes to core financial statement

2020/21 Senior Officers emoluments - salary is between £50,000 and £150,000 per year

| Post information (Post title) | Note | Salary £ | Bonus £ | Compensation (loss of emp) £ | Other £ | Total exc Pension £ | Employers Pension £ | Total inc Pension £ |
|---|------|-------------|------------|------------------------------------|------------|---------------------------|---------------------------|---------------------------|
| Chief Executive | | 126,776 | | | 3,456 | 130,232 | 34,533 | 164,765 |
| Strategic Director of Place | | 85,013 | | | 3,122 | 88,135 | 23,155 | 111,290 |
| Strategic Director of Housing & Customer Services | | 86,643 | | | 3,349 | 89,992 | 23,598 | 113,590 |
| Head of Finance | | 61,312 | | | 3,380 | 64,692 | 16,684 | 81,375 |
| Head of Finance maternity cover | 1 | 3,039 | | | 260 | 3,299 | 827 | 4,127 |
| Head of Legal & Support Services | | 67,313 | | | 3,450 | 70,763 | 18,334 | 89,097 |
| Head of Community Services | | 67,313 | | | 3,228 | 70,541 | 18,334 | 88,875 |
| Head of Housing | | 67,313 | | | 7,067 | 74,380 | 18,333 | 92,713 |
| Head of Planning & Infrastructure | | 60,112 | | | 6,676 | 66,788 | 16,373 | 83,161 |
| Head of Economic Development | 2 | 12,833 | | | 1,561 | 14,394 | 3,272 | 17,666 |
| Head of Economic Regeneration/Project Manager | 3 | 43,323 | | | 2,602 | 45,925 | 11,792 | 57,716 |
| Head of Joint Strategic Planning | | 60,112 | | | 3,280 | 63,392 | 16,373 | 79,764 |
| Head of Customer Services | | 61,312 | | | 3,382 | 64,694 | 16,699 | 81,393 |
| Head of HR & Organisation Development | | 61,312 | | | 4,171 | 65,483 | 16,693 | 82,176 |
| | | 863,727 | 0 | 0 | 48,983 | 912,709 | 234,999 | 1,147,709 |

Note 1: Maternity cover for the Head of Finance started on 08/03/21. The annual salary is £47,110.

Note 2: The Head of Economic Development left on 30/09/20. The annual salary was £23,401.

Note 3: The Project Manager Regeneration started on 01/06/20 and became the Head of Economic Regeneration on 01/03/21. The annual salary is £58,912.

Notes to core financial statement

21 External Audit Costs

| 2020/21 £'000 | 2021/22 £'000 |
|---|------------------|
| Fees payable with regard to external audit services:- | |
| 39 | 39 |
| Fees payable for the certification of grant claims and returns:- | |
| 8 | 15 |
| Fees payable for other assurance work completed in respect of Pooling of Housing capital receipts return: | |
| 3 | 3 |
| Other fees:- | |
| 7 | 0 |
| 4 | 0 |
| 1 | 0 |
| 4 | 0 |
| 66 | 57 |

22 Contingent Assets

The council disposed of a parcel of land called Cropston Drive to a developer for the building of residential properties. The developer is due to pay the council just over £2.8m in deferred capital receipts for this disposal. This however depends on the developer successfully obtaining planning permission for the development and delivering a good number of housing units.

23 Contingent Liabilities

When considering whether the Council has any contingent liabilities to disclose, particular attention has been given to pension liabilities resulting from the outsourcing of our leisure service. In May 2019 the Council entered into a 25 year contract with leisure operator Everyone Active. Everyone Active became liable for pension contributions and additional charges in respect of staff who were TUPE transferred from the Council for the duration of the 25 year contract. The pension admission arrangements we have agreed means that those staff who are members of the pension scheme remain pooled with the Council's pension scheme. A bond is in place for the payment of pension liabilities arising up to the sum of £135,000, should Everyone Active have any unpaid liabilities during the term and the Council has provided guarantee to the pension fund administrator to cover unpaid liabilities that are in excess of this bond value. The Council is also responsible for any surplus/deficit arising on the plan at the end of the contract.

There is no expectation that there will be a call on the bond or guarantee, but this is possible. As such the Council has not recognised a provision in respect of any possible unpaid liabilities.

Since Everyone Active staff are pooled with the Council's pension scheme, any projected deficit (or surplus) arising at the end of the contract is already reflected within the pension liability on our Balance Sheet.

Notes to core financial statement

24 Grant Income

| 2020/21 £'000 | | 2021/22 £'000 |
|---|--------------------------------------|------------------|
| Credited to Taxation and Non Specific Grant Income | | |
| 8,173 | Council Tax Income | 8,533 |
| 6,879 | Non Domestic Rates | 9,385 |
| 0 | Lower Tier Services Grant | 550 |
| 3,411 | New Homes Bonus | 2,452 |
| 1,755 | Other grants | 696 |
| 1,845 | Capital Grants and Contributions | 3,168 |
| 22,063 | Total | 24,783 |
| Credited to Services | | |
| 11,792 | Housing Benefit Subsidy | 10,969 |
| 182 | Housing Benefit Admin Grant | 184 |
| 80 | Local Council Tax Support Grant | 84 |
| 150 | Cost of Collection | 153 |
| 211 | Homelessness | 595 |
| 5,592 | Covid | 1,703 |
| 0 | Council Tax Support | 103 |
| 0 | Household Support | 166 |
| 401 | Other Grants under £100k each | 294 |
| 195 | Section 106 | 390 |
| 114 | Sport & Physical Activity | 132 |
| 138 | Other Contributions under £100k each | 177 |
| 18,855 | Total | 14,950 |

Notes to core financial statement

| 31 March 2021 £'000 | 31 March 2022 £'000 |
|--|------------------------|
| Capital Grant Receipts in Advance | |
| 2,230 Affordable Housing - S106 | 1,207 |
| 563 Recreation/Playground - S106 | 747 |
| 482 Healthcare - S106 | 415 |
| 5 CCTV - S106 | 5 |
| 298 Police - S106 | 207 |
| 2,377 Highways - S106 | 1,837 |
| 17 Network Rail - S106 | 17 |
| 0 Parish Councils - S106 | 144 |
| 110 Marlborough Square - LLEP | 154 |
| 263 BEIS | 150 |
| 0 DFG | 1,871 |
| 6,345 Total | 6,754 |

Notes to core financial statement

25 Related Parties

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

Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and re-distribution of non-domestic rates, and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Details of transactions with the government are shown below.

It is the nature of local government that the majority of Council Members are heavily involved in the local community through various organisations such as voluntary bodies, societies, groups and so on, often as an appointed Council representative. Members' interests are formally disclosed in a register of interests, of which details are available on request.

During the year transactions with related parties arose as follows:

| 2020/21 (Receipts)/ Payments £'000 | 2021/22 (Receipts)/ Payments £'000 |
|---|---|
| Central Government: | |
| (23,889) | (17,466) |
| 46,098 | 48,547 |
| 2,351 | 2,414 |
| 8,021 | 8,546 |
| Other Related Parties: | |
| 0 | (15) |

Notes to core financial statement

26 Capital Financing Requirement

| 2020/21 | 2021/22 |
|---|----------------|
| £'000 | £'000 |
| £'000 | £'001 |
| 89,724 | 96,435 |
| Opening Capital Financing Requirement | |
| Capital Investment: | |
| 0 | 0 |
| Housing Capital Finance (REFCUS) | |
| 16,056 | 20,344 |
| Operational assets | |
| 0 | 0 |
| Non-operational assets | |
| 716 | 491 |
| Revenue Expenditure Funded from Capital Under Statute | |
| Sources of Finance: | |
| (3,294) | (1,490) |
| Capital Receipts | |
| (869) | (1,053) |
| Government grants and other contributions | |
| (5,897) | (19,621) |
| Revenue provision (including major repairs allowance) | |
| 96,435 | 95,105 |
| Closing Capital Financing Requirement | |
| Explanation of movements in the year | |
| Increase / (Decrease) in underlying need to borrow | |
| 6,711 | (1,330) |
| (unsupported by Government financial assistance) | |
| 6,711 | (1,330) |
| Increase/(decrease) in Capital Financing Requirement | |

27 Termination Benefits

| | No. of compulsory redundancies | | No. of other agreed departures | | Total no. of exit packages by band | | Total cost of exit packages by band | |
|--------------------|--------------------------------|----------|--------------------------------|----------|------------------------------------|----------|-------------------------------------|----------------|
| | 2020/21 | 2021/22 | 2020/21 | 2021/22 | 2020/21 | 2021/22 | 2020/21 | 2021/22 |
| £0 - £20,000 | 0 | 2 | 2 | 0 | 2 | 2 | £0 | £756 |
| £20,001 - £40,000 | 0 | 0 | 0 | 1 | 0 | 1 | £0 | £26,822 |
| £40,001 - £60,000 | 0 | 0 | 0 | 0 | 0 | 0 | £0 | £0 |
| £60,001 - £80,000 | 0 | 0 | 0 | 0 | 0 | 0 | £0 | £0 |
| £80,001 - £100,000 | 0 | 0 | 0 | 0 | 0 | 0 | £0 | £0 |
| Total | 0 | 2 | 2 | 1 | 2 | 3 | £0 | £27,578 |

Notes to core financial statement

28 Pension Schemes Accounted for as Defined Contribution Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme (LGPS) for employees, which is administered by Leicestershire County Council - this is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Comprehensive Income & Expenditure Account (I & E) after net operating expenditure. The following transactions have been made in the Income and Expenditure Account during the year.

The Annual Report of the Leicestershire County Council Superannuation Fund is available from Leicestershire County Council, County Hall, Glenfield, Leicestershire. Income and Expenditure Account contains details of the Council's participation in the Local Government Pension Scheme (LGPS), administered by Leicestershire County Council.

The following information was supplied by Hymans Robertson LLP on 5 February 2024.

| | 2020/21 £'000 | 2021/22 £'000 |
|--|---|------------------|
| Net Cost of Services | | |
| 4,795 | Current service cost | 7,613 |
| 0 | Past service costs | 158 |
| 0 | Curtailments | 0 |
| 4,795 | | 7,771 |
| Net Operating Expenditure | | |
| 3,046 | Interest cost | 3,554 |
| (2,031) | Expected return on assets in the scheme | (2,240) |
| 1,015 | | 1,314 |
| 5,810 | Amount charged to Income and Expenditure Account | 9,085 |
| Amounts to be met from Government Grants and Local Taxation | | |
| (59) | Movement on pension reserve | (57) |
| Actual amount charged against General Fund & HRA for pensions in the year | | |
| 5,783 | Employers' contributions payable to the scheme | 2,848 |
| 59 | Unfunded discretionary benefit payments | 57 |

Notes to core financial statement

On 1 May 2019, 210 individual members of council staff transferred to Everyone Active after the Council has awarded a contract to them to run its leisure centres and associated services. The pension admission arrangements we have agreed means that those staff who are members of the pension scheme remain pooled with the Council's pension scheme. As a result, our future pension liability will continue to reflect staff members who have transferred to Everyone Active for the past service, however, Everyone Active are responsible for the payment of contributions and charges in respect of those staff for the term of the agreement.

The Council is responsible for past payments and payments of employees post the end of the 25 year agreement. The Council acts as guarantor in respect of Everyone Active and their contributions to the pension scheme over the life of the 25 year leisure contract. As part of the contract, Everyone Active secured a bond with Barclays bank to cover the payment of contributions up to the sum of £135,000 should Everyone Active have any unpaid liabilities during the term. Above this level, the Council is responsible for the liabilities are in excess of the bond value.

Employers Membership Statistics

| | Average 31-Mar-19 |
|---------------------|------------------------------|
| Actives | 52 |
| Deferred Pensioners | 50 |
| Pensioners | 69 |

Payroll

| | 2020/21 | 2021/22 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Assumed total pensionable payroll based on contribution information provided | 14,312 | 14,696 |

Investment Returns

The return on the fund in market value terms for the year to 31 March 2022 is estimated based on actual Fund returns as provided by the Administering Authority. Details are given below.

| | |
|--|-------|
| Actual Return for Period 1 April 2021 to 31 March 2022 | 11.6% |
| Total Return for Period from 1 April 2021 to 31 March 2022 | 11.6% |

Notes to core financial statement

Unfunded Benefits

A summary of the membership data in respect of unfunded benefits is shown below.

| LGPS Unfunded Pensions | Number at 31 March 2022 | Annual Unfunded Pensions (£'000) |
|------------------------|-------------------------|----------------------------------|
| Male | 16 | 44 |
| Female | 3 | 2 |
| Dependants | 11 | 12 |
| Total | 30 | 58 |

Projected Pension Expense For Year 31/03/2023

Analysis of Projected Amount to be charged to operating profit for the year to 31 March 2023.

| Period Ended | 31 March 2023 | |
|--|---------------|--------------|
| | £'000 | % of pay |
| Projected Current service cost | 6,767 | 45.8% |
| Interest on Obligation | 4,629 | 31.6% |
| Expected Return on Plan Assets | (3,277) | (23.0%) |
| Losses /(Gains) on Curtailment and Settlements | 0 | 0.0% |
| Total | 8,119 | 54.4% |

The liabilities show the underlying commitments that the Council has in the long-run to pay retirement benefits. The total liability of £48,176,000 has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the Pension Fund will be made good by increased contributions as assessed by the Actuary.

Basis for estimating assets and liabilities

The accounts have been prepared on the basis of the actuary's updated valuation report dated 5 February 2024 and takes into account their assessment of the potential impact of Guaranteed Minimum Pension (GMP) equalisation and the outcome of the McCloud judgement relating to the 2014 reforms of LGPS benefit structure. These numbers are approximate estimates based on employer data as at 31 March 2022.

Notes to core financial statement

The main assumptions used in their calculations have been:

| 2020/21 | Assumptions | 2021/22 |
|---------|---------------------------------|---------|
| 2.85% | Inflation/Pension Increase Rate | 3.20% |
| 3.35% | Salary Increase Rate | 3.70% |
| 2.00% | Discount Rate | 2.70% |

Assets in the County Council Pension Fund are valued at bid price as required under IAS 19.

| Assets Category | 2020/21 | | 2021/22 | |
|---------------------------|-------------------|----------------------------|-------------------|----------------------------|
| | Value £'000 | Asset Distribution % | Value £'000 | Asset Distribution % |
| Equity Securities | 1,950.20 | 1.74% | 1,011.70 | 0.83% |
| Debt Securities | 10,934.30 | 9.76% | 6,316.10 | 5.21% |
| Private Equity | 5,165.00 | 4.61% | 8,111.00 | 6.69% |
| Real Estate | 8,371.70 | 7.48% | 9,331.40 | 7.69% |
| Investment Funds | 82,372.60 | 73.54% | 90,139.00 | 74.32% |
| Derivatives | (142.30) | -0.13% | 251.60 | 0.21% |
| Cash and Cash Equivalents | 3,355.50 | 3.00% | 6,124.20 | 5.05% |
| Total | 112,007.00 | 100.00% | 121,285.00 | 100.00% |

194

Mortality

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a for both males and females. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

| | Males | Females |
|---------------------|-------|---------|
| Current pensioners | 21.3 | 24.2 |
| Future pensioners * | 22.2 | 26 |

* Figures assume members aged 45 as at the last formal valuation date.

Notes to core financial statement

Reconciliation of Present Value of the Scheme Liabilities

| 2020/21 £'000 | | 2021/22 £'000 |
|------------------|---|------------------|
| 131,430 | Opening Defined Benefit Obligation | 175,301 |
| 4,795 | Current Service cost | 7,613 |
| 3,046 | Interest cost | 3,554 |
| 880 | Contributions by Members | 917 |
| 38,641 | Actuarial losses/(Gains) | (14,428) |
| 0 | Past service costs/(Gains) | 158 |
| 0 | Losses/(Gains) on Curtailments | 0 |
| (59) | Estimated Unfunded Benefits Paid | (57) |
| (3,432) | Estimated Benefits Paid | (3,597) |
| 175,301 | Closing Defined Benefit Obligation | 169,461 |

Reconciliation of fair value of employer assets

| 2020/21 £'000 | | 2021/22 £'000 |
|------------------|--|------------------|
| 86,739 | Opening Fair Value of Employer Asset: | 112,007 |
| 2,031 | Expected Return on Assets | 2,240 |
| 880 | Contributions by Members | 917 |
| 5,783 | Contributions by the Employer | 2,848 |
| 59 | Contributions in respect of Unfunded Ben | 57 |
| 20,006 | Actuarial gains/(losses) | 6,870 |
| (59) | Estimated Unfunded Benefits Paid | (57) |
| (3,432) | Estimated Benefits Paid | (3,597) |
| 112,007 | Closing Fair Value of Employer Assets | 121,285 |

Notes to core financial statement

Scheme History

Amounts for the current and previous accounting periods

The return on the fund in market value terms for the year to 31 March 2022 is estimated based on actual fund returns as provided by the Administering Authority and index returns where necessary. Details are given below.

| | 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 |
|--|------------------|------------------|------------------|------------------|------------------|
| Fair Value of Employer Assets | 88,591 | 93,977 | 86,739 | 112,007 | 121,285 |
| Present Value of Defined Benefit Obligation | (134,889) | (153,638) | (131,430) | (175,301) | (169,461) |
| Surplus/(Deficit) | (46,298) | (59,661) | (44,691) | (63,294) | (48,176) |
| Experience Gains/(Losses) on Assets | 1,598 | 2,557 | (10,038) | 20,006 | 6,870 |
| Experience Gains/(Losses) on Liabilities | (27) | (12) | 8,713 | 1,427 | (502) |
| Actuarial Gains/ (Losses) on Employer Assets | 1,598 | 2,557 | (10,038) | 20,006 | 6,870 |
| Actuarial Gains/ (Losses) on Obligations | 2,365 | (11,671) | 28,641 | (38,641) | 14,428 |
| Actuarial Gains/ (Losses) recognised in SRIE | 3,963 | (9,114) | 18,603 | (18,635) | 21,298 |

Notes to the Statement of Recognised Income and Expense (SRIE)

| | 2020/21 £'000 | 2021/22 £'000 |
|--|------------------|------------------|
| 20,006 Actuarial Gains/(Losses) on Plan Assets | | 6,870 |
| (38,641) Actuarial Gains/ (Losses) on Obligations | | 14,428 |
| (18,635) Actuarial Gain/(Loss) Recognised in SRIE | | 21,298 |
| (34,387) Cumulative Actuarial Gains and Losses | | (13,089) |

Notes to core financial statement - continued

Balance Sheet

| 2020/21 £'000 | | 2021/22 £'000 |
|------------------------------------|--|------------------|
| 112,007 | Fair Value of Employer Assets | 121,285 |
| (174,299) | Present Value of Funded Liabilities | (168,596) |
| (62,292) | Net (Under)/ Overfunding in Funded Plans | (47,311) |
| (1,002) | Present value of unfunded liabilities | (865) |
| 0 | Unrecognised Past Service Cost | 0 |
| (63,294) | Net Asset/(Liability) | (48,176) |
| Amount in the Balance Sheet | | |
| 63,294 | Liabilities | 48,176 |
| 0 | Assets | 0 |
| 63,294 | Net Asset/(Liability) | 48,176 |

Notes to core financial statement

29 Financial Instruments

A financial Instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, benefits and government grants, do not give rise to financial instruments

Financial Liability - an obligation to transfer economic benefits controlled by the council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the council.

The council's financial liabilities held during the year are measured at amortised cost and comprised

- long-term loans from the Public Works Loans board and commercial lenders
- overdraft facility with Lloyds Bank
- trade payables for goods and services received

Financial Asset - a right to future economic benefits controlled by the council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the council.

The council's financial assets held during the year are accounted for under the following classifications:

Amortised Cost - cash flows are solely payments of principal and interest and the business model is to collect the cash flows only:

- Cash in hand
- bank current and deposit accounts
- Fixed term deposits
- loans to other local authorities
- trade receivables for goods and services provided

Fair value through Profit and Loss:

- Money Market Funds
- loans where the cash flows are not solely payments of principal and interest

Notes to core financial statement

Financial Instruments Balances

| Financial Liabilities | Long term | | Short term | |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 31 March 2021 | 31 March 2022 | 31 March 2021 | 31 March 2022 |
| | £'000 | £'000 | £'000 | £'000 |
| <i>Loans at amortised cost:</i> | | | | |
| PWLB | (56,343) | (55,137) | (14,180) | (1,206) |
| LOBO/Other Loans | (5,392) | (4,412) | (3,500) | (4,500) |
| Other Long Term Liabilities | (82) | 0 | 0 | 0 |
| Total Borrowing | (61,817) | (59,549) | (17,680) | (5,706) |
| <i>Liabilities at amortised cost:</i> | | | | |
| Trade payables-Included in creditors | 0 | (75) | (7,919) | (14,901) |
| Total Financial Liabilities | (61,817) | (59,624) | (25,599) | (20,607) |

| Financial Assets | Long term | | Short term | |
|---|---------------|---------------|---------------|---------------|
| | 31 March 2021 | 31 March 2022 | 31 March 2021 | 31 March 2022 |
| | £'000 | £'000 | £'000 | £'000 |
| <i>At amortised cost:</i> | | | | |
| Principal | 0 | 0 | 29,000 | 26,000 |
| Loss allowance * | 0 | 0 | 0 | 0 |
| Total Investments | 0 | 0 | 29,000 | 26,000 |
| <i>At amortised cost:</i> | | | | |
| Principal | 0 | 0 | 9,394 | 5,221 |
| Loss allowance | 0 | 0 | 0 | 0 |
| <i>At Fair Value through Profit and Loss:</i> | | | | |
| Money Market Funds | 0 | 0 | 11,500 | 17,000 |
| Total Cash and Cash Equivalents | 0 | 0 | 20,894 | 22,221 |
| <i>At amortised cost:</i> | | | | |
| Trade Receivables-Included in Debtors | 0 | 0 | 5,391 | 4,736 |
| Accrued Interest | 0 | 0 | 0 | 0 |
| Loss allowance | 0 | 0 | (1,205) | (1,172) |
| Total Trade Receivables | 0 | 0 | 4,186 | 3,564 |
| Total Financial Assets | 0 | 0 | 54,080 | 51,785 |

* Loss allowances are not required for UK Central or Local Government investments and the remaining Expected Credit Losses are immaterial: £248 for Cash and Cash Equivalents and £499 for Short term Investments

Notes to core financial statement

Financial Instrument - Fair Values

Financial Instruments classified at amortised cost are carried in the balance sheet at amortised cost. Their fair value has been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2022. All other financial instruments are carried in the balance sheet at Fair Value.

Fair Values are shown in the table below split by their level in the Fair Value hierarchy:

Level 1 - FV derived from quoted prices in active markets for identical assets or liabilities e.g. bond prices

Level 2 - FV calculated from inputs other than quoted prices that are observable for the instrument e.g. interest rates or yields for similar instruments

Level 3 - FV determined using unobservable inputs e.g. non-market data such as cash-flow forecasts or estimated creditworthiness

| | Fair Value level | Balance Sheet 2020/21 £'000 | Fair Value 2020/21 £'000 | Balance Sheet 2021/22 £'000 | Fair Value 2021/22 £'000 |
|---|------------------|--------------------------------|-----------------------------|--------------------------------|-----------------------------|
| <i>Financial Liabilities held at amortised cost:</i> | | | | | |
| Long Term Loans From PWLB | 2 | (70,523) | (84,011) | (56,343) | (60,688) |
| Long Term LOBO/Other Loans | 2 | (8,892) | (13,686) | (8,912) | (12,056) |
| Other Long Term Liabilities | | (82) | (82) | (75) | (75) |
| Sub-Total | | (79,497) | (97,779) | (65,330) | (72,819) |
| <i>Liabilities for which Fair Value is not disclosed:</i> | | | | | |
| Trade payables-Creditors | | (7,919) | (7,919) | (14,894) | (14,894) |
| Total Financial Liabilities | | (87,416) | (105,698) | (80,224) | (87,713) |

The Fair Value of liabilities is higher than the balance sheet value as the council has a portfolio of loans where the interest rate payable is higher than the current rates available for similar loans.

The Fair Values for Financial Assets are calculated as follows:

| | Fair Value level | Balance Sheet 2020/21 £'000 | Fair Value 2020/21 £'000 | Balance Sheet 2021/22 £'000 | Fair Value 2021/22 £'000 |
|--|------------------|--------------------------------|-----------------------------|--------------------------------|-----------------------------|
| <i>Financial Assets held at amortised cost:</i> | | | | | |
| Investments with Local Authorities | 2 | 29,000 | 29,048 | 10,000 | 9,972 |
| Investments with Banks | 2 | 6,000 | 6,000 | 3,000 | 2,998 |
| Investments with Central Government | 2 | 0 | 0 | 19,000 | 18,999 |
| <i>Financial Assets held at Fair value:</i> | | | | | |
| Money Market Funds | 1 | 11,500 | 11,500 | 17,000 | 17,000 |
| Total | | 46,500 | 46,548 | 49,000 | 48,969 |
| <i>Assets for which Fair Value is not disclosed:</i> | | | | | |
| Cash and Cash equivalents | | 2,394 | 2,394 | (779) | (779) |
| Trade Receivables-Debtors | | 4,186 | 4,186 | 3,564 | 3,564 |
| Total Financial Assets | | 53,080 | 53,128 | 51,785 | 51,753 |

The Fair Value of assets is higher than the balance sheet value as the interest rate on similar investments is now lower than that obtained when the investment was originally made.

Notes to core financial statement

Financial Instruments Gains/Losses

There are no Gains/losses recognised in the Income and Expenditure Account or the Statement of Total Recognised Gains and losses in relation to Financial Instruments.

Financial Instruments - Nature and Extent of Risk

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

Prior to the beginning of each financial year, the Council agrees and publishes an Investment Strategy as part of the Treasury Management Strategy Statement. The Investment Strategy sets out the minimum credit rating criteria for counterparties who are banks and other financial institutions. The Council relies to some extent on credit ratings and utilises the services of a Treasury Consultant to monitor and advise of changes to these ratings.

The minimum credit rating criteria, set out in the Investment Strategy, are kept under constant review. As a result of liquidity problems (the credit crunch) experienced by banks and financial institutions since Autumn 2007, the minimum criteria were increased to provide additional security to the Council's investments. This is reviewed annually to ensure that security is maintained in line with current economic conditions.

As a result of the Council's prudent approach to investment, which places security and liquidity above yield, the Council has never experienced any losses on investments. Nevertheless, theoretical considerations suggest that an investment with any institution carries some risk, albeit very small. The events which could give rise to these risks are rare or unforeseen and it is therefore very difficult to assess and quantify. Subject to these rare or unforeseen risks, the assessment that the maximum exposure is nil is considered to be a practical and pragmatic assessment.

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, adjusted for current and forecast economic conditions and with a delay in cash flow having been assumed. As shown in the financial instruments balances tables on the previous page. At 31 March 2022, a total of £747 of loss allowances related to treasury investments. As this is not material, this figure has not been accounted for in the statements.

Notes to core financial statement

A summary of the credit quality of the of the council's investments at 31 March is shown below:

| Rating | 30 March 2021 | | 31 March 2022 | |
|---------------------------|--------------------|---------------------|--------------------|---------------------|
| | Long Term £'000 | Short Term £'000 | Long Term £'000 | Short Term £'000 |
| A+ | 0 | 6,000 | 0 | 3,000 |
| A | 0 | 0 | 0 | 0 |
| BBB+ | 0 | 0 | 0 | 0 |
| Unrated Local Authorities | 0 | 29,000 | 0 | 10,000 |
| Money Market Funds | 0 | 11,500 | 0 | 17,000 |
| UK Government | 0 | 0 | 0 | 19,000 |
| Total Investments | 0 | 46,500 | 0 | 49,000 |

The Council has £8,248,902 of Debtors, for which a provision for doubtful debts of £3,223,567 has been made. Of this debtors figure, £5,519,905 relates to sundry debtors, £1,300,092 to Council Tax and Business Rates (this includes amounts owed to the Council by the Government for Business Rates) and £1,428,905 to Housing Tenant Rents. Debtors are analysed by type and the doubtful debt provision is based on the credit quality of debtors.

202 The council does not allow credit for customers therefore all unpaid balances are past due date for payment. The gross sundry debtor age analysis is shown in the table below:

| Age | 30 March 2021 £'000 | 31 March 2022 £'000 |
|------------------------|------------------------|------------------------|
| Less than three months | 5,004 | 3,671 |
| Three to six months | 0 | 1 |
| Six months to one year | 248 | 293 |
| More than one year | 1,543 | 1,555 |
| Total | 6,795 | 5,520 |

The table below breaks this down to debtor type:

| Type | 30 March 2021 | | 31 March 2022 | |
|---------------------------------------|---------------------|-------------------------|---------------------|-------------------------|
| | Gross Debt £'000 | Loss Allowance £'000 | Gross Debt £'000 | Loss Allowance £'000 |
| Central Gov't Bodies | 5,731 | 0 | 884 | 0 |
| Other Local authorities | 4,569 | 0 | 3,751 | 0 |
| NHS Bodies | 0 | 0 | 0 | 0 |
| Public Corporations and trading funds | 321 | 0 | 0 | 0 |
| Other entities and Individuals | 5,107 | (3,437) | 5,484 | (3,224) |
| Total | 15,728 | (3,437) | 10,119 | (3,224) |

Notes to core financial statement

Liquidity Risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. Instead, the risk is that the Council will be bound to replace a significant proportion of its borrowings at a time of unfavourable interest rates. The Council's strategy is to ensure an even maturity debt profile to mitigate against this risk.

The maturity analysis of financial instruments is shown below:

| Type | 30 March 2021 | | | 31 March 2022 | | |
|---------------------------|----------------------|-----------------|---------------|----------------------|-----------------|---------------|
| | Liabilities £'000 | Assets £'000 | Net £'000 | Liabilities £'000 | Assets £'000 | Net £'000 |
| Maturity in 1 year* | 17,680 | (49,894) | (32,214) | 5,706 | (48,221) | (42,514) |
| Maturity in 1 - 2 years | 2,206 | 0 | 2,206 | 2,734 | | 2,734 |
| Maturity in 2 - 5 years | 5,285 | 0 | 5,285 | 3,871 | | 3,871 |
| Maturity in 5 - 10 years | 3,686 | 0 | 3,686 | 2,997 | | 2,997 |
| Maturity in over 10 years | 50,106 | 0 | 50,106 | 49,475 | | 49,475 |
| Total | 78,963 | (49,894) | 29,069 | 64,783 | (48,221) | 16,562 |

* The council has a £3.5m LOBO (Lender Option, Borrower Option) loans where the lender has the option on set dates to propose an increase in the rate payable; The council will then have the option to accept the new rate or repay the loan without penalty. The lender therefore has the effective right to demand repayment and these loans are therefore shown in the table as maturing on the next option date.

Market Risk

Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effect:

- borrowings at variable rates - the interest expense will rise
- borrowings at fixed rates - the fair values of the liabilities will fall
- investments at variable rates - the investment income will rise
- investments at fixed rates - the fair value of assets will fall

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the provision of services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the provision of services as appropriate.

Price Risk

The Council does not invest in equities and is therefore not exposed to this risk.

Notes to core financial statement

30 Provisions

This provision for Business Rates appeals was created as a result of the adoption in 2013/14 of the Business Rates Retention scheme which means that the Council now bears part of the risk for future appeals. Under the former business rates scheme, appeals were borne by the Government. The Council's estimate of the value of outstanding appeals up to 31 March 2022 is £5.4m (£5.026m as at 31 March 2021), the value of appeals used in completing the Collection Fund position as at 31 March 2022. The Council has made a provision for 40% of this figure totalling £2.16m (£2.010m as at 31 March 2021) within the 2021/22 accounts.

31 Jointly Controlled Partnerships

The Council has entered into a partnership with Hinckley and Bosworth Borough Council and Harborough District Council to provide shared administration of Revenues and Benefits and will continue for the foreseeable future. The Partnership is currently hosted by Hinckley and Bosworth Borough Council on behalf of the other partners.

All partners contribute towards the operation of the partnership which is classified as a Jointly Controlled Operation. On this basis, each partner accounts for their share of contributions within their Statement of Accounts. The funding provided by North West Leicestershire District Council in 2021/22 was £1.138 million.

Notes to core financial statement

32 Expenditure and Funding Analysis

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

2021/22

| | Net Expenditure chargeable to the General Fund and Housing Revenue a/c | Recharges | Contributions to/from Reserves | Investment Properties & other | Revised Net Expenditure chargeable to the General Fund and Housing Revenue a/c | Adjustments between funding basis and accounting basis | Net expenditure in the Comprehensive Income and Expenditure Statement |
|---|--|-----------|--------------------------------|-------------------------------|--|--|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Chief Executive | 316 | (314) | 167 | | 169 | 0 | 169 |
| Human Resources & Organisational Dev | 455 | (675) | 911 | | 691 | 5 | 696 |
| Legal and Support Services | 1,607 | (963) | 1 | | 645 | 0 | 645 |
| Community Services including Strategic | | | | | | | |
| Director of Place | 10,420 | 1,473 | 489 | (826) | 11,556 | 2,583 | 14,139 |
| Planning | 1,183 | 658 | 1,434 | | 3,275 | 0 | 3,275 |
| Economic Development | 1,078 | 165 | 280 | | 1,523 | (95) | 1,428 |
| Joint Strategic Planning | 6 | 9 | 0 | | 15 | 0 | 15 |
| ICT | 1,150 | (1,182) | 0 | | (32) | 71 | 39 |
| Revenues & Benefits | 734 | 849 | 28 | | 1,611 | 0 | 1,611 |
| Property Services | 378 | (567) | 3 | 423 | 237 | (239) | (2) |
| Housing - General Fund | 525 | 190 | 6 | | 721 | 0 | 721 |
| Customer Services | 970 | (970) | 0 | | 0 | 0 | 0 |
| Finance | 1,955 | (1,099) | 17 | | 873 | 4 | 877 |
| Corporate and Democratic Core | 3 | 1,118 | 11 | | 1,132 | 0 | 1,131 |
| Non-Distributed Costs | 252 | 1 | 0 | | 253 | (13) | 240 |
| Housing Revenue Account | (9,562) | (332) | 3 | 0 | (9,891) | 3,306 | (6,585) |
| Recharges | (1,639) | 1,639 | 0 | | 0 | 0 | 0 |
| Net Cost of Services | 9,831 | 0 | 3,350 | (403) | 12,778 | 5,622 | 18,399 |
| Other Income and Expenditure | (19,391) | 0 | 273 | 403 | (18,715) | 6,258 | (12,457) |
| (Surplus)/Deficit on Provision of Services | (9,560) | 0 | 3,623 | 0 | (5,937) | 11,880 | 5,941 |

Notes to core financial statement

Expenditure and Funding Analysis continued

2020/21

| | Net Expenditure chargeable to the General Fund and Housing Revenue a/c £'000 | Recharges £'000 | Contributions to/from Reserves £'000 | Investment Properties & other £'000 | Revised Net Expenditure chargeable to the General Fund and Housing Revenue a/c £'000 | Adjustments between funding basis and accounting basis £'000 | Net expenditure in the Comprehensive Income and Expenditure Statement £'000 |
|--|---|--------------------|---|--|---|---|--|
| Chief Executive and Other Services | 299 | (278) | 0 | 0 | 21 | 0 | 21 |
| Human Resources & Organisational Dev | 197 | (361) | 3 | 0 | (161) | 5 | (156) |
| Legal and Commercial Services | 1,429 | (852) | 15 | 0 | 592 | 0 | 592 |
| Community Services including Strategic Director of Place | 9,317 | 1,424 | 1,223 | (1,438) | 10,526 | 2,042 | 12,568 |
| Planning & Infrastructure | 1,226 | 556 | 315 | 0 | 2,097 | 0 | 2,097 |
| Economic Development | 787 | 188 | 689 | 0 | 1,664 | 383 | 2,047 |
| Joint Strategic Planning | (9) | 9 | 0 | 0 | 0 | 0 | 0 |
| Housing - General Fund | 420 | 183 | 193 | 0 | 796 | 42 | 838 |
| Customer Services | 3,006 | (1,889) | 17 | 1,459 | 2,593 | 134 | 2,727 |
| Finance | (1,076) | (994) | 4 | 0 | (2,066) | 4 | (2,062) |
| Corporate and Democratic Core | 25 | 1,038 | 18 | 0 | 1,081 | 0 | 1,081 |
| Non-Distributed Costs | 13 | 1 | 0 | 0 | 14 | 0 | 14 |
| Housing Revenue Account | (10,586) | (348) | 94 | 0 | (10,840) | 2,700 | (8,140) |
| Recharges | (1,323) | 1,323 | 0 | 0 | 0 | 0 | 0 |
| Net Cost of Services | 3,725 | 0 | 2,571 | 21 | 6,317 | 5,310 | 11,627 |
| Other Income and Expenditure | (14,312) | 0 | (7,708) | (21) | (22,041) | 10,836 | (11,205) |
| (Surplus)/Deficit on Provision of Services | (10,587) | 0 | (5,137) | 0 | (15,724) | 16,146 | 422 |

Notes to core financial statement - continued

Expenditure and Funding Analysis continued

Analysis of adjustments between funding basis and accounting basis

| 2021/22 | Adjustment for capital purposes £'000 | Net change for the pensions adjustment £'000 | Other Differences £'000 | Total Adjustments £'000 |
|---|--|---|-------------------------------|-------------------------------|
| Chief Executive and Other Services | 0 | 0 | 0 | 0 |
| Human Resources & Organisational Dev | 5 | 0 | 0 | 5 |
| Legal and Commercial Services | 0 | 0 | 0 | 0 |
| Director of Place | 2,583 | 0 | 0 | 2,583 |
| Planning & Infrastructure | 0 | 0 | 0 | 0 |
| Economic Development | (95) | 0 | 0 | (95) |
| Joint Strategic Planning | 0 | 0 | 0 | 0 |
| Housing & Asset Mgmt - General Fund | 0 | 0 | 0 | 0 |
| ICT | 71 | 0 | 0 | 71 |
| Revenues & Benefits | 0 | 0 | 0 | 0 |
| Property Services | (239) | 0 | 0 | (239) |
| Customer Services | 0 | 0 | 0 | 0 |
| Finance | 4 | 0 | 0 | 4 |
| Corporate and Democratic Core | 0 | 0 | 0 | 0 |
| Non-Distributed Costs | (13) | 0 | 0 | (13) |
| Housing Revenue Account | 2,327 | (955) | 1,934 | 3,306 |
| Recharges | 0 | 0 | 0 | 0 |
| Net Cost of Services | 4,643 | (955) | 1,934 | 5,622 |
| Other Income and Expenditure | 5,350 | 5,226 | (4,318) | 6,258 |
| Surplus/Deficit on Provision of Services | 9,993 | 4,271 | (2,384) | 11,880 |

Notes to core financial statement - continued

Expenditure and Funding Analysis continued

| 2020/21 | Adjustment for capital purposes £'000 | Net change for the pensions adjustment £'000 | Other Differences £'000 | Total Adjustments £'000 |
|---|--|---|-------------------------------|-------------------------------|
| Chief Executive and Other Services | 0 | 0 | 0 | 0 |
| Human Resources & Organisational Dev | 5 | 0 | 0 | 5 |
| Legal and Commercial Services | 0 | 0 | 0 | 0 |
| Director of Place | 2,042 | 0 | 0 | 2,042 |
| Planning & Infrastructure | 0 | 0 | 0 | 0 |
| Economic Development | 383 | 0 | 0 | 383 |
| Joint Strategic Planning | 0 | 0 | 0 | 0 |
| Housing & Asset Mgmt - General Fund | 42 | 0 | 0 | 42 |
| Customer Services | 134 | 0 | 0 | 134 |
| Finance | 4 | 0 | 0 | 4 |
| Corporate and Democratic Core | 0 | 0 | 0 | 0 |
| Non-Distributed Costs | 0 | 0 | 0 | 0 |
| Housing Revenue Account | 2,026 | (268) | 942 | 2,700 |
| Recharges | 0 | 0 | 0 | 0 |
| Net Cost of Services | 4,636 | (268) | 942 | 5,310 |
| Other Income and Expenditure | 6,304 | (300) | 4,832 | 10,836 |
| Surplus/Deficit on Provision of Services | 10,940 | (568) | 5,774 | 16,146 |

Section 4 Housing Revenue Account (HRA)

Housing Revenue Account (HRA)

Housing income and expenditure account

| 2020/21 | | | NOTES | 2021/22 | |
|---------|-----------------|--|-------|---------|-----------------|
| £'000 | £'000 | Income | | £'000 | £'000 |
| | (17,269) | Rents - Dwellings | H4 | | (17,405) |
| (48) | | Rents - Garages / Sites | | (43) | |
| (17) | | Rents - Shops | | (8) | |
| (14) | | Rents - Other | | (4) | |
| | (79) | | | | (55) |
| | (601) | Charges for Services and Facilities | | | (569) |
| | | Other Income | | | (26) |
| | (20) | RTB Discounts repaid | | | (16) |
| | (17,969) | Total income | | | (18,072) |
| | | Expenditure | | | |
| | 5,078 | Repairs and Maintenance | | | 6,331 |
| | | Supervision and Management | | | |
| 2,092 | | - General | | 2,354 | |
| 487 | | - Special | | 584 | |
| | 2,579 | | | | 2,938 |
| | | Capital Charges | | | |
| | 2,947 | - Depreciation of Fixed Assets | H8 | | 3,110 |
| | (890) | - Impairment of Fixed Assets | H9 | | (819) |
| | 0 | - Initial Gain on Donated Assets | | | 0 |
| | 112 | Increase / (decrease) in provision for Bad or Doubtful Debts | | | (77) |
| | 3 | Debt Management Expenses | | | 4 |
| | 9,829 | Total expenditure | | | 11,487 |
| | (8,140) | Net cost of HRA services included in income and expenditure account | | | (6,585) |
| | 348 | Housing Share of Corporate and Democratic Costs | | | 333 |
| | 0 | Housing Share of other amounts included in the whole authority cost of services but not allocated to specific services | | | 0 |
| | (7,792) | Net cost of HRA services | | | (6,252) |
| | 3,265 | (Gain) or Loss on Sale of HRA Fixed Assets | | | (751) |
| | 2,192 | Interest Payable and Similar Items | | | 2,231 |
| | (67) | Interest on Balances | | | (16) |
| | 0 | Amortisation of Premiums and Discounts | | | 0 |
| | (11) | Capital Grants and Contributions | | | (1,289) |
| | (2,413) | (Surplus) / deficit on HRA services | | | (6,077) |

Housing Revenue Account (HRA)

| 2020/21 £'000 | Statement of movement on the HRA balance | 2021/22 £'000 |
|--|--|------------------|
| (2,413) | (Surplus) / Deficit on Housing Income and Expenditure Account | (6,077) |
| (212) | Amounts Required by Statute to be Taken into Account (detailed below) | 18,561 |
| (2,625) | Total | 12,484 |
| (16,700) | HRA Balance Brought Forward | (19,325) |
| (19,325) | HRA Balance Carried Forward | (6,841) |
| <hr/> | | |
| 2020/21 £'000 | Analysis of the movement in the HRA balance | 2021/22 £'000 |
| Amounts required to be taken into account | | |
| Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA balance for the year | | |
| (3,265) | Gain or (Loss) on Sale of HRA Fixed Assets | 751 |
| 0 | Amortisation of Premiums and Discounts | 0 |
| 20 | RTB Discounts repaid | 16 |
| 0 | Employee Benefits adjustment | (57) |
| (1,169) | Net charges for retirement benefits in accordance with IAS 19 | (1,827) |
| 806 | Impairment/Revaluation of Fixed Assets | 772 |
| 0 | Initial Gain on Donated Assets | 0 |
| (3,608) | | (345) |
| Items not included in the HRA Income and Expenditure Account but included in the movement on HRA balance for the year | | |
| 0 | Transfer To/(From) Major Repairs Reserve | 0 |
| (43) | Right to Buy Admin Contribution | (57) |
| 901 | Employer's contributions payable to Leicestershire County Council Pension Fund | 873 |
| 1,147 | Principal Repaid on Self Financing Loans | 14,180 |
| 1,392 | Capital Expenditure funded by the HRA | 2,456 |
| (1) | Transfer To/(From) Reserves | 1,454 |
| 3,396 | Total | 18,906 |
| (212) | Net additional amount required by statute to be debited or (credited) to the HRA balance for the year | 18,561 |

Notes to the housing revenue account (HRA)

H1 Movement in dwelling stock

The Council was responsible for managing an average of 4,140 lettable dwellings during 2021/22. The movement in the stock was as follows:-

| 2020/21 | | 2021/22 |
|--------------|---------------------------------|--------------|
| 4,196 | Stock at 1st April | 4,193 |
| (33) | Less: Right to buy Sales | (46) |
| (1) | Less: Other Sales | 0 |
| 0 | Less: Demolitions | 0 |
| (3) | Less: Transfers out of stock | (10) |
| 8 | Add: Other Purchases | 1 |
| 16 | Add: New Build and Gifted units | 0 |
| 10 | Add: Transfers back into stock | 0 |
| 4,193 | | 4,138 |

H2 Property types in dwelling stock

The properties owned by the Council at 31st March 2022 comprise the following:-

| | Flats/Maisonettes | Bungalows | Houses | Total |
|---------------------------------|-------------------|------------|--------------|--------------|
| In stock | | | | |
| Bed sits | 61 | 4 | 0 | 65 |
| 1 Bedroom | 524 | 330 | 10 | 864 |
| 2 Bedroom | 327 | 476 | 420 | 1,223 |
| 3 Bedroom | 8 | 6 | 1,828 | 1,842 |
| 4 Bedroom | 0 | 0 | 140 | 140 |
| 5 Bedroom | 0 | 0 | 4 | 4 |
| | 920 | 816 | 2,402 | 4,138 |
| Transferred out of stock | | | | |
| Bed sits | 0 | 0 | 0 | 0 |
| 1 Bedroom | 7 | 0 | 0 | 7 |
| 2 Bedroom | 0 | 0 | 0 | 0 |
| 3 Bedroom | 1 | 0 | 2 | 3 |
| 4 Bedroom | 0 | 0 | 0 | 0 |
| 5 Bedroom | 0 | 0 | 0 | 0 |
| | 8 | 0 | 2 | 10 |
| Total owned | 928 | 816 | 2,404 | 4,148 |

The dwellings transferred out of stock are mainly long term empty properties. However, they are still owned by the Council and are included in the value shown in note H3.

H3 Balance sheet value of council's housing revenue account stock

| 2020/21 | | 2021/22 |
|----------------|--|----------------|
| Balance | | Balance |
| £'000 | | £'000 |
| 265,644 | Dwellings | 294,796 |
| 1,771 | Other Land and Buildings | 2,976 |
| 267,415 | Operational assets | 297,772 |
| 0 | Surplus Assets | 0 |
| 492 | OLB (Land and Assets under construction) | 687 |
| 492 | Non-operational assets | 687 |
| 267,907 | Total assets | 298,459 |

The vacant possession value of dwellings within the Council's HRA as at 31st March 2022 was £701,895,000 (31st March 2021 £632,485,000). The vacant possession value of the dwellings within the HRA show the economic cost to Government of providing Council Housing at less than open market rents.

Notes to the housing revenue account (HRA)

H4 Rent income

Rent income can be analysed as follows:-

This is the total rent income due for the year after an allowance is made for empty properties/voids etc. Average rents were £83.55 per week in 2021/22 (£81.89 2020/21) there being an average increase of 2.03% (1.85% increase in 2020/21) over the previous year. During the year 1.03% (1.01% 2020/21) of lettable properties were vacant.

| 2020/21 £'000 | | 2021/22 £'000 |
|------------------|--------------------------|------------------|
| 12,201 | Collectable from Tenants | 12,264 |
| 5,068 | Rent Rebates | 5,141 |
| 17,269 | Sub-Total Dwelling Rents | 17,405 |
| 79 | Non - Dwelling Rents | 55 |
| 17,348 | Total Rent | 17,460 |

H5 Rent arrears

The rent arrears (net of accounts in credit) as a proportion of gross rent income were 3.94% (4.16% 2020/21). The arrears figures are as follows:-

212
312 Amounts written off during the year were £-37,747 (£18,741 - 2020/21) representing a reduction in Doubtful Debt allowance. At 31 March 2022 the Provision for doubtful debts stood at £917,507 (£955,254 - 2020/21).

| 2020/21 £'000 | | 2021/22 £'000 |
|------------------|---|------------------|
| 919 | Total Current and Former Tenant Arrears | 1,270 |
| (172) | Less: Accounts in credit | (583) |
| 747 | Net Arrears | 687 |

H6 Major repairs reserve

| 2020/21 £'000 | | 2021/22 £'000 |
|------------------|---|------------------|
| (534) | Balance at 1st April | (1,420) |
| (2,864) | Amounts transferred to Reserve during year | (3,099) |
| | Amounts transferred from Reserve to finance Capital Expenditure: | |
| 1,978 | Dwellings | 2,242 |
| (1,420) | Balance at 31 March | (2,277) |

Notes to the housing revenue account (HRA)

H7 Capital expenditure and receipts

Total Capital Expenditure within the Council's HRA during the financial year was £5,765,219. The sources of funding are shown below:

| 2020/21 £'000 | 2021/22 £'000 |
|------------------|------------------|
| 1,978 | 2,242 |
| 6 | 0 |
| 1,392 | 2,193 |
| 0 | 285 |
| 3,286 | 1,047 |
| 6,662 | 5,767 |

Total Capital Receipts from disposals of Council Dwellings within the Council's HRA stock in 2021/22 were £3,652,370

H8 Depreciation of HRA fixed assets

| 2020/21 £'000 | 2021/22 £'000 |
|------------------|------------------|
| 2,864 | 3,099 |
| 5 | 10 |
| 0 | 0 |
| 2,869 | 3,110 |

H9 Revaluation/impairment (reversal) of HRA fixed assets

| 2020/21 £'000 | 2021/22 £'000 |
|------------------|------------------|
| (3,275) | (835) |
| (4) | 16 |
| 0 | 0 |
| (3,279) | (819) |

Section 5 Collection Fund

215

Collection Fund

| 2020/21 £'000 | Collection fund income and expenditure account | 2021/22 £'000 | 2021/22 £'000 |
|------------------|---|------------------|------------------|
| | Income | | |
| (65,052) | Council Tax (Net of benefits, discounts for prompt payment and transitional relief) | | (69,897) |
| | Transfers from General Fund:- | | |
| 1 | - Council Tax Benefit | | 10 |
| (506) | - CTLS Discretionary | | (186) |
| (30) | Section 13a | | (7) |
| (59,159) | Business Ratepayers | | (73,456) |
| (124,746) | Total Income | | (143,536) |
| | Expenditure | | |
| | Council Tax Precepts and Demands:- | | |
| 46,473 | Leicestershire County Council | 49,153 | |
| 8,066 | Leicestershire Police | 8,649 | |
| 2,351 | Leicestershire Fire and Rescue | 2,414 | |
| 8,244 | N.W.L.D.C. (including Parish and Special Expenses) | 8,452 | |
| 510 | Contribution towards previous year's surplus | (785) | |
| 981 | Provision for bad/doubtful debts | 758 | |
| 66,625 | | | 68,641 |
| | Non-Domestic Rates (NDR): | | |
| 34,544 | Share of NDR - Government | 37,523 | |
| 6,218 | Payment to Leicestershire County Council | 6,754 | |
| 691 | Payment to Leicestershire Fire and Rescue Service | 750 | |
| 27,635 | Share of NDR - N.W.L.D.C. | 30,018 | |
| (1,072) | Contribution towards previous year's deficit | (12,775) | |
| 998 | Provision for bad/doubtful debts | (299) | |
| 2,006 | Provision for appeals | 374 | |
| 149 | Costs of Collection | 153 | |
| 167 | Disregarded amounts | 186 | |
| 71,336 | | | 62,684 |
| 137,961 | Total Expenditure | | 131,325 |
| 1,038 | Movement on fund - (Surplus)/Deficit for the year - Council Tax | | (1,439) |
| 12,177 | Movement on fund - (Surplus)/Deficit for the year - NDR | | (10,772) |
| (315) | Collection Fund Balance at 1st April 2021 - Council Tax | | 723 |
| 1,497 | Collection Fund Balance at 1st April 2021 - NDR | | 13,674 |
| 723 | Collection Fund Balance at 31st March 2022 - Council Tax | | (716) |
| 13,674 | Collection Fund Balance at 31st March 2022 - NDR | | 2,902 |

Notes to the Collection Fund

C1 General

This Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

C2 Council tax

The Council's tax base i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent of band D dwellings, was calculated as follows:-

| Band | Estimated number of taxable properties after effect of discount | Ratio | Band 'D' Equivalent dwellings |
|--|---|-------|-------------------------------|
| A | 7,239 | 6/9 | 4,826 |
| B | 11,535 | 7/9 | 8,972 |
| C | 6,859 | 8/9 | 6,097 |
| D | 6,186 | 9/9 | 6,186 |
| E | 4,462 | 11/9 | 5,455 |
| F | 1,811 | 13/9 | 2,615 |
| G | 893 | 15/9 | 1,488 |
| H | 47 | 18/9 | 94 |
| | 39,033 | | 35,733 |
| Less: 2% Allowance for Valuation Appeals and irrecoverables | | | 892 |
| Council tax base for 2021/22 | | | 34,841 |

217

C3 Income from business rates

The Council collects Non-Domestic Rates for its area which are based on local rateable values multiplied by a uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which in turn redistributes the pool back to local authorities general fund.

The total Non-Domestic Rateable Value at the 31st March 2022 was £169,181,773 (£151,394,269 - 31st March 2021).

The National Non-Domestic multiplier for the year was 51.2p (51.2p - 2020/21).

The Small Business Rate Multiplier was 49.9p (49.9p - 2020/21).

C4 Provisions

The provision for the Council's share of potential cost of settling outstanding business rates appeals, was created as a result of the introduction of the Business Rates Retention scheme. As part of this scheme, billing authorities acting as agents on behalf of major preceptors (10%), Central Government (50%) and themselves are required to make a provision for refunding ratepayers who have appealed against the rateable value of their properties. Although under the scheme, the Council is able to retain a larger share of the business rates locally, it also now bears the risks and uncertainties linked to the level of rateable value appeals. The Council has made a provision of £2.16m in its accounts (£2.0m - 31st March 2021).

Section 6 Glossary

218

Glossary of main financial terms

Amortisation

A reduction in the value of an intangible asset over time, due to wear and tear.

Budget

A statement defining the council's policies over a specified period in terms of finance. Budgets usually include statements about the use of other resources (e.g. numbers of staff) and provide some information on performance measures.

Budget requirement

The estimated revenue expenditure on general fund services that needs to be financed from the council tax after deducting income from fees and charges, certain specific grants and any funding from reserves. It is used to decide the criteria for capping local authority revenue expenditure.

Capital expenditure

(or capital spending) - Section 40 of the Local Government and Housing Act 1989 defines 'expenditure for capital purposes'. This includes spending on the acquisition of assets either directly by the local authority or indirectly in the form of grants to other persons or bodies. Expenditure that does not fall within this definition must be charged to a revenue account.

Capital receipts

The proceeds from the disposal of land or other assets. Capital receipts can be used to finance new capital expenditure within rules set down by the Government, but they cannot be used to finance revenue expenditure.

Collection fund

A statutory fund maintained by a billing authority, which is used to record local taxes and non-domestic rates collected by the authority, along with payments to precepting authorities, the national pool of non-domestic rates and its own general fund.

Contingency

Money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income, and to provide for inflation where this is not included in individual budgets.

Contingent liability

Money that may be owed, but the exact amount is unclear.

Council tax

The main source of local taxation to local authorities. Council tax is levied on households within its area by the billing authority and the proceeds are paid into its Collection Fund for distribution to precepting authorities and for use by its own General Fund.

Council tax benefit

Assistance provided by billing authorities to adults on low incomes to help them pay their council tax bill. The cost to authorities of council tax benefit is largely met by government grant.

Current expenditure

Running costs, including employee costs, premises costs and supplies and services, but not including debt charges.

Deferred charge

Spending on an asset that has a lasting value but is not owned e.g. improvement grants.

Depreciation

A measure of the wearing out, consumption, or other reduction in the useful life of a fixed asset.

Earmarked reserve

Money set aside for a specific purpose.

Estimates

The amounts expected to be spent, or received as income, during an accounting period. The term is also used to describe detailed budgets, which are either being prepared for the following year, or have been approved for the current year.

Original estimate

The estimates for a financial year approved by the council before the start of the financial year.

Revised estimate

An updated revision of the estimates for a financial year.

Supplementary estimate

An amount, which has been approved by the authority, to allow spending to be increased above the level of provision in the original or revised estimates.

External audit

The independent examination of the activities and accounts of local authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Fees and charges

Income raised by charging users of services for the facilities. For example, local authorities usually make charges for the use of leisure facilities, the collection of trade refuse, etc.

Finance lease

A lease, usually of land, or land and buildings, which is treated in the Government's capital control system as a credit arrangement as if it were similar to borrowing. Other types of lease are termed 'operating leases'.

Financial regulations

A written code of procedures approved by the authority, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative procedures and budgeting systems.

General fund

The main revenue fund of a billing authority. Day-to-day spending on services is met from the fund. Spending on the provision of housing, however, must be charged to a separate Housing Revenue Account.

Housing benefit

An allowance to persons on low income (or none) to meet, in whole or part, their rent. Benefit is allowed or paid by local authorities but central government refunds part of the cost of the benefits and of the running costs of the service to local authorities. Benefit paid to the authority's own tenants is known as rent rebate and that paid to private sector tenants as rent allowance. See also Council Tax Benefit.

Housing revenue account (HRA)

Local authorities are required to maintain a separate account - the HRA - which sets out the expenditure and income arising from the provision of housing. Other services are charged to the General Fund.

HRA subsidy

A government grant paid to some housing authorities towards the cost of providing, managing and maintaining dwellings and paying housing benefits to tenants.

IAS 19

A statement of recommended practice to account for the cost of pensions.

IFRS

International Financial Reporting Standards

Impairment

A reduction in the value of an asset, arising (for example) from a significant reduction in Market Value.

LOBO

A commercial loan method of borrowing, which gives options for both parties – ("Lenders options; borrowers options").

Minimum revenue provision (MRP)

The minimum amount which must be charged to an authority's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989.

National non-domestic rate (NNDR)

A levy on businesses, based on a national rate in the pound set by the Government multiplied by the 'rateable value' of the premises they occupy. NNDR is collected by billing authorities on behalf of central government and then redistributed among all local authorities and police authorities on the basis of population. Also known as 'business rates', the 'uniform business rate' and the 'non-domestic rate'.

Net expenditure

Gross expenditure less specific service income, but before deduction of Revenue Support Grant.

Non-recurring

Items that are in a budget for one year only.

Operating lease

A type of lease, usually of computer equipment, office equipment, furniture, etc. which is similar to renting and which does not come within the Government's capital control system. Ownership of the asset must remain with the lessor for a lease to be classed as an operating lease.

Outturn

Actual income and expenditure in a financial year.

Pension fund

An employees' pension fund maintained by an authority, or group of authorities, in order to make pension payments on retirement of participants. It is financed from contributions from the employing authority, the employee and investment income.

Precept

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from council tax payers on their behalf.

Precepting authorities

Those authorities which are not billing authorities, i.e. do not collect the council tax and non-domestic rate. County councils, police authorities and joint authorities are 'major precepting authorities' and parish, community and town councils are 'local precepting authorities'.

Provisions and reserves

Amounts set aside in one year to cover expenditure in the future. Provisions are for liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise are uncertain. Reserves are amounts set aside which do not fall within the definition of provisions and include general reserves (or 'balances'), which every authority must maintain as a matter of prudence.

Public works loan board (PWLB)

A central government agency which provides long- and medium-term loans to local authorities at interest rates only slightly higher than those at which the Government itself can borrow. Local authorities are able to borrow a proportion of their requirements to finance capital spending from this source.

Revenue support grant (RSG)

A grant paid by central government to aid local authority services in general, as opposed to specific grants, which may only be used for a specific purpose. The grant makes up the difference between expenditure at SSA and the amount which would be collected in council tax for that level of expenditure (CTSS) and the amount of non-domestic rate redistributed.

Section 137 expenditure

Under Section 137 of the Local Government and Housing Act 1972, local authorities are allowed to spend a limited amount to do things they are not otherwise empowered to do, but which they consider to be in the interests of residents.

Specific grants

The term used to describe all government grants - including supplementary and special grants - to local authorities other than RSG, capital grants and HRA subsidy. Not to be confused with specified capital grants.

Specified capital grant (SCG)

Certain government grants towards capital spending, for example house renovation grants. Local authorities must apply a special accounting treatment to these grants, i.e. reduce their credit approvals by the amount of the grant received. SCGs all relate to housing.

Ultra vires

Local authorities are empowered to do only those things authorised by statute. If they do anything not authorised by statute, that action is said to be ultra vires (i.e. beyond their powers).

Value for money (VFM)

A much-used term that describes a service or product that demonstrates a good balance between its cost, quality and usefulness to the customer. A VFM audit takes into account the economy, efficiency and effectiveness (known as the 'three Es') of a local authority service, function or activity.

Virement

The permission to spend more on one budget head when this is matched by a corresponding reduction on some other budget head, i.e. a switch of resources between budget heads. Virement must be properly authorised by the appropriate committee or by officers under delegated powers.

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – MONDAY, 9
DECEMBER 2024



| | | |
|--|---|---------------------------|
| Title of Report | STATEMENT OF ACCOUNTS 2022/23 | |
| Presented by | Paul Stone Strategic Director of Resources | |
| Background Papers | None | Public Report: Yes |
| Financial Implications | There are no financial implications as a direct result of this report. | |
| | Signed off by the Section 151 Officer: yes | |
| Legal Implications | There are no legal implications as a direct result of this report. | |
| | Signed off by the Monitoring Officer: yes | |
| Staffing and Corporate Implications | There are no staffing or corporate implications as a direct result of this report. | |
| | Signed off by the Head of Paid Service: yes | |
| Purpose of Report | For the Committee to consider and approve the Statement of Accounts 2022/23. | |
| Recommendations | <p>THAT THE COMMITTEE:</p> <ol style="list-style-type: none"> 1. APPROVES THE ANNUAL STATEMENT OF ACCOUNTS 2022/23. 2. AUTHORISES THE CHAIR OF THE COMMITTEE TO SIGN THE STATEMENT OF ACCOUNTS 2022/23. 3. DELEGATES AUTHORITY TO THE COMMITTEE CHAIR AND THE SECTION 151 OFFICER TO APPROVE ANY MINOR NON-MATERIAL AMENDMENTS, AS AGREED WITH THE EXTERNAL AUDITORS, TO THE STATEMENT OF ACCOUNTS 2022/23 ON BEHALF OF THE COMMITTEE. | |

1.0 BACKGROUND

- 1.1 The publication of the draft 2021/22 Statement of Accounts was delayed and the statutory deadline was missed. A notice was placed on the Council's website to this effect.

1.2 The draft 2022/23 Statement of Accounts were published on the Council's website on the 31 October 2024 and the statutory public consultation was undertaken from 1 November and will expire on the 12 December. At the time of writing the report, no objections have been received.

2.0 STATEMENT OF ACCOUNTS 2022/23

2.1 The Statement of Accounts should provide electors, those subject to locally levied taxes and charges, members of the authority, employees, other stakeholders and interested parties with clear and comparable information about the authority's finances.

2.2 The accounts of Local Authorities in the United Kingdom are required to be developed in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice - Local Authority Accounting in the United Kingdom ("the Code"). The Code must be followed to meet the requirements of the Accounts and Audit Regulations to 'present a true and fair view' of the financial position of the Council.

2.3 The Code is based on Internal Financing Reporting Standards (IFRS), amended as necessary in respect of legislation governing local authorities.

2.4 The Council has prepared the 2022/23 Statement of Accounts in line with the Code and therefore IFRS and its local accounting policies that were agreed by this committee at its April 2023 meeting.

2.5 The format of the accounts is effectively prescribed in the Code and is set out as follows:

| Section of Statements | Purpose |
|--|---|
| Narrative | To provide the reader with an understanding of North West Leicestershire as a place, the Council and its priorities, the wider economic background and the non-financial and financial performance of the council in 2022/23. |
| Statement of Responsibilities | Shows the responsibilities of the Council and Chief Financial Officer for these accounts |
| Comprehensive Income and Expenditure Statement (CIES) | Presents the cost of each function and how they were financed. This is a core statement. |
| Movement in Reserves Statement | Presents the movement in reserves during the year between usable and unusable reserves, and the actual change to the reserves after all adjustments. This is a core statement. |
| Balance Sheet | Presents all of the Council's assets and liabilities at the year end, both long and short term. This is a core statement. |
| Cash Flow Statement | Sets out the flow of cash into and out of the Council. This is a core statement. |
| Notes to the Financial Statements | These explain in more detail the makeup of the various amounts included in the core statements |
| Accounting Policies | Technical explanation of main policies and assumptions used in preparing the accounts. |
| HRA (Housing Revenue Account) Income & Expenditure Account | This statement shows income and expenditure regarding Council dwellings. |

| | |
|-----------------|---|
| Collection Fund | Sets out the transactions relating to the collection and distribution of Council Tax and National Non-Domestic Rates (NNDR), or Business Rates as they are more commonly known. |
|-----------------|---|

2.6 The Statements must comply with the Code so that comparisons can be made across different authorities and for this reason it is essential that authorities define individual costs in line with the Service Reporting Code of Practice (SERCOP). There should also be good notes and explanations to the accounts to aid understanding and, although by nature a technical document, the notes should be concise and understandable.

3.0 AMENDMENTS TO THE DRAFT STATEMENTS

3.1 Since the publication of the draft statements on the Council's website on the 31 October, changes have been made to the accounts to ensure that they reflect a 'true and fair' view.

3.2 The changes were required as it has been identified that a small portion of the Council's Fixed Assets had not been treated in accordance with the CIPFA Code of Practice. These were technical in nature and do not affect the council's financial position.

3.3 The revised Statement of Accounts take account of these changes and are documented in Appendix A for approval.

| Policies and other considerations, as appropriate | |
|--|--|
| Council Priorities: | A Well-Run Council |
| Policy Considerations: | None |
| Safeguarding: | None |
| Equalities/Diversity: | None |
| Customer Impact: | None |
| Economic and Social Impact: | None |
| Environment, Climate Change and Zero Carbon | None |
| Consultation/Community/Tenant Engagement: | None |
| Risks: | Complying with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice - Local Authority Accounting in the United Kingdom ("the Code") minimises the risk that the accounts do not 'present a true and fair view' of the financial position of the Council. |
| Officer Contact | Anna Crouch Head of Finance anna.crouch@nwleicestershire.gov.uk |



CONTENTS

| | | Page No |
|------------------|---|----------------|
| Section 1 | Narrative Report | 1-16 |
| | Statement of Responsibilities for the Statement of Accounts | 17 |
| Section 2 | Core Accounting Statements | 18-24 |
| | Comprehensive Income & Expenditure Account | 20 |
| | Movement in Reserves Statement | 21 |
| | The Balance Sheet | 22-23 |
| | Cash Flow Statement | 24 |
| Section 3 | Notes to the Core Financial Statements | 25-77 |
| Section 4 | Housing Revenue Account | 78-83 |
| Section 5 | Collection Fund | 84-86 |
| Section 6 | Glossary of Main Financial Terms | 87-91 |

Section 1 Narrative Report

1. North West Leicestershire as a place

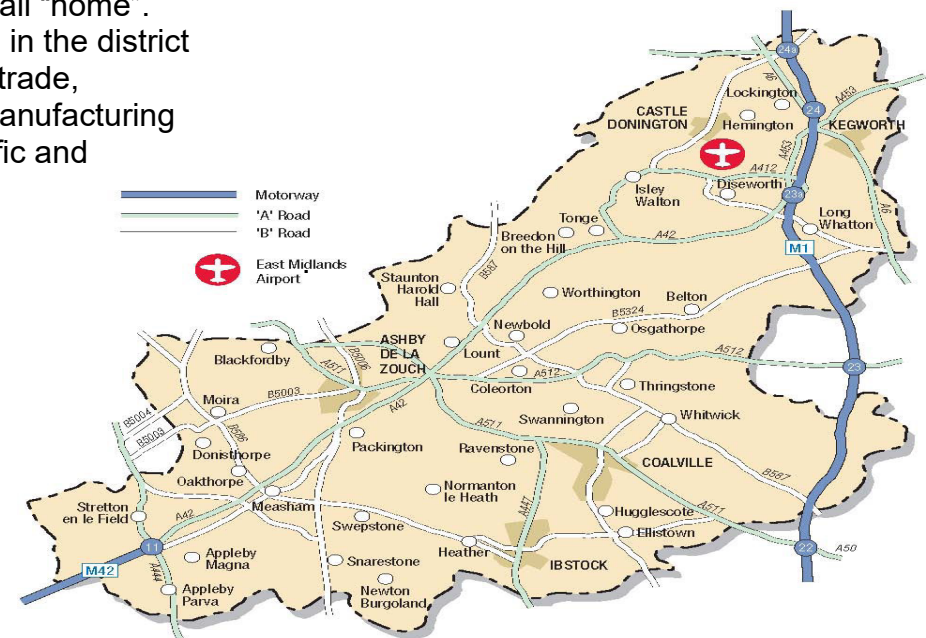
North West Leicestershire is a semi-rural district with a population of approximately 108,000. Most people live in the district's two main towns of Coalville and Ashby de la Zouch. Around the district are a handful of large villages (Castle Donington, Kegworth, Ibstock and Measham) and numerous smaller villages.

In the 1990s and 2000s, Coalville and the wider area underwent significant regeneration and the district's economy has been one of the fastest growth areas in the East Midlands. The coal mining sites formerly used for mineral extraction are now home to a diverse array of business parks and industrial estates providing local employment and drawing from a wide regional labour market.

North West Leicestershire sits at the axis of the Midlands, strategically located within 25 miles of Birmingham, Derby, Leicester and Nottingham. It is served by the M1/M42 (A42) and A50 and is also home to East Midlands Airport – the UK's busiest 'pure' cargo airport.

The district has one of the highest jobs density figures in the Region – indicating a very high level of jobs. This is because our location has proved to be a major attraction to inward investors and developers as well as continuing to be a place that indigenous businesses call “home”. Key employment sectors in the district are wholesale and retail trade, transport and storage, manufacturing and professional, scientific and technical activities.

We are very proud that our district lies at the heart of the National Forest which spans across parts of Derbyshire, Leicestershire, and Staffordshire. We are a key partner in an ongoing project that is transforming former mining areas through tree planting and forest activities.



2. The council

Governance

We operate a cabinet style government with separation of executive and scrutiny functions. All Cabinet members have been allocated a specific portfolio and are responsible for driving forward the Council's key strategic aims.

Political structure in 2022/23

The Council's political structure as at the 31 March 2023 was:

- Conservative Party – 22 councillors
- Labour Party – 9 councillors
- Liberal Democrat Party – 4 councillors
- Independent – 2 councillors
- Green Party – 1 councillor

The council's Leader, Councillor Richard Blunt was re-elected in May 2022. Councillor Blunt subsequently appointed six Cabinet Members for various portfolios and the delegation of executive functions.

Chief Officer Structure

Councillors are supported by the Corporate Leadership Team (CLT) which is led by the Council's Chief Executive. CLT are responsible for the overall management of the Council: for setting and monitoring overall direction and ensuring high performance in the delivery of council services. Including the Chief Executive, CLT is made up of eleven members: two Strategic Directors and eight Heads of Service (which include the Monitoring Officer and Section 151 Officer).

Reviewing our governance

Every year we undertake a review of our governance framework, assessing against the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' 2016. This review of effectiveness is informed by the work of senior managers and directors within the Council who have responsibility for the development and maintenance of the internal control environment, the Internal Audit Annual Report, the work of the Audit and

Governance Committee plus the comments of external auditors and other review agencies and inspectorates. Our Annual Governance Statement summarises our view of the arrangements and can be found on our [website](#).

Our priorities

The Council's vision is that we support a clean, green and prosperous place where people want to live, work and visit. Our Council Delivery Plan for 2022/23 sets out our priorities and aims for the coming years. Our priority areas are:

- Supporting Coalville to be a more vibrant, family friendly town.
- Our communities are safe, healthy and connected.
- Local people live in high quality, affordable homes.
- Supporting business and helping people into local jobs.
- Developing a clean and green district.

The priorities are underpinned by a balanced budget, set in February each year, a constant focus on value for

money, local income generation where appropriate and a prudent approach to future challenges to our funding and expenditure.

Our vision is supported by four key programmes that were launched in 2017/18, each of which oversee the delivery of multiple projects:

- **Customer First** – making sure we put customers at the heart of what we do, driving and improving services and increasing the choice customers have in where, when and how they engage with the council
- **Place** – co-ordinating projects that will develop and shape our environment, both built and natural, ensuring delivery of quality homes and facilities for our residents and business
- **People** – making sure we develop our staff to have the skills for a 21st century business, valuing our staff and transforming the organisation
- **Journey to Self-sufficiency** – having effective financial management that increases our resilience and adaptability to changing financial pressures.

Who works for the council?

The council employs 544 individuals across a wide range of services, many of whom are part-time and hold multiple roles. Our full-time equivalent number of employees is 480 and 6 of these are apprenticeship roles. The majority of the council's services are provided in-house, and our employed positions reflect this, with roles across many job types including manual operatives, skilled tradesmen and accredited service professionals.

Our People Plan

Our People Plan sets an ambition to develop a sustainable, ambitious, effective and efficient workforce that reflects the local communities we serve. The plan was developed in 2018 and is currently under revision to support the updated Council Delivery Plan. The People Plan is based on five themes:

- Being an employer of choice
- Developing and supporting staff
- Leadership
- Happy and healthy workforce

- Communicate and listen.

We have made good progress against the plan including gaining Investors in People Silver accreditation in 2021.

Our Values

Our corporate values are:

Trust – We are honest, fair and transparent and we value trust

Respect – We respect each other and our customers in a diverse, professional and supportive environment

Excellence – We will always work to be the best that we can be

Pride – We are proud of the role we play in making North West Leicestershire a happy, healthy and vibrant place to live and work

Growth – We will work together to grow and continually improve.

3. The council's non-financial performance

Below is a summary of some of our key achievements for 2022/23 under each of the council's five priorities [[2022/23 Quarter 4 Performance Cabinet Report](#)]

Supporting Coalville to be a more vibrant family friendly town

- The Coalville Regeneration Framework has been approved and delivery has commenced.
- Construction has begun on the Marlborough Square improvement works and materials are being ordered to start the works.
- The New Market continues to go from strength to strength with a range of events and activities increasing footfall and leading to some excellent feedback from participants to allow for further improvements. There have been requests to invite more stalls to ensure more variety.

- Negotiations are continuing with private sector partners to try to seek a cinema venue in Coalville.
- After extensive stakeholder engagement, an options paper has been prepared for the former Hermitage Leisure Centre site and its environs.

Our communities are safe, healthy and connected

- Several initiatives are in place to improve our interactions with customers in both the service centre and in linking in back-office service areas. These will lead to better linking of contact options and improvements to the call management arrangements.
- Impressive attendance of fitness members at the New Whitwick and Coalville Leisure Centre have continued to be very encouraging. This is in part due to the relaxation of COVID-19 measures, but also due to the diverse and inclusive

portfolio of sessions available to the public.

- Two neighbourhood Plan groups have been successfully created thus meeting the target.
- CCTV cameras have been set up in 5 new locations in partnership with local stakeholders to help make our communities safer, again, meeting the target.

Local people live in high quality, affordable homes

- Working with Housing Associations and partners, 143 additional units were delivered this year bringing the total to 438 (out of 1000) new affordable homes over 5 years. We expect to reach the target by 31 March 2026.
- 13 additional properties were made available for tenants (target met). There are plans to increase the portfolio further still by purchasing bungalows in the area.

- We are continuing to invest in the Council rented housing stock with £3.5 million of works delivered this year.
- Work to maintain our estates continues: there are parking improvements in Cropston Drive and Long Whatton, plans to demolish deteriorating footbridges prior to replacing them, and fencing around the Riverway estate.

Support for businesses and helping people into local jobs

- Our Economic Growth Plan was successfully updated, and delivery has commenced.
- The Economic Development Team continued to provide support to new business enquiries.

- The new high street loyalty card was rolled out across the districts key shopping areas and continues to encourage and reward people for shopping locally.
- The build of the new Whitwick and Coalville Leisure Centre generated significant social value contributions to the local economy.

Developing a clean and green district

- Together with the National Forest we developed the Heart of the Forest Masterplan which was launched in Spring 2023. Work continued on the Sustainable Tourism Accommodation design guide and the accelerator programme.

- Volunteers continue to register throughout this year to be litter pickers as we are continuing to tackle the on-going problem in littering and fly-tipping. We are working with volunteer groups and our in-house cleansing teams. The emphasis is on education, clearance and fines.
- We have achieved our aim of improving the energy efficiency of tenant homes. In total, 257 new green energy efficient measures were installed at 56 properties.

4. The council's financial performance

Financial Outturn for 2022/23

The Council has two main accounts: the General Fund and the Housing Revenue Account as well as a Special Expenses account covering services to parishes and unparished areas. Each account has a revenue budget for the provision of services and a capital budget for the delivery of significant projects.

General Fund

Our General Fund account summarises the expenditure on the council's main services which are paid for in part by council tax.

We budgeted to contribute £1.2 million into our self-sufficiency reserve balances in 2022/23. However, there was a reduction of this amount by £738,000 to £458,000.

A more detailed review of variances is shown overleaf.

| Services 2022/23 | Budget £'000 | Outturn £'000 | Variance £'000 |
|---|-----------------|------------------|-------------------|
| Chief Executive | 282 | 289 | 7 |
| Human Resources & Covid | 725 | 665 | -60 |
| Legal & Commercial Services | 1,487 | 1,523 | 36 |
| Strategic Director of Place | 348 | 343 | -5 |
| Community Services | 6,623 | 7,433 | 810 |
| Planning | 1,032 | 1,588 | 556 |
| Economic Development | 893 | 802 | -91 |
| Joint Strategic Planning | 12 | 12 | 0 |
| Ukraine | 0 | -16 | -16 |
| ICT | 1,200 | 1,244 | 44 |
| Revenues & Benefits | 886 | 634 | -252 |
| Property Services | 214 | 433 | 219 |
| Customer Services | 898 | 926 | 28 |
| Finance | 1,095 | 1,602 | 507 |
| Strategic Housing | 625 | 600 | -25 |
| J2SS | -895 | 0 | 895 |
| Corporate And Democratic Core | 41 | 60 | 19 |
| Non-Distributed Costs | 241 | 239 | -2 |
| Net Recharges | -1,685 | -2,154 | -469 |
| Net Financing Costs | 1,762 | 1,789 | 27 |
| Interest Paid | 0 | 427 | 427 |
| Investment Income | -5 | -727 | -722 |
| Other interest received | 0 | -80 | -80 |
| Localisation Of Council Tax Grant | 32 | 32 | 0 |
| Revenue Contribution To Capital | 0 | 22 | 22 |
| Debt Restructuring Premium | 0 | 23 | 23 |
| IAS19 | 0 | 0 | 0 |
| Transfer to Reserves | 1,196 | 458 | -738 |
| Transfer to Other | 0 | 240 | 240 |
| Transfer from Reserves | 0 | -100 | -100 |
| Asset adjustment | 0 | -366 | -366 |
| Disabled Facilities Grants | 0 | -716 | -716 |
| Funding of Capital Expenditure | 0 | 593 | 593 |
| Section 106 | 0 | -440 | -440 |
| Net cost of service after recharges | 17,007 | 17,378 | 371 |
| New Homes Bonus | 2,218 | 2,218 | 0 |
| Transfer From Collection Fund | 153 | 153 | 0 |
| Other Grants | 367 | 371 | 4 |
| Levy Account Surplus | 0 | 20 | 20 |
| Council Tax | 5,643 | 5,643 | 0 |
| National Non Domestic Rates Baseline | 2,404 | 2,404 | 0 |
| National Non Domestic Rates Growth, Renewables & Pool Surplus | 5,442 | 5,169 | -273 |
| National Non Domestic Rates Pool Reserve | 780 | 1,400 | 620 |
| Total Funding | 17,007 | 17,378 | 371 |

The analysis opposite shows the major variances in the General Fund revenue budget for 2022/23. The majority of the adverse variances have resulted from higher-than-expected salary costs after the Pay Award, agency costs and reduced income from services.

Favourable variances are largely attributed to underspends in budgets, additional planning fee income and grants received.

| Major Variances 2022/23 | | £'000 |
|---|--|---------------|
| Adverse Variances | | |
| J2SS | | -895 |
| Funding of Capital Expenditure | | -593 |
| Refuse & Recycling - salaries | | -421 |
| Public Protection | | -408 |
| Other interest paid net of other interest received | | -347 |
| Refuse & Recycling - transport | | -320 |
| Section 106 | | -282 |
| Finance - Agency net of salary savings | | -247 |
| Refuse & Recycling - income | | -176 |
| Fleet Services - recharges | | -165 |
| Procurement consultancy | | -151 |
| Leisure Contractor | | -111 |
| Planning & Development -Agency Staff offset by salary savings | | -94 |
| ICT - equipment maintenance/licences | | -57 |
| Planning - Legal costs | | -55 |
| CV Market | | -52 |
| Property - commercial units rents | | -52 |
| Finance - Bad debt provision | | -48 |
| Property - Service charges | | -45 |
| Property - general repairs commercial units | | -41 |
| Cropston drive land | | -39 |
| Legal - Income | | -36 |
| Cleansing Services - salaries | | -34 |
| Rent Rebates | | -34 |
| Planning & Development -Urban Design/National Model Design | | -32 |
| Code Pilot | | -32 |
| Car Parks | | -30 |
| Salary Overspends not mentioned elsewhere | | -53 |
| | | -4,818 |
| Favourable Variances | | |
| Building Control Contractor costs paid to CBC | | 49 |
| Investment Income | | 722 |
| Disabled Facility Grant | | 716 |
| Refuse & Recycling - recycling income | | 524 |
| Recharges | | 469 |
| Asset Adjustment | | 366 |
| Business Rates | | 347 |
| Grds Mtce - Income | | 161 |
| Revs & Bens - Local Council Tax Support | | 144 |
| Homeless Prevention Grants/Ukraine Grant | | 116 |
| Revs & Bens Summons income | | 106 |
| Refuse & Recycling - containers | | 97 |
| Planning Policy - Local Development Framework | | 87 |
| Trade Refuse - disposal | | 78 |
| Finance - Asset Protection | | 57 |
| Garage Services - recharges | | 50 |
| Planning Fee income | | 38 |
| Economic Development - Consultancy | | 37 |
| Planning - Covid income compensation grant | | 34 |
| Economic Development - Coalville Regeneration | | 33 |
| Revs & Bens - Benefits new burdens grants | | 33 |
| HR - Corporate training | | 31 |
| Trade Refuse - income | | 30 |
| Other smaller variances | | 164 |
| | | 4,489 |
| Deminimus Non-Salary Variances | | -409 |
| | | -738 |

Housing Revenue Account (HRA)

The Housing Revenue Account summarises income and expenditure relating to the rented housing accommodation of the 4,121 homes provided by the Council.

The HRA is a ring-fenced account, meaning that HRA funds are maintained separately from other council finances and must only be spent on the council's housing stock and tenants' services. Its primary source of income is from collecting £18 million of rent from properties let at either social or affordable rental rates.

| HOUSING REVENUE ACCOUNT | 2022/23 | | |
|--|-----------------|-----------------|--------------|
| | Approved Budget | Outturn | Variance |
| | £'000 | £'000 | £'000 |
| Repairs and Maintenance | 5,914 | 8,372 | 2,458 |
| Supervision and Management | 2,979 | 3,317 | 338 |
| Provision for Doubtful Debts | 100 | (78) | (178) |
| Depreciation, Impairment & Debt Management | 3,185 | 3,179 | (6) |
| Capital Financing | 3,056 | 1,210 | (1,846) |
| J2SS Savings | (325) | 0 | 325 |
| Total Expenditure | 14,909 | 15,999 | 1,090 |
| Less Rental Income & Service Charges | | | |
| Rent & Service Charges | (18,456) | (18,535) | (13) |
| Non-Dwelling Rents | (52) | (65) | (8) |
| Other Income | (13) | (21) | 3 |
| Investment Income | (3) | 0 | (3) |
| | (18,524) | (18,621) | (21) |
| Net Cost of Service | (3,615) | (2,621) | 1,069 |
| Add: | | | |
| Capital Financing (Interest) | 3,365 | 1,884 | (1,481) |
| Investment Income | (3) | 0 | 3 |
| NET (SURPLUS) / DEFICIT | (253) | (737) | (408) |

| HRA 2022/23 | £'000 |
|------------------------|-------|
| MAJOR VARIANCES | |

Adverse Variances

| | |
|---------------------------------|---------|
| Housing Repair Administration | (637) |
| Responsive repairs & minor work | (2,199) |
| Empty homes | (1,011) |
| Home Improvement | (1,498) |
| Commercial Work | (138) |
| Housing HRA Commercial service | (897) |
| Supervision and Management | (146) |
| HRA ground maintenance | (117) |
| Director & Head of Housing | (61) |
| Garage Rent Income | (5) |
| J2SS savings not achieved | (325) |

Favourable Variances

| | |
|-------------------------------------|--------------|
| Salaries and Agency Costs | 1,236 |
| IRT Admin & other | 350 |
| Housing repairs | 3,330 |
| Corporate Democratic Core Recharge | 22 |
| Provision for Doubtful Debts | 178 |
| Corporate recharges & Asset Rentals | 0 |
| Depreciation & Impairment | 6 |
| Interest Charges | 1,846 |
| income & others small variances | (342) |
| | (408) |

| Scheme 2022/23 | Budget £'000 | C/fwd £'000 | In-year £'000 | Total | | |
|--------------------------------------|-----------------|----------------|------------------|-----------------|------------------|-------------------|
| | | | | Budget £'000 | Outturn £'000 | Variance £'000 |
| General Fund | | | | | | |
| ICT Systems | 256 | 20 | 212 | 488 | 348 | 141 |
| Fleet | 1,345 | 2,301 | - | 3,646 | 163 | 3,482 |
| Disables Facilities Grant | 670 | - | - | 670 | 547 | 113 |
| Property | 3,143 | 228 | 903 | 4,274 | 3,476 | 798 |
| Other Schemes | 10,406 | 3,920 | 511 | 9,863 | 1,315 | 8,549 |
| | 15,820 | 6,469 | 1,626 | 18,941 | 5,849 | 13,083 |
| Housing Revenue Account (HRA) | | | | | | |
| Acquisitions and New Build | 2,964 | 4,737 | - | 7,701 | 1,662 | 6,038 |
| Housing Improvement Programme | 4,500 | 3,073 | - | 7,573 | 1,835 | 5,738 |
| Estate Improvement | 710 | 702 | - | - | 517 | 895 |
| Compliance | 4,530 | 531 | - | 5,061 | 1,795 | 3,266 |
| New Housing System | - | - | - | - | 298 | (298) |
| Capital Salaries | 845 | - | - | - | 527 | 318 |
| | 13,549 | 9,043 | - | 20,335 | 6,634 | 15,957 |
| Total Capital Program | 29,369 | 15,512 | 1,626 | 39,276 | 12,483 | 29,040 |

Capital

We spent £12.4 million on capital schemes in the General Fund and £6.6 million in the Housing Revenue Account in 2022/23.

General Fund:

The main areas of spending were on our new Council offices refurbishment work, finance system and the Appleby Magna Caravan Site redevelopment.

Housing Revenue Account:

The majority of the expenditure was in relation to the Housing Improvement Programme, New Affordable housing acquisitions and S106 purchases.

Our Assets and Liabilities

Pension Liabilities

£1.04 million (asset)

This is how much the council owes across future years offset by the value of assets invested in the pension fund. The council is currently showing an asset rather than a pension liability. Net liabilities decreased by £49.2 million from 2021/22 and is now a pension asset of £1m.

The pension fund, which is a Local Government Pension Scheme, is revalued every three years to set the future contribution rates. The scheme was revalued in 2024.

Cash flow

£ 4.5 million

The Council's cash flow shows a decrease of £17.7 million in its cash

and cash equivalents from the previous year. Generally, cash balances have been healthy throughout the year and the Council invests these in accordance with its Treasury Management Strategy Statement which aims to minimise risk to these balances.

Borrowing

£ 63.1 million

As at 31 March 2023 the Council has total external borrowing of £63.1 million, a reduction of £2.1 million when compared with the previous year. Most of this borrowing was taken out to fund the Housing Revenue Account self-financing and are made up of Public Works Loan Board loans. All our borrowing complies with the Prudential Code which means it is prudent, sustainable and affordable.

Provisions

£ 1.8 million

This provision for Business Rates appeals was created as a result of the adoption in 2013/14 of the Business Rates Retention scheme through which the Council bears part of the risk for future appeals. The Council's estimate of the value of outstanding appeals up to 31 March 2023 is £4.6 million (£5.4 million as at 31 March 2022), the value of appeals used in completing the Collection Fund position as at 31 March 2023. The Council receives 40% of business rates as part of the localised system and must therefore bear 40% of the appeals provision which is £1.8 million.

Financial health

The Council has maintained a good level of financial health but like all local authorities faces significant pressures from reduced funding and demand pressures.

Usable Revenue Reserves

Usable revenue reserves are the most recognised and accepted measure of Local Government financial health. They help the Council to cope with unpredictable financial pressures and plan for future spending commitments. The Council will continue to use reserves to balance competing pressures for example:

- Using reserves to offset funding reductions and protect services – although this can only be a short-term strategy as reserves are a one-off funding resource – the Journey to Self Sufficiency Reserve

is held to provide resources to meet anticipated funding reductions which will provide time and resources to adapt the authority for lower levels of funding

- Using reserves to provide ‘one-off’ expenditure to meet corporate priorities.
- Investing in making changes that reduce the cost of providing services in the longer-term.
- Increasing reserves to strengthen resilience against future, uncertain cost pressures.

General Fund usable revenue reserve balances at 31 March 2023 were £13 million, an decrease of £4.35 million on the previous year.

The HRA has usable revenue reserves of £7.2 million, a decrease of £135,000 compared with 2021/22. The difference is £260,000 surplus for the year offset by use of £395,000 earmarked reserves.

Funding Outlook

Like all authorities, North West Leicestershire has received significant reductions in funding in recent years and anticipates future reductions as well as pressures on services. The Council, unlike some other authorities, receives no Revenue Support Grant and its entire funding comes from Council Tax, Business Rates and New Homes Bonus. The outlook in respect of each of these income streams is considered below:

- **Council Tax** – the Collection Fund statement shows that we collected £73.7 million in Council Tax but retained only about 12% of this with the majority being passed on to the County Council, Police and Fire services and parish councils. North West Leicestershire froze its share of the Council Tax in 2022/23 for the twelfth consecutive year which means all of our growth in respect of council tax income results from growth in the number of homes in North West Leicestershire.

- **Business Rates** – the Council collected £78 million in business rates income in 2022/23 but retained £7.2 million with the remainder being returned to the Government to fund other local services or as Levy to the Pool. A significant proportion of the amount retained is due to accumulated growth of business rates in the area which the Council is able to keep as part of the Government’s business rates localisation scheme. A planned reset of this scheme will significantly reduce the Council’s income from business rates in the medium term. We also received our share of the surplus from the Leicestershire Pool of £2.5m which was for the 3 years 2020/21 to 2022/23.
- **New Homes Bonus** – the Council received £2.2 million in New Homes Bonus in 2022/23 an amount significantly above average reflecting the significant home

growth in the district. However, the Government reduced the size of this reward this year and future funding is uncertain.

5. Risk Management

We have a Risk Management Policy in place which was approved in 2022.

The overall objective of the Council's risk management approach is the identification, analysis, management and financial control of those risks which can most impact on the Council's ability to pursue its approved delivery plan.

A Corporate Risk Register, approved by the Corporate Leadership Team and Elected Members is in place. The Corporate Risk Register is a live document constantly under review to ascertain progress on managed risks and new risks that could impact on the Council. Our risk review cycle aligns with the service planning process and service risks monitored by service areas.

The Corporate Risk Group (CRG) is represented by each of the Council's services. The CRG identify new risks and review the corporate risk register, whilst the review of all risk management activity is part of the terms of reference of the Audit and Governance Committee. Risks are reported to Cabinet as part of the Quarterly Performance Management Report. In addition, all reports to Council, Cabinet and Committees have a risk management section for consideration of risks associated with specific decisions. All service areas and corporate projects maintain service and project-based risk registers.

The key risks are identified in the Council's corporate risk register.

6. Basis of preparation

When assessing what to include in these financial statements, the principle of materiality has been applied. This ensures that the core issues considered to have an impact on the council's strategies, governance, performance and aspirations in respect of matters such as the services it provides and the wellbeing of its local community, are presented. This includes matters that are ordinarily outside of the scope of financial reporting, but which are deemed to have a significant effect on the authority's ability to meet its objectives. Where information in this report is based on other information published by the council, it is prepared on that same basis and is reconcilable and referenced to that published information.



The Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required: -

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of Finance
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- To approve the Statement of Accounts.

The Responsibilities of the S151 Officer

The Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice'). In preparing this Statement of Accounts, the S151 Officer has: -

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice.

The S151 Officer has also: -

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2023.

Paul Stone
Strategic Director of Resources

Date

Councillor Peter Moul
Chair of Audit and Governance Committee

Date

Section 2 Core Statements

246

Core Statements

1. Introduction

The following pages summarise the financial activities of North West Leicestershire District Council for 2022/23. The Council's Accounts have been produced in accordance with the *Code of Practice on Local Authority Accounting 2022/23* and the Service Reporting Code of Practice 2022/23, supported by the International Financial Reporting Standards (IFRS). Explanatory notes to the accounts have been included to give further information where appropriate. The layout of the accounts follows the recommendations of the Code. For 2022/23 the accounts consist of these 'core' Financial Statements:

- **Comprehensive Income and Expenditure Statement** which shows income and expenditure of all main services.
- **Movement in Reserves Statement** which shows the movement in the year on the different reserves held by the council analysed into 'usable' reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves (i.e. those that cannot be used to fund expenditure)

- **Balance Sheet** which sets out the overall financial position of the council at 31 March 2023 showing its assets, liabilities and reserves
- **Cash Flow Statement** which summarises the movements of cash and cash equivalents into and out of the Council arising from transactions with third parties
- **The Expenditure and Funding Analysis (EFA)** – This shows how annual expenditure is used and funded from resources by the Council in comparison with how those resources by the Council are consumed or earned by the Council. It also shows how this expenditure is allocated for the decision-making purposes between the council's portfolio holders
- **Notes to the Core Financial Statements** which provide explanations of key figures within the statements.

Other financial statements:

- **The Housing Revenue Account (HRA) Income & Expenditure Account and Statement of Movement on the HRA balance** – details income and expenditure on HRA services included in the whole Council Income & Expenditure Account and the latter reconciles the surplus for the year to the movement on the HRA balance.
- **The Collection Fund Income and Expenditure Account** – this fulfils the Council's Statutory requirement as a billing authority to maintain a separate Collection Fund showing transactions for the Council Tax Non-Domestic Rates and how these have been distributed to precepting authorities and the General Fund.

Comprehensive Income and Expenditure Statement

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

248

| | 2021/22 | | | | 2022/23 | | |
|--|----------------------------|-----------------------|--------------------------|-------|----------------------------|-----------------------|--------------------------|
| | Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 | Notes | Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 |
| | 174 | (5) | 169 | | 0 | 0 | 0 |
| | 2,244 | (1,547) | 697 | | 157 | (32) | 125 |
| | 1,055 | (411) | 644 | | 857 | (268) | 589 |
| | 17,474 | (3,335) | 14,139 | | 15,665 | (3,491) | 12,174 |
| | 4,989 | (1,714) | 3,275 | | 3,936 | (1,300) | 2,636 |
| | 1,496 | (69) | 1,427 | | 1,682 | (222) | 1,459 |
| | 304 | (289) | 15 | | 174 | (127) | 47 |
| | 0 | 0 | 0 | | 3 | (19) | (16) |
| | 53 | (14) | 39 | | 53 | (12) | 41 |
| | 14,480 | (12,869) | 1,611 | | 14,102 | (12,413) | 1,688 |
| | (2) | (0) | (2) | | 5 | (0) | 5 |
| | 1,473 | (753) | 720 | | 1,829 | (1,018) | 811 |
| | 22 | (22) | 0 | | 770 | (55) | 715 |
| | 963 | (86) | 877 | | 1,543 | (306) | 1,237 |
| | 1,152 | (20) | 1,132 | | 1,219 | (21) | 1,198 |
| | 240 | 0 | 240 | | 358 | 0 | 358 |
| | 11,487 | (18,072) | (6,585) | | 20,078 | (18,722) | 1,356 |
| | 57,604 | (39,206) | 18,398 | | 62,430 | (38,007) | 24,423 |
| | | | 7,973 | | | | 3,716 |
| | | | 4,353 | 5 | | | 4,230 |
| | | | (24,783) | 6 | | | (25,990) |
| | | | 5,941 | 7 | | | 6,380 |
| | | | | | | | |
| | | | (30,641) | | | | (23,806) |
| | | | 0 | | | | 0 |
| | | | (21,298) | | | | (54,834) |
| | | | (51,939) | | | | (78,640) |
| | | | (45,998) | | | | (72,261) |

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce taxation) and unusable reserves. The statement shows how the movement in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and statutory adjustments required to return to the amounts chargeable to Council Tax or rents for the year. The net increase/decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

| | General Fund Balance £'000 | Housing Revenue Account £'000 | Capital Receipts Reserve £'000 | Major Repairs Reserve £'000 | Capital Grants Unapplied £'000 | Total Usable Reserves £'000 | Unusable Reserves £'000 | Total Authority reserves £'000 |
|--|-------------------------------|----------------------------------|-----------------------------------|--------------------------------|-----------------------------------|--------------------------------|----------------------------|-----------------------------------|
| Balance as at 1 April 2021 | 21,456 | 19,406 | 8,170 | 1,420 | 1,606 | 52,058 | 155,652 | 207,709 |
| Total Comprehensive Income and Expenditure | (12,015) | 6,074 | 0 | 0 | 0 | (5,941) | 51,939 | 45,998 |
| Adjustments between accounting basis and funding basis under regulations | 8,775 | (18,129) | 2,295 | 856 | 522 | (5,682) | 5,682 | 0 |
| Increase/(Decrease) in Year | (3,240) | (12,055) | 2,295 | 856 | 522 | (11,622) | 57,620 | 46,000 |
| Balance as at 31 March 2022 | 18,216 | 7,351 | 10,465 | 2,276 | 2,128 | 40,436 | 213,271 | 253,707 |
| Total Comprehensive Income and Expenditure | (3,302) | (3,078) | 0 | 0 | 0 | (6,380) | 78,640 | 72,261 |
| Adjustments between accounting basis and funding basis under regulations | (1,048) | 3,103 | (71) | 633 | 161 | 2,778 | (2,778) | 0 |
| Increase/(Decrease) in Year | (4,350) | 25 | (71) | 633 | 161 | (3,601) | 75,862 | 72,261 |
| Balance at 31 March 2023 carried forward | 13,866 | 7,376 | 10,394 | 2,910 | 2,290 | 36,835 | 289,133 | 325,968 |

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories.

The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.

The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

The council has £3.5m LOBO (Lender Option, Borrower Option) loan where the lender has the option on set dates to propose an increase in the rate payable; The council will then have the option to accept the new rate or repay the loan without penalty. The lender therefore has the effective right to demand repayment and these loans are therefore shown in the Balance Sheet as Short Term Borrowing. The loan option date is every 6 months from loan inception.

| 31 March 2022 | | NOTES | 31 March 2023 | |
|------------------|-----------------------------------|-------|---------------|-----------------|
| £'000 | | | £'000 | £'000 |
| 346,150 | Property Plant and Equipment | 8 | 368,975 | |
| 10,049 | Investment Property | 9 | 8,906 | |
| 201 | Intangible Assets | | 870 | |
| 725 | Heritage Assets | | 709 | |
| 0 | Assets Held For Sale | | 0 | |
| 1,575 | Surplus Assets | 8 | 198 | |
| 0 | Long Term Investments | | 0 | |
| 0 | Long Term Debtors | | 1,043 | |
| 358,700 | Long Term Assets | | | 380,701 |
| 26,000 | Short Term Investments | | 39,000 | |
| 160 | Inventories | | 138 | |
| 6,896 | Short Term Debtors | 10 | 10,172 | |
| 22,221 | Cash and Cash Equivalents | 11 | 4,495 | |
| 55,277 | Current Assets | | | 53,805 |
| (5,706) | Short Term Borrowing | | (2,741) | |
| (37,475) | Short Term Creditors | 12 | (36,135) | |
| (2,160) | Provisions | | (1,827) | |
| (45,341) | Current Liabilities | | | (40,703) |
| (59,549) | Long Term Borrowing | | (60,309) | |
| (48,176) | Other Long Term Liabilities | | 0 | |
| (374) | Revenue Grants Receipt In Advance | | (283) | |
| (6,754) | Capital Grants Receipt In Advance | | (7,183) | |
| (75) | Deferred Liabilities | | (61) | |
| (114,928) | Long Term Liabilities | | | (67,835) |
| 253,708 | Net Assets | | | 325,968 |
| 18,216 | General Fund Balance | | 13,866 | |
| 7,351 | Housing Revenue Account | | 7,376 | |
| 10,465 | Capital Receipts Reserve | | 10,394 | |
| 2,276 | Major Repairs Reserve | | 2,910 | |
| 2,128 | Capital Grants Unapplied | | 2,290 | |
| 40,436 | Usable Reserves | | | 36,835 |

Balance Sheet

| 31 March 2022 | | NOTES | 31 March 2023 | |
|----------------|--|-------|---------------|----------------|
| £'000 | | | £'000 | £'000 |
| 121,685 | Revaluation Reserve | 14 | 142,813 | |
| 142,589 | Capital Adjustment Account | 14 | 145,010 | |
| (1,239) | Financial Instruments Adjustment Account | 14 | (1,210) | |
| (48,176) | Pension Reserve | 14 | 1,043 | |
| (1,059) | Collection Fund Adjustment Account | 14 | 2,006 | |
| (528) | Accumulated Absences Account | 14 | (528) | |
| 213,272 | Unusable Reserves | | | 289,133 |
| 253,708 | Total Reserves | | | 325,968 |

Cash Flow Statement

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

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

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

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

| Direct Method | | | |
|----------------------|---|--------------|-----------------|
| 2021/22 | | NOTES | 2022/23 |
| £'000 | | | £'000 |
| (5,941) | Net surplus or (deficit) on the provision of services | | (6,380) |
| 38,403 | Adjustments to net surplus or deficit on the provision of services for non-cash movements | 15 | 11,724 |
| (3,805) | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 15 | (9,978) |
| 28,658 | Net Cash flows from operating activities | | (4,633) |
| (15,700) | Net Cash flows from Investing Activities | 16 | (20,943) |
| (11,631) | Net Cash flows from Financing Activities | 17 | 7,850 |
| 1,326 | Net increase or (decrease) in cash and cash equivalents | | (17,727) |
| 20,894 | Cash and cash equivalents at the beginning of the reporting period | | 22,221 |
| 22,221 | Cash and cash equivalents at the end of the reporting period | 11 | 4,495 |

Section 3 Notes to the Core Financial Statements

Notes to core financial statement

1 Critical Judgements In Applying Accounting Policies

In applying the accounting policies set out in Section 3, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statements of Accounts are:

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

2 Assumptions Made About The Future and Other Major Sources of Estimation Uncertainty

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

The items in the Council's Balance Sheet at 31 March 2023 for which there is a significant risk of adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if actual results differ from assumptions |
|-------------------------------|--|--|
| Property, Plant and Equipment | Asset valuations for the council's property portfolio are based on market prices and are reviewed annually to ensure that the Council does not materially misstate its non-current assets. The Council's external valuers provided valuations as at 31 March 2023. The carrying value of Property, Plant and Equipment at 31 March 2023 is £369m. | A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and/or a loss as appropriate in the Comprehensive Income and Expenditure Statement. If the value of the Council's properties were to reduce by 10%, this would result in a charge to the Comprehensive Income and Expenditure Statement and/or Revaluation Reserve of approximately of £36.9m. |

Notes to core financial statement

| Item | Uncertainties | Effect if actual results differ from assumptions |
|----------------------------------|---|---|
| Pensions Asset | <p>Estimation of the net pension asset depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. An independent firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied, although ultimate responsibility for forming these assumptions remains with the Authority.</p> <p>The carrying amount of the net pension asset at 31 March 2023 is £1.04m.</p> | <p>The effects on the net pensions asset are included in Note 28. The Council's actuaries provide an annual statement of the pension liabilities and assets, which includes the liability linked to leisure staff that were transferred to Everyone Active In May 2019. The Council's actuaries have advised that during the 2022/23 year, the net pensions liability had decreased so much so that it is now an asset.</p> |
| Business Rates Appeals Provision | <p>Since the 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in proportion to their share (40%).</p> <p>The council experienced a reasonably high level of appeals against the 2010 revaluation of business hereditaments. Most of these appeals have been resolved with £0.08m remaining outstanding with the Valuation Office Agency at 31 March 2023.</p> <p>The new Check, Challenge and Appeal process has resulted in much lower appeals being submitted in relation to the 2017 Valuation List. There was £6.2m outstanding with the Valuation Office Agency at 31 March 2023.</p> <p>An appeals provision of £4.6m is held in the Collection Fund currently to counter the potential impact of successful appeals in future years.</p> | <p>If the estimated success rate of existing appeals increased in monetary value by 10%, then this would require the Council to increase it's share of the provision for appeals by an approximate £80k.</p> |
| Arrears | <p>Each year the Council reviews the significant balances for Council Tax, Business Rates and sundry debtor arrears. Officers make a judgement on the likelihood of these debts being repaid in the future based on a number of factors, including the age of debts, past experience and the economic climate. We cannot be certain that the current allowance will be sufficient.</p> | <p>If collection rates were to deteriorate, a doubling of the amount of impairment of doubtful debts would require an additional £860k for Council Tax debts, and £351k for business rates to be set aside as an allowance.</p> |

2023

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

Notes to core financial statement

3 Adjustments between Accounting Basis and Funding Basis under Regulations

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

| | Usable Reserves | | | | | Movement in Unusable Reserves £'000 |
|---|-------------------------------|----------------------------------|-----------------------------------|---------------------------------|-----------------------------------|--|
| | General Fund Balance £'000 | Housing Revenue Account £'000 | Capital Receipts Reserve £'000 | Major Repairs Reserves £'000 | Capital Grants Unapplied £'000 | |
| 2022/23 | | | | | | |
| Adjustments primarily involving the Capital Adjustment Account: | | | | | | |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | |
| Charges for depreciation and impairment of non current assets | 771 | 3,484 | | | | (4,255) |
| Revaluation gains and (losses) on Property Plant and Equipment | 0 | 4,479 | | | | (4,479) |
| Movements in the market value of Investment Properties | 1,154 | | | | | (1,154) |
| Amortisation of intangible assets | 52 | | | | | (52) |
| Depreciation of Heritage Assets | 15 | | | | | (15) |
| Capital grants and contributions applied | (593) | (150) | | | | 743 |
| Transfer of depreciation to Major Repairs Account | | (3,439) | | 3,439 | | 0 |
| Revenue expenditure funded from capital under statute | 1,390 | 0 | | | | (1,390) |
| Recognition of DFG debtor | | | | | | 0 |
| Principal Repaid on Self Financing Loans | | (1,206) | | | | 1,206 |
| Amount of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 1,206 | 3,168 | | | | (4,374) |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | |
| Statutory provision for the financing of capital investment | (1,382) | | | | | 1,382 |
| Capital expenditure charged against the General Fund and HRA balances | (5,233) | (816) | | | | 6,049 |
| Adjustments primarily involving the Capital Grants Unapplied Account: | | | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | (161) | 0 | | | 161 | 0 |

Notes to core financial statement

| 2022/23 - continued | Usable Reserves | | | | | Movement in Unusable Reserves £'000 |
|---|-------------------------------|----------------------------------|-----------------------------------|---------------------------------|-----------------------------------|--|
| | General Fund Balance £'000 | Housing Revenue Account £'000 | Capital Receipts Reserve £'000 | Major Repairs Reserves £'000 | Capital Grants Unapplied £'000 | |
| Adjustments primarily involving the Capital Receipts Reserve: | | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (39) | (3,147) | 3,186 | | | 0 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | | (3,275) | | | 3,275 |
| Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals | 0 | 0 | 0 | | | 0 |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool | 0 | | 0 | | | 0 |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | | (18) | 18 | | | 0 |
| Adjustments primarily involving the Deferred Capital Receipts Reserve: | | | | | | |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 0 | 0 | | | | 0 |
| Adjustment involving the Major Repairs Reserve: | | | | | | |
| Use of the Major Repairs Reserve to finance new capital expenditure | | | | (2,806) | | 2,806 |
| Adjustments involving the Financial Instruments Adjustment Account: | | | | | | |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory | (29) | 0 | | | | 29 |
| Adjustments involving the Pensions Reserve: | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | 7,027 | 1,640 | | | | (8,667) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (2,159) | (893) | | | | 3,052 |
| 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 | | | | | | |
| | (3,066) | | | | | 3,066 |

Notes to core financial statement

| 2022/23 - continued | Usable Reserves | | | | | Movement in Unusable Reserves £'000 |
|--|-------------------------------|----------------------------------|-----------------------------------|---------------------------------|-----------------------------------|--|
| | General Fund Balance £'000 | Housing Revenue Account £'000 | Capital Receipts Reserve £'000 | Major Repairs Reserves £'000 | Capital Grants Unapplied £'000 | |
| Adjustments involving the Accumulated Absences Account: | | | | | | |
| Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 0 | | | | | 0 |
| Adjustments involving the Collection Fund Adjustment Account: | | | | | | |
| Total Adjustments | (1,048) | 3,103 | (71) | 633 | 161 | (2,778) |

Notes to core financial statement

| 2021/22 | Usable Reserves | | | | | Movement in Unusable Reserves £'000 |
|---|-------------------------------|----------------------------------|-----------------------------------|---------------------------------|-----------------------------------|--|
| | General Fund Balance £'000 | Housing Revenue Account £'000 | Capital Receipts Reserve £'000 | Major Repairs Reserves £'000 | Capital Grants Unapplied £'000 | |
| Adjustments primarily involving the Capital Adjustment Account: | | | | | | |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | |
| Charges for depreciation and impairment of non current assets | 956 | 3,155 | | | | (4,111) |
| Revaluation losses/(gains) on Property Plant and Equipment | 941 | (829) | | | | (112) |
| Movements in the market value of Investment Properties | 328 | | | | | (328) |
| Amortisation of intangible assets | 78 | | | | | (78) |
| Depreciation of Heritage Assets | 13 | | | | | (13) |
| Asset recognitions | | | | | | |
| Capital grants and contributions applied | (714) | (336) | | | | 1,050 |
| Transfer of depreciation to Major Repairs Account | | (3,099) | | 3,099 | | 0 |
| Revenue expenditure funded from capital under statute | 491 | | | | | (491) |
| Recognition of DFG debtor | | | | | | |
| Principal Repaid on Self Financing Loans | | (14,180) | | | | 14,180 |
| Amount of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 6,233 | 3,163 | | | | (9,396) |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | |
| Statutory provision for the financing of capital investment | (962) | | | | | 962 |
| Capital expenditure charged against the General Fund and HRA balances | (44) | (2,193) | | | | 2,237 |
| Adjustments primarily involving the Capital Grants Unapplied Account: | | | | | | |
| Statement | 425 | (947) | | | 522 | 0 |
| Adjustments primarily involving the Capital Receipts Reserve: | | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (505) | (3,914) | 4,419 | | | 0 |

Notes to core financial statement

| 2021/22 | Usable Reserves | | | | | Movement in Unusable Reserves £'000 |
|---|-------------------------------|----------------------------------|-----------------------------------|---------------------------------|-----------------------------------|--|
| | General Fund Balance £'000 | Housing Revenue Account £'000 | Capital Receipts Reserve £'000 | Major Repairs Reserves £'000 | Capital Grants Unapplied £'000 | |
| Use of the Capital Receipts Reserve to finance new capital expenditure disposals | | | (1,490) | | | 1,490 |
| receipts pool | 0 | 57 | (57) | | | 0 |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | 593 | | (593) | | | 0 |
| | | (16) | 16 | | | 0 |
| Adjustment involving the Major Repairs Reserve: | | | | | | |
| Use of the Major Repairs Reserve to finance new capital expenditure | | | | (2,243) | | 2,243 |
| Adjustments involving the Financial Instruments Adjustment Account: | | | | | | |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory | 18 | 0 | | | | (18) |
| Adjustments involving the Pensions Reserve: | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | 7,258 | 1,827 | | | | (9,085) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (2,033) | (873) | | | | 2,906 |
| Adjustments involving the Collection Fund Adjustment Account: | | | | | | |
| 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 | (4,503) | | | | | 4,503 |
| Adjustments involving the Accumulated Absences Account: | | | | | | |
| 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 | 202 | 56 | | | | (258) |
| Total Adjustments | 8,775 | (18,129) | 2,295 | 856 | 522 | 5,682 |

Notes to core financial statement

4 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans into the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2022/23.

| | Balance at 31/3/2021 £'000 | Transfers Out 2021/22 £'000 | Transfers In 2021/22 £'000 | Balance at 31/3/2022 £'000 | Transfers Out 2022/23 £'000 | Transfers In 2022/23 £'000 | Balance at 31/3/2023 £'000 |
|--|-------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| General Fund: | | | | | | | |
| General reserves | 13,413 | (5,570) | 1,317 | 9,160 | (6,592) | 3,328 | 5,896 |
| Ivanhoe Sinking Fund | 6 | 0 | 0 | 6 | (6) | 0 | 0 |
| Hermitage Recreation Ground - 3G Pitch | (11) | 0 | 11 | 0 | 0 | 0 | 0 |
| Hermitage Recreation Ground Mtce Fund | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Asset Protection Fund | 216 | (205) | 0 | 11 | (11) | 0 | (0) |
| Total | 13,624 | (5,775) | 1,328 | 9,177 | (6,609) | 3,328 | 5,896 |
| HRA: | | | | | | | |
| General Earmarked Reserves | 81 | (18) | 446 | 510 | (395) | 0 | 115 |
| Total | 81 | (18) | 446 | 510 | (395) | 0 | 115 |

Notes to core financial statement

5 Other Operating Expenditure

| 2021/22 £'000 | | 2022/23 £'000 |
|------------------|--|------------------|
| 2,403 | Parish Council Precepts | 2,528 |
| 593 | Payments to the Government Housing Capital Receipts Pool | 0 |
| 4,977 | (Gains)/losses on the disposal of non current assets | 1,188 |
| 7,973 | Total | 3,716 |

6 Financing and Investment Income and Expenditure

| 2021/22 £'000 | | 2022/23 £'000 |
|------------------|---|------------------|
| 2,683 | Interest payable and similar charges | 2,711 |
| 1,314 | Pensions interest cost and expected return on pensions assets | 1,357 |
| (47) | Interest receivable and similar income | (1,200) |
| 403 | Income and expenditure in relation to investment properties | 1,362 |
| 4,353 | Total | 4,230 |

7 Taxation and Non-Specific Grant Income

| 2021/22 £'000 | | 2022/23 £'000 |
|------------------|-----------------------------------|------------------|
| (8,533) | Council tax income | (8,839) |
| (9,385) | Non domestic rates | (13,256) |
| (3,698) | Non-ring fenced government grants | (2,589) |
| (3,168) | Capital grants and contributions | (1,306) |
| (24,783) | Total | (25,990) |

Notes to core financial statement

8 Movements on Assets

| Costs | Costs | | | | | | Surplus Assets £'000 |
|--|---------------------------|-----------------------------------|--|---------------------------|------------------------------------|---|-------------------------|
| | Council Dwelling £'000 | Other Land and Buildings £'000 | Vehicle, Plant, Furniture and Equipment £'000 | Community Assets £'000 | Assets Under Construction £'000 | Total Property Plant and Equipment £'000 | |
| Cost or Valuation | | | | | | | |
| At 1 April 2022 | 294,797 | 48,287 | 9,039 | 0 | 1,126 | 353,250 | 1,575 |
| Additions | 5,145 | 673 | 521 | | 5,029 | 11,368 | 104 |
| Accumulated impairment & depreciation written-off to Gross book Value | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 18,231 | 2,330 | 0 | 0 | 0 | 20,561 | 0 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 527 | (112) | 0 | 0 | 0 | 415 | 0 |
| Derecognition - Disposals | (3,047) | (157) | (217) | 0 | 0 | (3,420) | (1,206) |
| Derecognition - Other | (5,039) | (20) | 0 | 0 | 0 | (5,059) | 0 |
| Assets reclassified | 1,660 | 275 | 0 | 0 | (2,382) | (447) | (275) |
| At 31 March 2023 | 312,275 | 51,276 | 9,343 | 0 | 3,773 | 376,668 | 198 |

Notes to core financial statement

| Accumulated Depreciation and Impairment | Council | Other | Vehicle, Plant, Furniture and | Community | Assets | Total | Surplus Assets £'000 |
|--|-------------------|--------------------------------|--|-----------------|------------------------------------|---|----------------------------|
| | Dwelling £'000 | Land and Buildings £'000 | Equipment £'000 | Assets £'000 | Under Constructi on £'000 | Property Plant and Equipment £'000 | |
| At 1 April 2022 | 0 | 0 | (7,099) | 0 | 0 | (7,099) | 0 |
| Depreciation charge | (3,439) | (200) | (616) | | | (4,255) | 0 |
| Accumulated depreciation written-off to Gross book value | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation written out to the Revaluation Reserve | 3,240 | 5 | 0 | 0 | 0 | 3,245 | 0 |
| Depreciation written out to the Surplus/ Deficit on the Provision of Services | 164 | 1 | 0 | 0 | 0 | 164 | 0 |
| Impairment losses/(reversals) recognised in the Revaluation Reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Derecognition - Disposals | 36 | 1 | 217 | 0 | 0 | 253 | 0 |
| Derecognition - Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2023 | 0 | (194) | (7,498) | 0 | 0 | (7,692) | 0 |
| Net Book Value | | | | | | | |
| At 31 March 2023 | 312,274 | 51,082 | 1,845 | 0 | 3,774 | 368,975 | 198 |
| At 31 March 2022 | 294,797 | 48,287 | 1,939 | 0 | 1,126 | 346,150 | 1,575 |

Notes to core financial statement

Comparative Movements

| Costs | Council | Other | Vehicle, Plant, Furniture and | Community | Assets | Total | Surplus Assets £'000 |
|--|-------------------|--------------------------------|--|-----------------|------------------------------------|---|----------------------------|
| | Dwelling £'000 | Land and Buildings £'000 | Equipment £'000 | Assets £'000 | Under Constructi on £'000 | Property Plant and Equipment £'000 | |
| Cost or Valuation | | | | | | | |
| At 1 April 2021 | 265,644 | 26,854 | 8,864 | 0 | 10,725 | 312,087 | 0 |
| Additions | 4,769 | 13,485 | 175 | 0 | 1,026 | 19,455 | 0 |
| Accumulated impairment & depreciation written-off to Gross book | | (299) | 0 | 0 | 0 | (299) | 0 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 27,101 | 822 | 0 | 0 | 0 | 27,923 | 0 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 483 | (1,058) | 0 | 0 | 0 | (574) | 0 |
| Derecognition - Disposals | (3,200) | 0 | 0 | 0 | 0 | (3,200) | 0 |
| Derecognition - Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Assets reclassified | 0 | 8,483 | 0 | | (10,625) | (2,142) | 1,575 |
| At 31 March 2022 | 294,797 | 48,287 | 9,039 | 0 | 1,126 | 353,250 | 1,575 |

Notes to core financial statement

Comparative Movements

| Accumulated Depreciation and Impairment | Council Dwelling £'000 | Other Land and Buildings £'000 | Vehicle, Plant, Furniture and Equipment £'000 | Community Assets £'000 | Assets Under Construction £'000 | Total Property Plant and Equipment £'000 | Surplus Assets £'000 |
|--|---------------------------|-----------------------------------|--|---------------------------|------------------------------------|---|-------------------------|
| At 1 April 2021 | 0 | 0 | (6,392) | 0 | 0 | (6,392) | 0 |
| Depreciation charge | (3,099) | (305) | (707) | 0 | 0 | (4,111) | 0 |
| Accumulated depreciation written-off to Gross book value | 0 | 299 | 0 | 0 | 0 | 299 | 0 |
| Depreciation written out to the Revaluation Reserve | 2,711 | 5 | 0 | 0 | 0 | 2,716 | 0 |
| Depreciation written out to the Surplus/ Deficit on the Provision of Services | 351 | 1 | 0 | 0 | 0 | 352 | 0 |
| Impairment losses/(reversals) recognised in the Revaluation Reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Derecognition - Disposals | 37 | 0 | 0 | 0 | 0 | 37 | 0 |
| Derecognition - Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2022 | (0) | 0 | (7,099) | 0 | 0 | (7,099) | 0 |

Notes to core financial statement

Fixed Assets Valuation

The fixed assets shown in the Balance Sheet are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institute of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the Code of Practice. The different types of assets have been valued on the following basis:

(i) Operational assets are included in the balance sheet at open market value in existing use or depreciated replacement cost where the asset is of a specialist nature, i.e. there is no market for such an asset.

(ii) Non-operational assets, including investment properties and assets that are surplus to requirements, are included in the balance sheet at open market value.

(iii) Infrastructure and community assets are included in the balance sheet at historic cost, net of any depreciation.

(iv) Council dwellings have been valued using the beacon principal, where a typical property is valued as being representative of a particular house type and location. The valuation for each of the beacon properties selected was on the basis of existing use value – Social Housing.

| Category | Date of Last Valuation | Basis of Valuation | Details of Valuers |
|-----------------------|------------------------|---|--|
| Council Dwellings | 31.03.23 | The valuations have been made in accordance with the RICS Appraisal and Valuation manual as published by the Royal Institute of Chartered Surveyors. In the case of housing stock this is based upon Existing Use Value for Social Housing. | Mr G Harbord (MA,MRICS,IRRV) Wilks Head and Eve |
| Other Land & Building | 31.03.23 | The valuations have been made in accordance with the RICS Appraisal and Valuation manual as published by the Royal Institute of Chartered Surveyors. | Mr G Harbord (MA,MRICS,IRRV) Wilks Head and Eve |

Major fixed assets held at 31 March 2023, are:-

| | 2021/22 No | | 2022/23 No |
|--------------------------|---------------|-----------------------------------|---------------|
| Leisure Centres | | | |
| | 2 | Leisure Centres with Pools | 2 |
| | 2 | Markets | 2 |
| | 4 | Cemeteries | 4 |
| Council dwellings | | | |
| | 2,404 | Houses | 2,381 |
| | 928 | Flats and Maisonettes | 920 |
| | 816 | Bungalows | 820 |
| Land | | | |
| | 108 | Parks and Open Spaces (acres) | 108 |
| Other | | | |
| | 1 | Office Properties | 1 |
| | 3 | Depots | 3 |
| | 17 | Off Street Car Parks | 18 |
| | 5 | Public Conveniences | 4 |
| | 12 | Industrial Estates/Business Units | 12 |

Notes to core financial statement

9 Investment Properties

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.

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

| 2021/22 £'000 | 2022/23 £'000 |
|--|------------------|
| 692 Rental income from investment property | 701 |
| (1,095) Direct operating expenses arising from investment property | (2,063) |
| (403) Net gain/(loss) | (1,362) |

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

| 2020/21 £'000 | 2022/23 £'000 |
|--|------------------|
| 15,186 Balance at the start of the year | 10,049 |
| Additions: | |
| 0 Purchases | 0 |
| 0 Construction | 0 |
| 858 Subsequent expenditure | 11 |
| (6,233) Disposals | 0 |
| (328) Net gains/(losses) from fair value adjustments | (1,154) |
| Transfers: | |
| 0 To/from Inventories | 0 |
| 566 To/from Property, Plant and Equipment | 0 |
| 0 Other changes | 0 |
| 10,049 Balance at the end of the year | 8,906 |

Notes to core financial statement

10 Short-Term Debtors

| 31 March 2022 £'000 | | 31 March 2023 £'000 |
|------------------------|---------------------------------------|------------------------|
| 884 | Central Government bodies | 2,079 |
| 3,751 | Other local authorities | 5,448 |
| 0 | NHS bodies | 0 |
| 0 | Public Corporations and trading funds | 145 |
| 2,261 | Other entities and individuals | 2,500 |
| 6,896 | Total Short-Term Debtors | 10,172 |

11 Cash and Cash Equivalents

| 31 March 2022 £'000 | | 31 March 2023 £'000 |
|------------------------|--|------------------------|
| 2 | Cash held by the Council | 0 |
| (781) | Bank current accounts | 385 |
| 23,000 | Short-term deposits and Money Market Funds | 4,110 |
| 22,221 | Total Cash and Cash Equivalents | 4,495 |

12 Short-Term Creditors

| 31 March 2022 £'000 | | 31 March 2023 £'000 |
|------------------------|---------------------------------------|------------------------|
| 21,528 | Central Government bodies | 12,999 |
| 11,789 | Other local authorities | 18,654 |
| 0 | NHS bodies | 0 |
| 183 | Public Corporations and trading funds | 334 |
| 3,975 | Other entities and individuals | 4,148 |
| 37,475 | Total Short-Term Creditors | 36,135 |

Notes to core financial statement

13 Usable Reserves

The Council's usable reserves are detailed in the Movement in Reserves Statement.

14 Unusable Reserves

| 31 March 2022 £'000 | | 31 March 2023 £'000 |
|------------------------|--|------------------------|
| 121,685 | Revaluation Reserve | 142,813 |
| 142,589 | Capital Adjustment Account | 145,010 |
| (1,239) | Financial Instruments Adjustment Account | (1,210) |
| (48,176) | Pensions Reserve | 1,043 |
| (1,059) | Collection Fund Adjustment Account | 2,006 |
| (528) | Accumulated Absences Account | (528) |
| 213,272 | Total Unusable Reserves | 289,133 |

Revaluation Reserve

| 2021/22 £'000 | | 2022/23 £'000 |
|------------------|--|------------------|
| 93,520 | Balance at 1 April | 121,685 |
| 30,864 | Upward revaluation of assets | 23,982 |
| (224) | of assets and | (175) |
| 30,641 | Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | 23,806 |
| (1,436) | Difference between fair value depreciation and historical cost depreciation | (1,634) |
| (1,040) | Accumulated gains on assets sold or scrapped | (1,044) |
| (2,476) | Amount written off to the Capital Adjustment Account | (2,678) |
| 121,685 | Balance at 31 March | 142,813 |

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its 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 that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Notes to core financial statement

Capital Adjustment Account

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

The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling posting from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

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

| | 2021/22 £'000 | 2022/23 £'000 | 2022/23 £'000 |
|---|------------------|------------------|------------------|
| 132,479 Balance at 1 April | | | 142,589 |
| Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | | | |
| (4,125) Charges for depreciation and impairment of non-current assets | | (4,269) | |
| (113) Revaluation (losses)/gain on Property, Plant and Equipment | | (4,480) | |
| (78) Amortisation of Intangible assets | | (52) | |
| (491) Revenue expenditure funded from capital under statute | | (1,390) | |
| (9,396) Amounts of non current assets written off on disposal or sale as part of the gains/loss on disposal to the Comprehensive Income and Expenditure Statement | | (4,374) | |
| 1,040 Write-out of gains relating to revalued disposed assets | | 1,044 | |
| 1,436 Write-out of depreciation on revalued assets (HCA) | | 1,634 | |
| | (11,726) | | (11,887) |
| Capital financing applied in the year: | | | |
| 1,490 Use of Capital Receipts Reserve to finance new capital expenditure | | 3,275 | |
| 2,242 Use of the Major Repairs Reserve to finance new capital expenditure | | 2,806 | |
| 537 Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | | 743 | |
| 14,180 Repayment of Debt | | 1,206 | |
| 516 Application of grants to capital financing from the Capital Grants Unapplied Account | | 0 | |
| 962 Statutory provision for the financing of capital investment charged against the General Fund and HRA balances | | 1,382 | |
| 2,237 Capital expenditure charged against the General Fund and HRA balances | | 6,049 | |
| | 22,164 | | 15,461 |
| (328) Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | | | (1,154) |
| 0 Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement | | | 0 |
| 142,589 Balance at 31 March | | | 145,010 |

Notes to core financial statement

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. The Council accounts for post employee benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible.

The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

| 2021/22 | 2022/23 |
|--|-----------------|
| £'000 | £'000 |
| (63,294) Balance at 1 April | (48,176) |
| 21,298 Actuarial gains or losses on pensions assets and liabilities | 54,834 |
| (9,085) Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | (8,667) |
| 2,905 Employer's pensions contributions and direct payments to pensioners payable in the year | 3,052 |
| (48,176) Balance at 31 March | 1,043 |

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

Notes to core financial statement

| 2021/22 £'000 | 2022/23 £'000 |
|--|------------------|
| (1,221) Balance at 1 April | (1,239) |
| 0 Premiums incurred in the year and charged to the Comprehensive Income and Expenditure | |
| 2 Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements | 23 |
| (20) Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | 7 |
| (1,239) Balance at 31 March | (1,210) |

Collection Fund Adjustment Account

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

Council Tax

| 2021/22 £'000 | 2022/23 £'000 |
|--|------------------|
| (96) Balance at 1 April | 84 |
| Statement is different from council tax income calculated for the year in accordance with statutory requirements | (61) |
| 84 Balance at 31 March | 23 |

Non-Domestic Rates

| 2021/22 £'000 | 2022/23 £'000 |
|---|------------------|
| (5,466) Balance at 1 April | (1,143) |
| Amount by which Non-Domestic Rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | 3,127 |
| (1,143) Balance at 31 March | 1,983 |

Notes to core financial statement

Accumulated Absences Account

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

| 2021/22 £'000 | 2022/23 £'000 |
|---|------------------|
| (270) Balance at 1 April | (528) |
| Settlement or cancellation of accrual made at the end of the preceding year | |
| (258) Amounts accrued at the end of the current year | 0 |
| 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 | 0 |
| (528) Balance at 31 March | (528) |

Notes to core financial statement

15 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

| 2021/22 | 2022/23 |
|-----------------------|----------------|
| £'000 | £'000 |
| 47 Interest received | 1,200 |
| (2,683) Interest paid | (2,711) |
| 0 Dividends received | 0 |
| (2,636) | (1,511) |

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

| 2021/22 | 2022/23 |
|--|---------------|
| £'000 | £'000 |
| 4,125 Depreciation | 4,269 |
| 113 Impairment and downward valuations | 5,015 |
| 78 Amortisation | 52 |
| 10,003 Increase/(decrease) in creditors | (10,155) |
| 7,266 (Increase)/decrease in debtors | (3,276) |
| (10) (Increase)/decrease in inventories | 22 |
| 6,954 Movement in pension liability | 5,615 |
| 9,396 Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised | 9,685 |
| 478 Other non-cash items charged to the net surplus or deficit on the provision of services | 497 |
| 38,403 | 11,724 |

Notes to core financial statement

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

| 2021/22 | 2022/23 |
|--|----------------|
| £'000 | £'000 |
| 3,000 Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries) | 0 |
| (4,435) Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (3,186) |
| (2,370) Any other items for which the cash effects are investing or financing cash flows | (6,792) |
| (3,805) | (9,978) |

16 Cash Flow Statement - Investing Activities

| 2021/22 | 2022/23 |
|--|-----------------|
| £'000 | £'000 |
| (21,043) Purchase of property, plant and equipment, investment property and intangible assets | (12,018) |
| 0 Purchase of short-term and long-term investments | (13,000) |
| 4,435 Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 3,186 |
| 908 Other receipts from investing activities | 889 |
| (15,700) Net cash flows from investing activities | (20,943) |

17 Cash Flow Statement - Financing Activities

| 2021/22 | 2022/23 |
|--|--------------|
| £'000 | £'000 |
| (14,244) Repayments of short- and long-term borrowing | (2,214) |
| 2,613 Other payments for financing activities | 10,064 |
| (11,631) Net cash flows from financing activities | 7,850 |

Notes to core financial statement

18 Expenditure and Income Analysed by Nature

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

| 2021/22 £'000 | Expenditure/Income | 2022/23 £'000 |
|--------------------|--|------------------|
| Expenditure | | |
| 26,713 | Employee expenses | 27,860 |
| 36,603 | Other services expenses | 27,104 |
| 5,297 | Depreciation, amortisation, impairment | 10,311 |
| 1,314 | Net pension interest | 1,357 |
| 2,683 | Interest payments | 2,711 |
| 2,403 | Precepts and levies | 2,528 |
| 593 | Payments to Housing Capital Receipts Pool | 0 |
| 4,977 | (Gain) / Loss on the disposal of assets | 1,188 |
| 80,582 | Total Expenditure | 73,060 |
| Income | | |
| (34,504) | Fees, charges and other service income | (26,382) |
| (47) | Interest and investment income | (1,200) |
| (17,917) | Income from Council Tax and Non-Domestic Rates | (22,075) |
| (18,795) | Government Grants and Contributions | (15,718) |
| (3,377) | Capital Grants and Contributions | (1,306) |
| (74,641) | Total Income | (66,680) |
| 5,941 | (Surplus) or deficit on the Provision of Services | 6,380 |

Notes to core financial statement

External income received by service

| 2021/22 £'000 | 2022/23 £'000 |
|---|------------------|
| (5) Chief Executive | (16) |
| (17) Human Resources & Organisational Development | (252) |
| (379) Legal & Support Services | (3,109) |
| (2,869) Community Services (Including Director of Services) | (1,072) |
| (1,727) Planning | (36) |
| (69) Economic Development | (127) |
| (289) Joint Strategic Planning | 0 |
| (13) ICT | (12) |
| (1,454) Revenues & Benefits | (1,079) |
| (664) Property Services | (670) |
| (174) Housing (General Fund) | (175) |
| (0) Customer Services | (55) |
| (36) Finance | (290) |
| (20) Corporate & Democratic Core | 0 |
| 0 Non Distributed Costs | 0 |
| (26,767) Housing Revenue Account | (19,488) |
| (34,484) Total external income in Cost of Services | (26,382) |
| (3,377) Other income and Expenditure (Capital grants) | (1,306) |
| (37,860) Total external income | (27,688) |

Notes to core financial statement

19 Members' Allowances

The total value of Members Allowances paid during 2022/23 was £303,656 (2021/22: £295,291).

20 Officers' Remuneration

The table below shows the number of employees whose remuneration (including redundancy payments but excluding pension contribution) was £50,000 or above.

| 2021/22 No of employees | Remuneration Band | 2022/23 No of employees |
|----------------------------|---------------------|----------------------------|
| 9 | £50,000 - £54,999 | 9 |
| 4 | £55,000 - £59,999 | 5 |
| 2 | £60,000 - £64,999 | 2 |
| 3 | £65,000 - £69,999 | 1 |
| 3 | £70,000 - £74,999 | 4 |
| 0 | £75,000 - £79,999 | 0 |
| 0 | £80,000 - £84,999 | 1 |
| 0 | £85,000 - £89,999 | 0 |
| 2 | £90,000 - £94,999 | 0 |
| 0 | £95,000 - £99,999 | 2 |
| 0 | £100,000 - £104,999 | 0 |
| 0 | £105,000 - £109,999 | 0 |
| 0 | £110,000 - £114,999 | 0 |
| 0 | £115,000 - £119,999 | 0 |
| 0 | £120,000 - £124,999 | 0 |
| 1 | £125,000 - £129,999 | 0 |

Notes to core financial statement

2022/23 Senior Officers emoluments - salary is between £50,000 and £150,000 per year

| Post information (Post title) | Note | Salary £ | Bonus £ | Compensation (loss of emp) £ | Other £ | Total exc Pension £ | Employers Pension £ | Total inc Pension £ |
|---|------|-------------|------------|------------------------------------|------------|---------------------------|---------------------------|---------------------------|
| Chief Executive | 1 | 13,314 | | | 323 | 13,637 | 3,034 | 16,671 |
| Chief Executive | 2 | 81,036 | | | 2,580 | 83,617 | 21,782 | 105,399 |
| Strategic Director of Place | | 92,228 | | | 3,174 | 95,402 | 24,933 | 120,334 |
| Strategic Director of Housing & Customer Services | | 92,228 | | | 3,402 | 95,630 | 24,604 | 120,234 |
| Head of Finance | 3 | 31,036 | | | 1,883 | 32,918 | 8,646 | 41,565 |
| Head of Legal & Support Services | | 70,248 | | | 3,438 | 73,686 | 18,968 | 92,654 |
| Head of Community Services | | 70,248 | | | 3,334 | 73,582 | 18,991 | 92,572 |
| Head of Housing | 4 | 12,605 | | | 539 | 13,143 | 3,280 | 16,423 |
| Head of Planning | | 65,376 | | | 9,005 | 74,381 | 17,674 | 92,054 |
| Head of Economic Regeneration | | 64,157 | | | 3,174 | 67,331 | 17,339 | 84,670 |
| Head of Joint Strategic Planning | 5 | 8,670 | | | 529 | 9,199 | 1,957 | 11,156 |
| Head of Joint Strategic Planning | 6 | 33,473 | | | 2,107 | 35,580 | 8,933 | 44,513 |
| Head of HR & Organisation Development | | 66,593 | | | 4,745 | 71,338 | 17,987 | 89,325 |
| | | 701,212 | 0 | 0 | 38,231 | 739,443 | 188,127 | 927,570 |

Note 1: The Chief Executive left on 30/04/2022. The annual salary was £135,469

Note 2: The Chief Executive started on 11/08/2022. The annual salary is £126,662

Note 3: The Head of Finance left on 14/09/2022. The annual salary was £70,247

Note 4: The Head of Housing left on 03/06/2022. The annual salary is £70,247

Note 5: The Head of Joint Strategic Planning left on 11/05/2022. The annual salary was £62,232

Note 6: The Head of Joint Strategic Planning started on 12/09/2022. The annual salary is £60,555

2021/22 Senior Officers emoluments - salary is between £50,000 and £150,000 per year

| Post information (Post title) | Note | Salary £ | Bonus £ | Compensation (loss of emp) £ | Other £ | Total exc Pension £ | Employers Pension £ | Total inc Pension £ |
|---|------|-------------|------------|------------------------------------|------------|---------------------------|---------------------------|---------------------------|
| Chief Executive | | 128,498 | | | 556 | 129,054 | 33,737 | 162,790 |
| Strategic Director of Place | | 88,274 | | | 3,122 | 91,396 | 23,177 | 114,573 |
| Strategic Director of Housing & Customer Services | | 90,303 | | | 3,349 | 93,652 | 23,709 | 117,361 |
| Head of Finance | 1 | 17,569 | | | 2,242 | 19,812 | 9,042 | 28,854 |
| Head of Finance maternity cover | 2 | 48,386 | | | 3,122 | 51,508 | 12,121 | 63,629 |
| Head of Legal & Support Services | | 68,323 | | | 3,428 | 71,751 | 18,246 | 89,997 |
| Head of Community Services | | 68,323 | | | 3,442 | 71,765 | 17,939 | 89,703 |
| Head of Housing | | 68,323 | | | 5,316 | 73,639 | 17,939 | 91,577 |

| | | | | | | | |
|---------------------------------------|---|---------|---|-------|--------|---------|-----------|
| Head of Planning | | 62,232 | | 5,124 | 67,356 | 16,339 | 83,695 |
| Head of Economic Regeneration | | 61,084 | | 3,122 | 64,205 | 16,037 | 80,243 |
| Head of Joint Strategic Planning | | 62,232 | | 3,283 | 65,515 | 16,339 | 81,854 |
| Head of Customer Services | 3 | 14,156 | | 780 | 14,937 | 3,376 | 18,313 |
| Head of HR & Organisation Development | | 63,451 | | 4,934 | 68,385 | 16,660 | 85,045 |
| | | 841,154 | 0 | 0 | 41,819 | 882,973 | 224,662 |
| | | | | | | | 1,107,635 |

Note 1: The Head of Finance left on the 30/1/22. The annual salary was £63,451.

Note 2: Maternity cover for the Head of Finance ended on 18/03/22. The annual salary was £47,817 (£68,323 full time).

Note 3: The Head of Customer Services left on 13/6/21. The annual salary was £63,451.

Notes to core financial statement

21 External Audit Costs

| 2021/22 | | 2022/23 |
|-----------|---|-----------|
| £'000 | | £'000 |
| | Fees payable with regard to external audit services:- | |
| 39 | Mazars LLP | 44 |
| | Fees payable for the certification of grant claims and returns:- | |
| 15 | Mazars LLP | 8 |
| | Fees payable for other assurance work completed in respect of Pooling of Housing capital receipts return: | |
| 3 | Mazars LLP | 3 |
| | Other fees:- | |
| 0 | Mazars LLP - Additional fees for 2020/21 | 37 |
| 0 | Cabinet Office - National Fraud Initiative | 3 |
| 57 | Total | 95 |

22 Contingent Assets

The council disposed of a parcel of land called Cropston Drive to a developer for the building of residential properties. The developer is due to pay the council just over £2.8m in deferred capital receipts for this disposal. This, however, depends on the developer successfully obtaining planning permission for the development and delivering a good number of housing units.

23 Contingent Liabilities

When considering whether the Council has any contingent liabilities to disclose, particular attention has been given to pension liabilities resulting from the outsourcing of our leisure service. In May 2019, the Council entered into a 25 year contract with leisure operator Everyone Active. Everyone Active became liable for pension contributions and additional charges in respect of staff who were TUPE transferred from the Council for the duration of the 25 year contract. The pension admission arrangements meant that those staff who are members of the pension scheme remain pooled with the Council's pension scheme. A bond is in place for the payment of pension liabilities arising up to the sum of £135,000, should Everyone Active have any unpaid liabilities during the term and the Council has provided guarantee to the pension fund administrator to cover unpaid liabilities that are in excess of this bond value. The Council is also responsible for any surplus/deficit arising on the plan at the end of the contract.

There is no expectation that there will be a call on the bond or guarantee but it remains a possibility. As such, the Council has not recognised a provision in respect of any possible unpaid liabilities.

Since staff at Everyone Active are pooled with the Council's pension scheme, any projected deficit (or surplus) arising at the end of the contract is already reflected within the pension liability on the Balance Sheet.

Notes to core financial statement

24 Grant Income

| 2021/22 £'000 | | 2022/23 £'000 |
|---|--------------------------------------|------------------|
| Credited to Taxation and Non Specific Grant Income | | |
| 8,533 | Council Tax Income | 8,838 |
| 9,385 | Non Domestic Rates | 13,236 |
| 0 | Levy Account Surplus | 20 |
| 0 | Services Grant | 166 |
| 550 | Lower Tier Services Grant | 153 |
| 2,452 | New Homes Bonus | 2,218 |
| 696 | Other grants | 52 |
| 3,168 | Capital Grants and Contributions | 1,306 |
| 24,783 | Total | 25,990 |
| Credited to Services | | |
| 10,969 | Housing Benefit Subsidy | 10,697 |
| 184 | Housing Benefit Admin Grant | 185 |
| 84 | Local Council Tax Support Grant | 81 |
| 153 | Cost of Collection | 155 |
| 595 | Homelessness | 750 |
| 0 | UK Shared Prosperity Fund | 148 |
| 0 | Nutrient Neutrality | 100 |
| 1,703 | Covid | 102 |
| 103 | Council Tax Support | 0 |
| 166 | Household Support | 0 |
| 294 | Other Grants under £100k each | 472 |
| 390 | Section 106 | 60 |
| 132 | Sport & Physical Activity | 134 |
| 177 | Other Contributions under £100k each | 286 |
| 14,950 | Total | 13,172 |

Notes to core financial statement

| 31 March 2022 | 31 March 2023 |
|--|---------------|
| £'000 | £'000 |
| Capital Grant Receipts in Advance | |
| 1,207 Affordable Housing - S106 | 1,207 |
| 747 Recreation/Playground - S106 | 784 |
| 415 Healthcare - S106 | 340 |
| 5 CCTV - S106 | 5 |
| 207 Police - S106 | 207 |
| 1,837 Highways - S106 | 1,837 |
| 17 Network Rail - S106 | 17 |
| 144 Parish Councils - S106 | 363 |
| 0 National Forest - S106 | 65 |
| 154 Marlborough Square - LLEP | 101 |
| 150 BEIS | 0 |
| 0 UK Shared Prosperity | 165 |
| 1,871 DFG | 2,086 |
| 0 Air Quality - DEFRA | 6 |
| 6,754 Total | 7,183 |

Notes to core financial statement

25 Related Parties

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

Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and re-distribution of non-domestic rates, and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Details of transactions with the government are shown below.

It is the nature of local government that the majority of Council Members are heavily involved in the local community through various organisations such as voluntary bodies, societies, groups and so on, often as an appointed Council representative. Members' interests are formally disclosed in a register of interests, the details of which are available on request.

During the year transactions with related parties arose as follows:

| 2021/22 (Receipts)/ Payments £'000 | 2022/23 (Receipts)/ Payments £'000 |
|--|---|
| (17,466) Central Government Revenue Grants (Benefits/RSG/other grants) | 21,205 |
| 48,547 Leicestershire County Council (Precept paid less grant income) | 58,058 |
| 2,414 Leicestershire Fire and Rescue (Precept paid) | 3,374 |
| 8,546 Leicestershire Police (Precept paid less grant income) | 9,143 |
| Other Related Parties: | |
| Two Members serve as directors and one Member is an employee of 2 private companies with which the council transacted during the | |
| (15) year. | (9) |
| <u>42,026</u> | <u>91,771</u> |

205

Notes to core financial statement

26 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the authority, the expenditure results in an increase in the capital financing requirement (CFR), a measure of the capital expenditure incurred historically by the authority that has yet to be financed. The CFR is analysed in the second part of this note.

| 2021/22 £'000 | | 2022/23 £'000 |
|------------------|--|------------------|
| 96,435 | Opening Capital Financing Requirement | 95,105 |
| | Capital Investment | |
| 20,344 | Property, plant and equipment | 12,540 |
| 0 | Investment properties | 0 |
| 0 | Intangible assets | 0 |
| 491 | Revenue Expenditure Funded from Capital Under Statute | 1,390 |
| | Sources of finance | |
| (1,490) | Capital receipts | (3,275) |
| (1,053) | Government grants and other contributions | (743) |
| | Sums set aside from revenue | |
| (18,659) | Direct revenue contributions | (11,443) |
| (962) | (MRP/ the statutory repayment of loans fund advances) | (1,184) |
| 95,105 | Closing capital financing requirement | 92,389 |
| | Explanation of movements in year | |
| 0 | Increase / (decrease) in underlying need to borrowing (supported by government financial assistance) | 0 |
| (1,330) | Increase / (decrease) in underlying need to borrowing (unsupported by government financial assistance) | (2,716) |
| 0 | Assets acquired under finance leases | 0 |
| 0 | Assets acquired under PFI contracts | 0 |
| (1,330) | Increase/ (decrease) in capital financing requirement | (2,716) |

Notes to core financial statement

27 Termination Benefits

| | No. of compulsory redundancies | | No. of other agreed departures | | Total no. of exit packages by band | | Total cost of exit packages by band | |
|--------------------|--------------------------------|----------|--------------------------------|----------|------------------------------------|----------|-------------------------------------|----------------|
| | 2021/22 | 2022/23 | 2021/22 | 2022/23 | 2021/22 | 2022/23 | 2021/22 | 2022/23 |
| £0 - £20,000 | 2 | 4 | 0 | 0 | 2 | 4 | £756 | £22,372 |
| £20,001 - £40,000 | 0 | 0 | 1 | 0 | 1 | 0 | £26,822 | £0 |
| £40,001 - £60,000 | 0 | 0 | 0 | 0 | 0 | 0 | £0 | £0 |
| £60,001 - £80,000 | 0 | 0 | 0 | 0 | 0 | 0 | £0 | £0 |
| £80,001 - £100,000 | 0 | 0 | 0 | 0 | 0 | 0 | £0 | £0 |
| Total | 2 | 4 | 1 | 0 | 3 | 4 | £27,578 | £22,372 |

Notes to core financial statement

28 Pension Schemes Accounted for as Defined Contribution Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme (LGPS) for employees, which is administered by Leicestershire County Council. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Income & Expenditure Account (I & E) after net operating expenditure. The following transactions have been made in the Income and Expenditure Account during the year.

The Annual Report of the Leicestershire County Council Superannuation Fund is available from Leicestershire County Council, County Hall, Glenfield, Leicestershire. Income and Expenditure Account contains details of the Council's participation in the Local Government Pension Scheme (LGPS), administered by Leicestershire County Council.

The following information was supplied by Hymans Robertson LLP on 5 February 2024.

| | 2021/22 | | 2022/23 |
|--|---------|---|---------|
| | £'000 | | £'000 |
| Net Cost of Services | | | |
| | 7,613 | Current service cost | 7,152 |
| | 158 | Past service costs | 158 |
| | 0 | Curtailments | 0 |
| | 7,771 | | 7,310 |
| Net Operating Expenditure | | | |
| | 3,554 | Interest cost | 4,633 |
| | (2,240) | Expected return on assets in the scheme | (3,276) |
| | 1,314 | | 1,357 |
| | 9,085 | Amount charged to Income and Expenditure Account | 8,667 |
| Amounts to be met from Government Grants and Local Taxation | | | |
| | (57) | Movement on pension reserve | (55) |
| Actual amount charged against General Fund & HRA for pensions in the year | | | |
| | 2,848 | Employers' contributions payable to the scheme | 2,997 |
| | 57 | Unfunded discretionary benefit payments | 55 |

Notes to core financial statement

On 1 May 2019, 210 individual members of council staff transferred to Everyone Active after the Council has awarded a contract to them to run its leisure centres and associated services. The pension admission arrangements that were agreed means that those staff who are members of the pension scheme remain pooled with the Council's pension scheme. As a result, our future pension liability will continue to reflect staff members who have transferred to Everyone Active for the past service, however, Everyone Active are responsible for the payment of contributions and charges in respect of those staff for the term of the agreement.

The Council is responsible for past payments and payments of employees post the end of the 25 year agreement. The Council acts as guarantor in respect of Everyone Active and their contributions to the pension scheme over the life of the 25 year leisure contract. As part of the contract, Everyone Active secured a bond with Barclays bank to cover the payment of contributions up to the sum of £135,000 should Everyone Active have any unpaid liabilities during the term. Above this level, the Council is responsible for the liabilities are in excess of the bond value.

Employers Membership Statistics

| | Average 31-Mar-22 |
|---------------------|----------------------|
| Actives | 52 |
| Deferred Pensioners | 50 |
| Pensioners | 69 |

Payroll

| | 2021/22 £'000 | 2022/23 £'000 |
|--|------------------|------------------|
| Assumed total pensionable payroll based on contribution information provided | 14,696 | 15,514 |

Investment Returns

The return on the fund in market value terms for the year to 31 March 2023 is estimated based on actual Fund returns as provided by the Administering Authority. Details are given below.

| | |
|--|------|
| Actual Return for Period 1 April 2022 to 31 March 2023 | 1.2% |
| Total Return for Period from 1 April 2022 to 31 March 2023 | 1.2% |

Notes to core financial statement

Unfunded Benefits

A summary of the membership data in respect of unfunded benefits is shown below.

| LGPS Unfunded Pensions | Number at 31 March 2023 | Annual Unfunded Pensions (£'000) |
|------------------------|-------------------------|----------------------------------|
| Male | 14 | 45 |
| Female | 2 | 2 |
| Dependants | 13 | 14 |
| Total | 29 | 61 |

Projected Pension Expense For Year 31/03/2024

Analysis of Projected Amount to be charged to operating profit for the year to 31 March 2024.

| Period Ended | 31 March 2024 | |
|--|---------------|--------------|
| | £'000 | % of pay |
| Projected Current service cost | 3,175 | 20.5% |
| Interest on Obligation | 5,660 | 36.5% |
| Expected Return on Plan Assets | (5,742) | (37.0%) |
| Losses /(Gains) on Curtailment and Settlements | 0 | 0.0% |
| Total | 3,093 | 20.0% |

The pension fund has moved from a liability of £48.176m at 31/3/22 to an asset of £1.043m at 31/3/23. This is mainly due to a remeasurement by the actuary.

Basis for estimating assets and liabilities

The accounts have been prepared on the basis of the actuary's updated valuation report dated 5 February 2024 and takes into account their assessment of the potential impact of Guaranteed Minimum Pension (GMP) equalisation and the outcome of the McCloud judgement relating to the 2014 reforms of LGPS benefit structure. These numbers are approximate estimates based on employer data as at 31 March 2022.

Notes to core financial statement

The main assumptions used in their calculations have been:

| 2021/22 | Assumptions | 2022/23 |
|---------|---------------------------------|---------|
| 3.20% | Inflation/Pension Increase Rate | 2.95% |
| 3.70% | Salary Increase Rate | 3.45% |
| 2.70% | Discount Rate | 4.75% |

Assets in the County Council Pension Fund are valued at bid price as required under IAS 19.

| Assets Category | 2021/22 | | 2022/23 | |
|---------------------------|-------------------|----------------------------|-------------------|----------------------------|
| | Value £'000 | Asset Distribution % | Value £'000 | Asset Distribution % |
| Equity Securities | 1,011.70 | 0.83% | 377.30 | 0.31% |
| Debt Securities | 6,316.10 | 5.21% | 6,037.00 | 5.03% |
| Private Equity | 8,111.00 | 6.69% | 8,220.20 | 6.85% |
| Real Estate | 9,331.40 | 7.69% | 8,509.20 | 7.09% |
| Investment Funds | 90,139.00 | 74.32% | 94,167.10 | 78.43% |
| Derivatives | 251.60 | 0.21% | 55.10 | 0.05% |
| Cash and Cash Equivalents | 6,124.20 | 5.05% | 2,701.10 | 2.25% |
| Total | 121,285.00 | 100.00% | 120,067.00 | 100.00% |

291

Mortality

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a for both males and females. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

| | Males | Females |
|---------------------|-------|---------|
| Current pensioners | 21.0 | 23.9 |
| Future pensioners * | 21.8 | 25.8 |

* Figures assume members aged 45 as at the last formal valuation date.

Notes to core financial statement

Reconciliation of Present Value of the Scheme Liabilities

| 2021/22 | | 2022/23 |
|----------------|---|----------------|
| £'000 | | £'000 |
| 175,301 | Opening Defined Benefit Obligation | 169,461 |
| 7,613 | Current Service cost | 7,152 |
| 3,554 | Interest cost | 4,633 |
| 917 | Contributions by Members | 960 |
| (14,428) | Actuarial losses/(Gains) | (59,598) |
| 158 | Past service costs/(Gains) | 158 |
| 0 | Losses/(Gains) on Curtailments | 0 |
| (57) | Estimated Unfunded Benefits Paid | (55) |
| (3,597) | Estimated Benefits Paid | (3,687) |
| 169,461 | Closing Defined Benefit Obligation | 119,024 |

Reconciliation of fair value of employer assets

| 2021/22 | | 2022/23 |
|----------------|---|----------------|
| £'000 | | £'000 |
| 112,007 | Opening Fair Value of Employer Assets | 121,285 |
| 2,240 | Expected Return on Assets | 3,276 |
| 917 | Contributions by Members | 960 |
| 2,848 | Contributions by the Employer | 2,997 |
| 57 | Contributions in respect of Unfunded Benefits | 55 |
| 6,870 | Actuarial gains/(losses) | (4,764) |
| (57) | Estimated Unfunded Benefits Paid | (55) |
| (3,597) | Estimated Benefits Paid | (3,687) |
| 121,285 | Closing Fair Value of Employer Assets | 120,067 |

Notes to core financial statement

Scheme History

Amounts for the current and previous accounting periods

The return on the fund in market value terms for the year to 31 March 2023 is estimated based on actual fund returns as provided by the Administering Authority and index returns where necessary. Details are given below:

| | 2018/19 £'000 | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 |
|--|------------------|------------------|------------------|------------------|------------------|
| Fair Value of Employer Assets | 93,977 | 86,739 | 112,007 | 121,285 | 120,067 |
| Present Value of Defined Benefit Obligation | (153,638) | (131,430) | (175,301) | (169,461) | (119,024) |
| Surplus/(Deficit) | (46,298) | (59,661) | (44,691) | (63,294) | 1,043 |
| Experience Gains/(Losses) on Assets | 2,557 | (10,038) | 20,006 | 6,870 | (4,764) |
| Experience Gains/(Losses) on Liabilities | (12) | 8,713 | 1,427 | (502) | (9,332) |
| Actuarial Gains/ (Losses) on Employer Assets | 2,557 | (10,038) | 20,006 | 6,870 | (4,764) |
| Actuarial Gains/ (Losses) on Obligations | (11,671) | 28,641 | (38,641) | 14,428 | 59,598 |
| Actuarial Gains/ (Losses) recognised in SRIE | (9,114) | 18,603 | (18,635) | 21,298 | 54,834 |

Notes to the Statement of Recognised Income and Expense (SRIE)

| 2021/22 £'000 | 2022/23 £'000 |
|--|------------------|
| 6,870 Actuarial Gains/(Losses) on Plan Assets | (4,764) |
| 14,428 Actuarial Gains/ (Losses) on Obligations | 59,598 |
| 21,298 Actuarial Gain/(Loss) Recognised in SRIE | 54,834 |
| (13,089) Cumulative Actuarial Gains and Losses | 41,745 |

Notes to core financial statement - continued

Balance Sheet

| 2021/22 £'000 | 2022/23 £'000 |
|---|------------------|
| 121,285 Fair Value of Employer Assets | 120,067 |
| (168,596) Present Value of Funded Liabilities | (118,329) |
| (47,311) Net (Under)/ Overfunding in Funded Plans | 1,738 |
| (865) Present value of unfunded liabilities | (695) |
| 0 Unrecognised Past Service Cost | 0 |
| (48,176) Net Asset/(Liability) | 1,043 |
| Amount in the Balance Sheet | |
| (48,176) Liabilities | 0 |
| 0 Assets | 1,043 |
| (48,176) Net Asset/(Liability) | 1,043 |

294

Notes to core financial statement

29 Financial Instruments

A financial Instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, benefits and government grants do not give rise to financial instruments

Financial Liability - an obligation to transfer economic benefits controlled by the council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the council.

The council's financial liabilities held during the year are measured at amortised cost and comprised

- long-term loans from the Public Works Loans board and commercial lenders
- overdraft facility with Lloyds Bank
- trade payables for goods and services received

Financial Asset - a right to future economic benefits controlled by the council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the council.

The council's financial assets held during the year are accounted for under the following classifications:

Amortised Cost - cash flows are solely payments of principal and interest and the business model is to collect the cash flows only:

- Cash in hand
- bank current and deposit accounts
- Fixed term deposits
- loans to other local authorities
- trade receivables for goods and services provided

Fair value through Profit and Loss:

- Money Market Funds
- loans where the cash flows are not solely payments of principal and interest

Notes to core financial statement

Financial Instruments Balances

| Financial Liabilities | Long term | | Short term | |
|---------------------------------------|-----------------|-----------------|-----------------|----------------|
| | 31 March 2022 | 31 March 2023 | 31 March 2022 | 31 March 2023 |
| | £'000 | £'000 | £'000 | £'000 |
| <i>Loans at amortised cost:</i> | | | | |
| PWLB | (55,137) | (52,403) | (1,206) | (2,734) |
| LOBO/Other Loans | (4,412) | (7,906) | (4,500) | 0 |
| Other Long Term Liabilities | 0 | (61) | 0 | (7) |
| Total Borrowing | (59,549) | (60,369) | (5,706) | (2,741) |
| <i>Liabilities at amortised cost:</i> | | | | |
| Trade payables-Included in creditors | (75) | 0 | (14,901) | (5,252) |
| Total Financial Liabilities | (59,624) | (60,369) | (20,607) | (7,993) |

| Financial Assets | Long term | | Short term | |
|---|---------------|---------------|---------------|---------------|
| | 31 March 2022 | 31 March 2023 | 31 March 2022 | 31 March 2023 |
| | £'000 | £'000 | £'000 | £'000 |
| <i>At amortised cost:</i> | | | | |
| Principal | 0 | 0 | 26,000 | 39,000 |
| Loss allowance * | 0 | 0 | 0 | 0 |
| Total Investments | 0 | 0 | 26,000 | 39,000 |
| <i>At amortised cost:</i> | | | | |
| Principal | 0 | 0 | 5,221 | 10 |
| Loss allowance | 0 | 0 | 0 | 0 |
| <i>At Fair Value through Profit and Loss:</i> | | | | |
| Money Market Funds | 0 | 0 | 17,000 | 4,485 |
| Total Cash and Cash Equivalents | 0 | 0 | 22,221 | 4,495 |
| <i>At amortised cost:</i> | | | | |
| Trade Receivables-Included in Debtors | 0 | 0 | 4,736 | 6,983 |
| Accrued Interest | 0 | 0 | 0 | 0 |
| Loss allowance | 0 | 0 | (1,172) | (1,241) |
| Total Trade Receivables | 0 | 0 | 3,564 | 5,742 |
| Total Financial Assets | 0 | 0 | 51,785 | 49,237 |

* Loss allowances are not required for UK Central or Local Government investments and the remaining Expected Credit Losses are immaterial: £7 for Cash and Cash Equivalents.

Notes to core financial statement

Financial Instrument - Fair Values

Financial Instruments classified at amortised cost are carried in the balance sheet at amortised cost. Their fair value has been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2023. All other financial instruments are carried in the balance sheet at Fair Value.

Fair Values are shown in the table below split by their level in the Fair Value hierarchy:

Level 1 - FV derived from quoted prices in active markets for identical assets or liabilities e.g. bond prices

Level 2 - FV calculated from inputs other than quoted prices that are observable for the instrument e.g. interest rates or yields for similar instruments

Level 3 - FV determined using unobservable inputs e.g. non-market data such as cash-flow forecasts or estimated creditworthiness

| | Fair Value level | Balance Sheet 2021/22 £'000 | Fair Value 2021/22 £'000 | Balance Sheet 2022/23 £'000 | Fair Value 2022/23 £'000 |
|---|------------------|--------------------------------|-----------------------------|--------------------------------|-----------------------------|
| <i>Financial Liabilities held at amortised cost:</i> | | | | | |
| Long Term Loans From PWLB | 2 | (56,343) | (60,688) | (55,137) | (46,136) |
| Long Term LOBO/Other Loans | 2 | (8,912) | (12,056) | (7,440) | (7,440) |
| Other Long Term Liabilities | | (75) | (75) | (68) | (68) |
| Sub-Total | | (65,330) | (72,819) | (62,645) | (53,644) |
| <i>Liabilities for which Fair Value is not disclosed:</i> | | | | | |
| Trade payables-Creditors | | (14,894) | (14,894) | (5,252) | (5,252) |
| Total Financial Liabilities | | (80,224) | (87,713) | (67,897) | (58,896) |

The Fair Value of liabilities is higher than the balance sheet value as the council has a portfolio of loans where the interest rate payable is higher than the current rates available for similar loans.

The Fair Values for Financial Assets are calculated as follows:

| | Fair Value level | Balance Sheet 2021/22 £'000 | Fair Value 2021/22 £'000 | Balance Sheet 2022/23 £'000 | Fair Value 2022/23 £'000 |
|--|------------------|--------------------------------|-----------------------------|--------------------------------|-----------------------------|
| <i>Financial Assets held at amortised cost:</i> | | | | | |
| Investments with Local Authorities | 2 | 10,000 | 9,972 | 5,000 | 5,007 |
| Investments with Banks | 2 | 3,000 | 2,998 | 2,010 | 2,003 |
| Investments with Central Government | 2 | 19,000 | 18,999 | 32,000 | 32,325 |
| <i>Financial Assets held at Fair value:</i> | | | | | |
| Money Market Funds | 1 | 17,000 | 17,000 | 4,100 | 4,100 |
| Total | | 49,000 | 48,969 | 43,110 | 43,435 |
| <i>Assets for which Fair Value is not disclosed:</i> | | | | | |
| Cash and Cash equivalents | | (779) | (779) | 142 | 142 |
| Trade Receivables-Debtors | | 3,564 | 3,564 | 5,742 | 5,742 |
| Total Financial Assets | | 51,785 | 51,753 | 48,994 | 49,319 |

The Fair Value of assets is higher than the balance sheet value as the interest rate on similar investments is now lower than that obtained when the investment was originally made.

Notes to core financial statement

Financial Instruments Gains/Losses

There are no gains or losses recognised in the Income and Expenditure Account or the Statement of Total Recognised Gains and losses in relation to Financial Instruments.

Financial Instruments - Nature and Extent of Risk

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

Prior to the beginning of each financial year, the Council agrees and publishes an Investment Strategy as part of the Treasury Management Strategy Statement. The Investment Strategy sets out the minimum credit rating criteria for counterparties who are banks and other financial institutions. The Council relies to some extent on credit ratings and utilises the services of a Treasury Consultant to monitor and advise of changes to these ratings.

The minimum credit rating criteria, set out in the Investment Strategy, are kept under constant review. As a result of liquidity problems (the credit crunch) experienced by banks and financial institutions since Autumn 2007, the minimum criteria were increased to provide additional security to the Council's investments. This is reviewed annually to ensure that security is maintained in line with current economic conditions.

As a result of the Council's prudent approach to investment, which places security and liquidity above yield, the Council has never experienced any losses on investments. Nevertheless, theoretical considerations suggest that an investment with any institution carries some risk, albeit very small. The events which could give rise to these risks are rare or unforeseen and it is therefore very difficult to assess and quantify. Subject to these rare or unforeseen risks, the assessment that the maximum exposure is nil is considered to be a practical and pragmatic assessment.

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, adjusted for current and forecast economic conditions and with a delay in cash flow having been assumed. As shown in the financial instruments balances tables on the previous page. At 31 March 2024, a total of £7.04 of loss allowances related to treasury investments. As this is not material, this figure has not been accounted for in the statements.

Notes to core financial statement

A summary of the credit quality of the of the council's investments at 31 March is shown below:

| Rating | 30 March 2022 | | 31 March 2023 | |
|---------------------------|--------------------|---------------------|--------------------|---------------------|
| | Long Term £'000 | Short Term £'000 | Long Term £'000 | Short Term £'000 |
| A+ | 0 | 3,000 | 0 | 10 |
| A | 0 | 0 | 0 | 2,000 |
| BBB+ | 0 | 0 | 0 | 0 |
| Unrated Local Authorities | 0 | 10,000 | 0 | 5,000 |
| Money Market Funds | 0 | 17,000 | 0 | 4,100 |
| UK Government | 0 | 19,000 | 0 | 32,000 |
| Total Investments | 0 | 49,000 | 0 | 43,110 |

The Council has £13,506,821 of Debtors, for which a provision for doubtful debts of £3,334,615 has been made. Of this debtors figure, £10,787,533 relates to sundry debtors, £1,158,026 to Council Tax and Business Rates and £1,561,262 to Housing Tenant Rents. Debtors are analysed by type and the doubtful debt provision is based on the credit quality of debtors.

The council does not allow credit for customers therefore all unpaid balances are past due date for payment. The gross sundry debtor age analysis is shown in the table below:

299

| Age | 30 March 2022 £'000 | 31 March 2023 £'000 |
|------------------------|------------------------|------------------------|
| Less than three months | 3,671 | 6,561 |
| Three to six months | 1 | 1 |
| Six months to one year | 293 | 656 |
| More than one year | 1,555 | 3,570 |
| Total | 5,520 | 10,788 |

The table below breaks this down to debtor type:

| Type | 30 March 2022 | | 31 March 2023 | |
|---------------------------------------|---------------------|-------------------------|---------------------|-------------------------|
| | Gross Debt £'000 | Loss Allowance £'000 | Gross Debt £'000 | Loss Allowance £'000 |
| Central Gov't Bodies | 884 | 0 | 2,079 | 0 |
| Other Local authorities | 3,751 | 0 | 5,448 | 0 |
| NHS Bodies | 0 | 0 | 0 | 0 |
| Public Corporations and trading funds | 0 | 0 | 145 | 0 |
| Other entities and Individuals | 5,484 | (3,224) | 5,835 | (3,335) |
| Total | 10,119 | (3,224) | 13,507 | (3,335) |

Notes to core financial statement

Liquidity Risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. Instead, the risk is that the Council will be bound to replace a significant proportion of its borrowings at a time of unfavourable interest rates. The Council's strategy is to ensure an even maturity debt profile to mitigate against this risk.

The maturity analysis of financial instruments is shown below:

| Type | 30 March 2022 | | | 31 March 2023 | | |
|---------------------------|----------------------|-----------------|---------------|----------------------|-----------------|---------------|
| | Liabilities £'000 | Assets £'000 | Net £'000 | Liabilities £'000 | Assets £'000 | Net £'000 |
| Maturity in 1 year* | 5,706 | (48,221) | (42,514) | 5,706 | (42,331) | (36,624) |
| Maturity in 1 - 2 years | 2,734 | | 2,734 | 2,734 | 0 | 2,734 |
| Maturity in 2 - 5 years | 3,871 | | 3,871 | 3,871 | 0 | 3,871 |
| Maturity in 5 - 10 years | 2,997 | | 2,997 | 2,997 | 0 | 2,997 |
| Maturity in over 10 years | 49,475 | | 49,475 | 49,475 | 0 | 49,475 |
| Total | 64,783 | (48,221) | 16,562 | 64,783 | (42,331) | 22,452 |

* The council has a £3.5m LOBO (Lender Option, Borrower Option) loans where the lender has the option on set dates to propose an increase in the rate payable; The council will then have the option to accept the new rate or repay the loan without penalty. The lender therefore has the effective right to demand repayment and these loans are therefore shown in the table as maturing on the next option date.

Market Risk

Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effect:

- borrowings at variable rates - the interest expense will rise
- borrowings at fixed rates - the fair values of the liabilities will fall
- investments at variable rates - the investment income will rise
- investments at fixed rates - the fair value of assets will fall

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the provision of services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the provision of services as appropriate.

Price Risk

The Council does not invest in equities and is therefore not exposed to this risk.

Notes to core financial statement

30 Provisions

This provision for Business Rates appeals was created as a result of the adoption in 2013/14 of the Business Rates Retention scheme which means that the Council now bears part of the risk for future appeals. Under the former business rates scheme, appeals were borne by the Government. The Council's estimate of the value of outstanding appeals up to 31 March 2023 is £4.6m (2022: £5.4m), the value of appeals used in completing the Collection Fund position as at 31 March 2023. The Council has made a provision for 40% of this figure totalling £1.8m (2022: £2.16m) within the 2022/23 accounts.

31 Jointly Controlled Partnerships

The Council has entered into a partnership with Hinckley and Bosworth Borough Council and Harborough District Council to provide shared administration of Revenues and Benefits and will continue for the foreseeable future. The Partnership is currently hosted by Hinckley and Bosworth Borough Council on behalf of the other partners.

All partners contribute towards the operation of the partnership which is classified as a Jointly Controlled Operation. On this basis, each partner accounts for their share of contributions within their Statement of Accounts. The funding provided by North West Leicestershire District Council in 2022/23 was £1.302 million.

Notes to core financial statement

32 Expenditure and Funding Analysis

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

2022/23

| | Net Expenditure chargeable to the General Fund and Housing Revenue a/c | Recharges | Contributions to/from Reserves | Investment Properties & other | Revised Net Expenditure chargeable to the General Fund and Housing Revenue a/c | Adjustments between funding basis and accounting basis | Net expenditure in the Comprehensive Income and Expenditure Statement |
|--|--|-----------|--------------------------------|-------------------------------|--|--|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Chief Executive | 322 | (322) | 0 | 0 | 0 | 0 | 0 |
| Human Resources & Organisational Dev | 741 | (627) | 9 | 0 | 124 | 1 | 125 |
| Legal and Support Services | 1,683 | (1,096) | 3 | 0 | 589 | 0 | 589 |
| Community Services including Strategic Director of Place | 9,357 | 1,726 | 658 | (290) | 11,451 | 723 | 12,174 |
| Planning | 1,652 | 732 | 252 | 0 | 2,636 | 0 | 2,636 |
| Economic Development | 1,166 | 190 | 85 | 0 | 1,442 | 18 | 1,459 |
| Joint Strategic Planning | 21 | 11 | 14 | 0 | 47 | 0 | 47 |
| Ukraine | (16) | 0 | 0 | 0 | (16) | 0 | (16) |
| ICT | 1,310 | (1,323) | 0 | 0 | (12) | 53 | 41 |
| Revenues & Benefits | 748 | 914 | 26 | 0 | 1,688 | 0 | 1,688 |
| Property Services | 495 | (634) | 18 | (1,072) | (1,193) | 1,198 | 5 |
| Housing - General Fund | 612 | 198 | 2 | 0 | 811 | 0 | 811 |
| Customer Services | 1,783 | (1,069) | 0 | 0 | 715 | 0 | 715 |
| Finance | 2,679 | (1,490) | 48 | 0 | 1,237 | 0 | 1,237 |
| Corporate and Democratic Core | 56 | 1,138 | 4 | 0 | 1,198 | 0 | 1,198 |
| Non-Distributed Costs | 350 | 8 | 0 | 0 | 358 | 0 | 358 |
| Housing Revenue Account | (8,896) | (360) | 395 | 0 | (8,861) | 10,216 | 1,356 |
| Recharges | (2,003) | 2,003 | 0 | 0 | 0 | 0 | 0 |
| Net Cost of Services | 12,062 | 0 | 1,514 | (1,362) | 12,214 | 12,209 | 24,423 |
| Other Income and Expenditure | (20,958) | 0 | (2,142) | 1,362 | (21,738) | 3,694 | (18,044) |
| (Surplus)/Deficit on Provision of Services | (8,896) | 0 | (628) | 0 | (9,523) | 15,903 | 6,380 |

Notes to core financial statement

Expenditure and Funding Analysis continued

2021/22

| | Net Expenditure chargeable to the General Fund and Housing Revenue a/c £'000 | Recharges £'000 | Contributions to/from Reserves £'000 | Investment Properties & other £'000 | Revised Net Expenditure chargeable to the General Fund and Housing Revenue a/c £'000 | Adjustments between funding basis and accounting basis £'000 | Net expenditure in the Comprehensive Income and Expenditure Statement £'000 |
|--|---|--------------------|---|--|---|---|--|
| Chief Executive | 316 | (314) | 167 | | 169 | 0 | 169 |
| Human Resources & Organisational Dev | 455 | (675) | 911 | | 691 | 5 | 696 |
| Legal and Support Services | 1,607 | (963) | 1 | | 645 | 0 | 645 |
| Community Services including Strategic Director of Place | 10,420 | 1,473 | 489 | (826) | 11,556 | 2,583 | 14,139 |
| Planning | 1,183 | 658 | 1,434 | | 3,275 | 0 | 3,275 |
| Economic Development | 1,078 | 165 | 280 | | 1,523 | (95) | 1,428 |
| Joint Strategic Planning | 6 | 9 | 0 | | 15 | 0 | 15 |
| ICT | 1,150 | (1,182) | 0 | | (32) | 71 | 39 |
| Revenues & Benefits | 734 | 849 | 28 | | 1,611 | 0 | 1,611 |
| Property Services | 378 | (567) | 3 | 423 | 237 | (239) | (2) |
| Housing - General Fund | 525 | 190 | 6 | | 721 | 0 | 721 |
| Customer Services | 970 | (970) | 0 | | 0 | 0 | 0 |
| Finance | 1,955 | (1,099) | 17 | | 873 | 4 | 877 |
| Corporate and Democratic Core | 3 | 1,118 | 11 | | 1,132 | 0 | 1,131 |
| Non-Distributed Costs | 252 | 1 | 0 | | 253 | (13) | 240 |
| Housing Revenue Account | (9,562) | (332) | 3 | 0 | (9,891) | 3,306 | (6,585) |
| Recharges | (1,639) | 1639 | 0 | | 0 | 0 | 0 |
| Net Cost of Services | 9,831 | 0 | 3,350 | (403) | 12,778 | 5,622 | 18,399 |
| Other Income and Expenditure | (19,391) | 0 | 273 | 403 | (18,715) | 6,258 | (12,457) |
| (Surplus)/Deficit on Provision of Services | (9,560) | 0 | 3,623 | 0 | (5,937) | 11,880 | 5,941 |

Notes to core financial statement - continued

Expenditure and Funding Analysis continued

Analysis of adjustments between funding basis and accounting basis

| 2022/23 | Adjustment for capital purposes £'000 | Net change for the pensions adjustment £'000 | Other Differences £'000 | Total Adjustments £'000 |
|---|--|---|-------------------------------|-------------------------------|
| Chief Executive and Other Services | 0 | 0 | 0 | 0 |
| Human Resources & Organisational Dev | 1 | 0 | 0 | 1 |
| Legal and Commercial Services | 0 | 0 | 0 | 0 |
| Director of Place | 723 | 0 | 0 | 723 |
| Planning & Infrastructure | 0 | 0 | 0 | 0 |
| Economic Development | 18 | 0 | 0 | 18 |
| Joint Strategic Planning | 0 | 0 | 0 | 0 |
| Housing & Asset Mgmt - General Fund | 0 | 0 | 0 | 0 |
| ICT | 53 | 0 | 0 | 53 |
| Revenues & Benefits | 0 | 0 | 0 | 0 |
| Property Services | 1,198 | 0 | 0 | 1,198 |
| Customer Services | 0 | 0 | 0 | 0 |
| Finance | 0 | 0 | 0 | 0 |
| Corporate and Democratic Core | 0 | 0 | 0 | 0 |
| Non-Distributed Costs | 0 | 0 | 0 | 0 |
| Housing Revenue Account | 7,964 | 747 | 1,506 | 10,216 |
| Recharges | 0 | 0 | 0 | 0 |
| Net Cost of Services | 9,956 | 747 | 1,506 | 12,209 |
| Other Income and Expenditure | 2,308 | 4,868 | (3,482) | 3,694 |
| Surplus/Deficit on Provision of Services | 12,264 | 5,615 | (1,977) | 15,903 |

Notes to core financial statement - continued

Expenditure and Funding Analysis continued

| 2021/22 | Adjustment for capital purposes £'000 | Net change for the pensions adjustment £'000 | Other Differences £'000 | Total Adjustments £'000 |
|---|--|---|-------------------------------|-------------------------------|
| Chief Executive and Other Services | 0 | 0 | 0 | 0 |
| Human Resources & Organisational Dev | 5 | 0 | 0 | 5 |
| Legal and Commercial Services | 0 | 0 | 0 | 0 |
| Director of Place | 2,583 | 0 | 0 | 2,583 |
| Planning & Infrastructure | 0 | 0 | 0 | 0 |
| Economic Development | (95) | 0 | 0 | (95) |
| Joint Strategic Planning | 0 | 0 | 0 | 0 |
| Housing & Asset Mgmt - General Fund | 0 | 0 | 0 | 0 |
| ICT | 71 | 0 | 0 | 71 |
| Revenues & Benefits | 0 | 0 | 0 | 0 |
| Property Services | (239) | 0 | 0 | (239) |
| Customer Services | 0 | 0 | 0 | 0 |
| Finance | 4 | 0 | 0 | 4 |
| Corporate and Democratic Core | 0 | 0 | 0 | 0 |
| Non-Distributed Costs | (13) | 0 | 0 | (13) |
| Housing Revenue Account | 2,327 | (955) | 1,934 | 3,306 |
| Recharges | 0 | 0 | 0 | 0 |
| Net Cost of Services | 4,643 | (955) | 1,934 | 5,622 |
| Other Income and Expenditure | 5,350 | 5,226 | (4,318) | 6,258 |
| Surplus/Deficit on Provision of Services | 9,993 | 4,271 | (2,384) | 11,880 |

Section 4 Housing Revenue Account (HRA)

Housing Revenue Account (HRA)

Housing income and expenditure account

| 2021/22 | | NOTES | 2022/23 | |
|-----------------|--|-------|---------|-----------------|
| £'000 | £'000 | | Income | £'000 |
| | (17,405) | | | (18,003) |
| | | H4 | | |
| (43) | | | (37) | |
| (8) | | | (18) | |
| (4) | | | (10) | |
| | (55) | | | (65) |
| (569) | Charges for Services and Facilities | | | (618) |
| (26) | Other Income | | | (18) |
| (16) | RTB Discounts repaid | | | (18) |
| (18,072) | Total income | | | (18,722) |
| | Expenditure | | | |
| 6,331 | Repairs and Maintenance | | | 8,755 |
| | Supervision and Management | | | |
| 2,354 | - General | | 2,761 | |
| 584 | - Special | | 673 | |
| | 2,938 | | | 3,434 |
| | Capital Charges | | | |
| 3,110 | - Depreciation of Fixed Assets | H8 | | 3,484 |
| (819) | - Impairment of Fixed Assets | H9 | | 4,479 |
| 0 | - Initial Gain on Donated Assets | | | 0 |
| (77) | Increase / (decrease) in provision for Bad or Doubtful Debts | | | (78) |
| 4 | Debt Management Expenses | | | 3 |
| 11,487 | Total expenditure | | | 20,078 |
| (6,585) | Net cost of HRA services included in income and expenditure account | | | 1,356 |
| 333 | Housing Share of Corporate and Democratic Costs | | | 360 |
| 0 | Housing Share of other amounts included in the whole authority cost of services but not allocated to specific services | | | 0 |
| (6,252) | Net cost of HRA services | | | 1,716 |
| (751) | (Gain) or Loss on Sale of HRA Fixed Assets | | | 22 |
| 2,231 | Interest Payable and Similar Items | | | 1,884 |
| (16) | Interest on Balances | | | (394) |
| 0 | Amortisation of Premiums and Discounts | | | 0 |
| (1,289) | Capital Grants and Contributions | | | (150) |
| (6,077) | (Surplus) / deficit on HRA services | | | 3,078 |

Housing Revenue Account (HRA)

| 2021/22 £'000 | Statement of movement on the HRA balance | 2022/23 £'000 |
|------------------|--|------------------|
| (6,077) | (Surplus) / Deficit on Housing Income and Expenditure Account | 3,078 |
| 18,561 | Amounts Required by Statute to be Taken into Account (detailed below) | (3,497) |
| 12,484 | Total | (420) |
| (19,325) | HRA Balance Brought Forward | (6,841) |
| (6,841) | HRA Balance Carried Forward | (7,261) |
| 2021/22 £'000 | Analysis of the movement in the HRA balance | 2022/23 £'000 |
| | Amounts required to be taken into account | |
| | Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA balance for the year | |
| 751 | Gain or (Loss) on Sale of HRA Fixed Assets | (22) |
| 0 | Amortisation of Premiums and Discounts | 0 |
| 16 | RTB Discounts repaid | 18 |
| (57) | Employee Benefits adjustment | 0 |
| (1,827) | Net charges for retirement benefits in accordance with IAS 19 | (1,640) |
| 772 | Impairment/Revaluation of Fixed Assets | (4,524) |
| 0 | Initial Gain on Donated Assets | 0 |
| (345) | | (6,167) |
| | Items not included in the HRA Income and Expenditure Account but included in the movement on HRA balance for the year | |
| 0 | Transfer To/(From) Major Repairs Reserve | 0 |
| (57) | Right to Buy Admin Contribution | 0 |
| 873 | Employer's contributions payable to Leicestershire County Council Pension Fund | 893 |
| 14,180 | Principal Repaid on Self Financing Loans | 1,206 |
| 2,456 | Capital Expenditure funded by the HRA | 816 |
| 1,454 | Transfer To/(From) Reserves | (245) |
| 18,906 | Total | 2,670 |
| 18,561 | Net additional amount required by statute to be debited or (credited) to the HRA balance for the year | (3,497) |

Notes to the housing revenue account (HRA)

H1 Movement in dwelling stock

The Council was responsible for managing an average of 4,121 lettable dwellings during 2022/23. The movement in the stock was as follows:-

| 2021/22 | | 2022/23 |
|--------------|---------------------------------|--------------|
| 4,193 | Stock at 1st April | 4,138 |
| (46) | Less: Right to buy Sales | (41) |
| 0 | Less: Other Sales | 4 |
| 0 | Less: Demolitions | 0 |
| (10) | Less: Transfers out of stock | (3) |
| 1 | Add: Other Purchases | 1 |
| 0 | Add: New Build and Gifted units | 13 |
| 0 | Add: Transfers back into stock | 9 |
| 4,138 | | 4,121 |

H2 Property types in dwelling stock

The properties owned by the Council at 31st March 2023 comprise the following:-

| | Flats/Maisonettes | Bungalows | Houses | Total |
|---------------------------------|-------------------|------------|--------------|--------------|
| In stock | | | | |
| Bed sits | 57 | 4 | 1 | 62 |
| 1 Bedroom | 530 | 331 | 11 | 872 |
| 2 Bedroom | 324 | 479 | 419 | 1,222 |
| 3 Bedroom | 9 | 6 | 1,800 | 1,815 |
| 4 Bedroom | 0 | 0 | 145 | 145 |
| 5 Bedroom | 0 | 0 | 5 | 5 |
| | 920 | 820 | 2,381 | 4,121 |
| Transferred out of stock | | | | |
| Bed sits | 0 | 0 | 0 | 0 |
| 1 Bedroom | 7 | 0 | 0 | 7 |
| 2 Bedroom | 0 | 0 | 0 | 0 |
| 3 Bedroom | 1 | 0 | 2 | 3 |
| 4 Bedroom | 0 | 0 | 0 | 0 |
| 5 Bedroom | 0 | 0 | 0 | 0 |
| | 0 | 0 | 0 | 0 |
| Total owned | 920 | 820 | 2,381 | 4,121 |

The dwellings transferred out of stock are mainly long term empty properties. However, they are still owned by the Council and are included in the value shown in note H3.

H3 Balance sheet value of council's housing revenue account stock

| 2021/22 | | 2022/23 |
|----------------|--|----------------|
| Balance | | Balance |
| £'000 | | £'000 |
| 294,796 | Dwellings | 312,274 |
| 2,976 | Other Land and Buildings | 3,210 |
| 297,772 | Operational assets | 315,484 |
| 0 | Surplus Assets | 0 |
| 687 | OLB (Land and Assets under construction) | 186 |
| 687 | Non-operational assets | 186 |
| 298,459 | Total assets | 315,670 |

The vacant possession value of dwellings within the Council's HRA as at 31st March 2023 was £875,196,000 (2022: £701,895k). The vacant possession value of the dwellings within the HRA show the economic cost to Government of providing Council Housing at less than open market rents.

Notes to the housing revenue account (HRA)

H4 Rent income

Rent income can be analysed as follows:-

This is the total rent income due for the year after an allowance is made for empty properties/voids etc. Average rents were £84.66 per week in 2022/23 (2021/22: £83.55) there being an average increase of 1.01% (2021/22: 2.03% increase) over the previous year. During the year 1.09% (2021/22: 1.03%) of lettable properties were vacant.

| 2021/22 £'000 | | 2022/23 £'000 |
|------------------|--------------------------|------------------|
| 12,264 | Collectable from Tenants | 13,574 |
| 5,141 | Rent Rebates | 4,429 |
| 17,405 | Sub-Total Dwelling Rents | 18,003 |
| 55 | Non - Dwelling Rents | 65 |
| 17,460 | Total Rent | 18,068 |

H5 Rent arrears

The rent arrears (net of accounts in credit) as a proportion of gross rent income were 4.64% (2021/22: 3.94%). The arrears figures are as follows:-

Amounts written off during the year were £43,750 (2021/22: £ 37,747) representing a reduction in Doubtful Debt allowance. At 31 March 2022, the Provision for doubtful debts stood at £1,035,641 (2021/22: £917,507).

| 2021/22 £'000 | | 2022/23 £'000 |
|------------------|---|------------------|
| 1,270 | Total Current and Former Tenant Arrears | 1,445 |
| (583) | Less: Accounts in credit | (611) |
| 687 | Net Arrears | 834 |

H6 Major repairs reserve

| 2021/22 £'000 | | 2022/23 £'000 |
|------------------|--|------------------|
| (1,420) | Balance at 1st April | (2,276) |
| (3,099) | Amounts transferred to Reserve during year | (3,439) |
| | Amounts transferred from Reserve to finance Capital Expenditure: | |
| 2,242 | Dwellings | 2,806 |
| (2,277) | Balance at 31 March | (2,910) |

Notes to the housing revenue account (HRA)

H7 Capital expenditure and receipts

Total Capital Expenditure within the Council's HRA during the financial year was £7,044,394. The sources of funding

| 2021/22 £'000 | 2022/23 £'000 |
|-----------------------------|------------------|
| 2,242 Major Repairs Reserve | 2,806 |
| 0 Section 106 Receipts | 0 |
| 2,193 Revenue Contribution | 816 |
| 285 Other Contributions | 150 |
| 1,047 Capital Receipts | 3,959 |
| 5,767 | 7,731 |

Total Capital Receipts from disposals of Council Dwellings within the Council's HRA stock in 2022/23 were £7,044K

H8 Depreciation of HRA fixed assets

| 2021/22 £'000 | 2022/23 £'000 |
|---------------------------------|------------------|
| 3,099 Dwellings (excl. garages) | 3,439 |
| 10 Other Land and Buildings | 45 |
| 0 Surplus Assets | 0 |
| 3,110 Operational assets | 3,484 |

H9 Revaluation/impairment (reversal) of HRA fixed assets

| 2021/22 £'000 | 2022/23 £'000 |
|---------------------------------|------------------|
| (835) Dwellings (excl. garages) | 4,479 |
| 16 Other Land and Buildings | 0 |
| 0 Surplus Assets | 0 |
| (819) Operational assets | 4,479 |

Section 5 Collection Fund

312

Collection Fund

| 2021/22 £'000 | Collection fund income and expenditure account | 2022/23 | |
|------------------|---|---------|------------------|
| | | £'000 | £'000 |
| | Income | | |
| (69,897) | Council Tax (Net of benefits, discounts for prompt payment and transitional relief) | | (73,733) |
| | Transfers from General Fund:- | | |
| 10 | - Council Tax Benefit | | 0 |
| (186) | - CTLS Discretionary | | (29) |
| (7) | Section 13a | | 0 |
| (73,456) | Business Ratepayers | | (78,004) |
| (143,536) | Total Income | | (151,766) |
| | Expenditure | | |
| | Council Tax Precepts and Demands:- | | |
| 49,153 | Leicestershire County Council | 51,698 | |
| 8,649 | Leicestershire Police | 9,188 | |
| 2,414 | Leicestershire Fire and Rescue | 2,643 | |
| 8,452 | N.W.L.D.C. (including Parish and Special Expenses) | 8,746 | |
| (785) | Contribution towards previous year's deficit | 1,261 | |
| 758 | Provision for bad/doubtful debts | 725 | |
| 68,641 | | | 74,261 |
| | Non-Domestic Rates (NDR): | | |
| 37,523 | Share of NDR - Government | 36,574 | |
| 6,754 | Payment to Leicestershire County Council | 6,583 | |
| 750 | Payment to Leicestershire Fire and Rescue Service | 731 | |
| 30,018 | Share of NDR - N.W.L.D.C. | 29,259 | |
| (12,775) | Contribution towards previous year's surplus | (4,016) | |
| (299) | Provision for bad/doubtful debts | (149) | |
| 374 | Provision for appeals | 832 | |
| 153 | Costs of Collection | 156 | |
| 186 | Disregarded amounts | 190 | |
| 62,684 | | | 70,160 |
| 131,325 | Total Expenditure | | 144,421 |
| (1,439) | Movement on fund - (Surplus)/Deficit for the year - Council Tax | | 499 |
| (10,772) | Movement on fund - (Surplus)/Deficit for the year - NDR | | (7,844) |
| 723 | Collection Fund Balance at 1st April 2022 - Council Tax | | (716) |
| 13,674 | Collection Fund Balance at 1st April 2022 - NDR | | 2,902 |
| (716) | Collection Fund Balance at 31st March 2023 - Council Tax | | (217) |
| 2,902 | Collection Fund Balance at 31st March 2023 - NDR | | (4,942) |

Notes to the Collection Fund

C1 General

This Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

C2 Council tax

The Council's tax base i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent of band D dwellings, was calculated as follows:-

314

| Band | Estimated number of taxable properties after effect of discount | Ratio | Band 'D' Equivalent dwellings |
|--|---|-------|-------------------------------|
| A | 7,230 | 6/9 | 4,820 |
| B | 11,673 | 7/9 | 9,079 |
| C | 7,050 | 8/9 | 6,267 |
| D | 6,320 | 9/9 | 6,320 |
| E | 4,652 | 11/9 | 5,687 |
| F | 1,869 | 13/9 | 2,699 |
| G | 917 | 15/9 | 1,528 |
| H | 47 | 18/9 | 94 |
| | 39,759 | | 36,494 |
| Less: 2% Allowance for Valuation Appeals and irrecoverables | | | 913 |
| Council tax base for 2022/23 | | | 35,581 |

C3 Income from business rates

The Council collects Non-Domestic Rates for its area which are based on local rateable values multiplied by a uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which in turn redistributes the pool back to local authorities general fund.

The total Non-Domestic Rateable Value at the 31st March 2023 was £210,312,769 (2022: £169,181,773).

The National Non-Domestic multiplier for the year was 51.2p (2021/22: 51.2p).

The Small Business Rate Multiplier was 49.9p (2021/22: 49.9p).

C4 Provisions

The provision for the Council's share of potential cost of settling outstanding business rates appeals, was created as a result of the introduction of the Business Rates Retention scheme. As part of this scheme, billing authorities acting as agents on behalf of major preceptors (10%), Central Government (50%) and themselves are required to make a provision for refunding ratepayers who have appealed against the rateable value of their properties. Although under the scheme, the Council is able to retain a larger share of the business rates locally, it also now bears the risks and uncertainties linked to the level of rateable value appeals. The Council has made a provision of £1.83m in its accounts (2022: £2.16m).

Section 6 Glossary

315

Glossary of main financial terms

Amortisation

A reduction in the value of an intangible asset over time, due to wear and tear.

Budget

A statement defining the council's policies over a specified period in terms of finance. Budgets usually include statements about the use of other resources (e.g. numbers of staff) and provide some information on performance measures.

Budget requirement

The estimated revenue expenditure on general fund services that needs to be financed from the council tax after deducting income from fees and charges, certain specific grants and any funding from reserves. It is used to decide the criteria for capping local authority revenue expenditure.

Capital expenditure

(or capital spending) - Section 40 of the Local Government and Housing Act 1989 defines 'expenditure for capital purposes'. This includes spending on the acquisition of assets either directly by the local authority or indirectly in the form of grants to other persons or bodies. Expenditure that does not fall within this definition must be charged to a revenue account.

Capital receipts

The proceeds from the disposal of land or other assets. Capital receipts can be used to finance new capital expenditure within rules set down by the Government, but they cannot be used to finance revenue expenditure.

Collection fund

A statutory fund maintained by a billing authority, which is used to record local taxes and non-domestic rates collected by the authority, along with payments to precepting authorities, the national pool of non-domestic rates and its own general fund.

Contingency

Money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income, and to provide for inflation where this is not included in individual budgets.

Contingent liability

Money that may be owed, but the exact amount is unclear.

Council tax

The main source of local taxation to local authorities. Council tax is levied on households within its area by the billing authority and the proceeds are paid into its Collection Fund for distribution to precepting authorities and for use by its own General Fund.

Council tax benefit

Assistance provided by billing authorities to adults on low incomes to help them pay their council tax bill. The cost to authorities of council tax benefit is largely met by government grant.

Current expenditure

Running costs, including employee costs, premises costs and supplies and services, but not including debt charges.

Deferred charge

Spending on an asset that has a lasting value but is not owned e.g. improvement grants.

Depreciation

A measure of the wearing out, consumption, or other reduction in the useful life of a fixed asset.

Earmarked reserve

Money set aside for a specific purpose.

Estimates

The amounts expected to be spent, or received as income, during an accounting period. The term is also used to describe detailed budgets, which are either being prepared for the following year, or have been approved for the current year.

Original estimate

The estimates for a financial year approved by the council before the start of the financial year.

Revised estimate

An updated revision of the estimates for a financial year.

Supplementary estimate

An amount, which has been approved by the authority, to allow spending to be increased above the level of provision in the original or revised estimates.

External audit

The independent examination of the activities and accounts of local authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Fees and charges

Income raised by charging users of services for the facilities. For example, local authorities usually make charges for the use of leisure facilities, the collection of trade refuse, etc.

Finance lease

A lease, usually of land, or land and buildings, which is treated in the Government's capital control system as a credit arrangement as if it were similar to borrowing. Other types of lease are termed 'operating leases'.

Financial regulations

A written code of procedures approved by the authority, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative procedures and budgeting systems.

General fund

The main revenue fund of a billing authority. Day-to-day spending on services is met from the fund. Spending on the provision of housing, however, must be charged to a separate Housing Revenue Account.

Housing benefit

An allowance to persons on low income (or none) to meet, in whole or part, their rent. Benefit is allowed or paid by local authorities but central government refunds part of the cost of the benefits and of the running costs of the service to local authorities. Benefit paid to the authority's own tenants is known as rent rebate and that paid to private sector tenants as rent allowance. See also Council Tax Benefit.

Housing revenue account (HRA)

Local authorities are required to maintain a separate account - the HRA - which sets out the expenditure and income arising from the provision of housing. Other services are charged to the General Fund.

HRA subsidy

A government grant paid to some housing authorities towards the cost of providing, managing and maintaining dwellings and paying housing benefits to tenants.

IAS 19

A statement of recommended practice to account for the cost of pensions.

IFRS

International Financial Reporting Standards

Impairment

A reduction in the value of an asset, arising (for example) from a significant reduction in Market Value.

LOBO

A commercial loan method of borrowing, which gives options for both parties – ("Lenders options; borrowers options").

Minimum revenue provision (MRP)

The minimum amount which must be charged to an authority's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989.

National non-domestic rate (NNDR)

A levy on businesses, based on a national rate in the pound set by the Government multiplied by the 'rateable value' of the premises they occupy. NNDR is collected by billing authorities on behalf of central government and then redistributed among all local authorities and police authorities on the basis of population. Also known as 'business rates', the 'uniform business rate' and the 'non-domestic rate'.

Net expenditure

Gross expenditure less specific service income, but before deduction of Revenue Support Grant.

Non-recurring

Items that are in a budget for one year only.

Operating lease

A type of lease, usually of computer equipment, office equipment, furniture, etc. which is similar to renting and which does not come within the Government's capital control system. Ownership of the asset must remain with the lessor for a lease to be classed as an operating lease.

Outturn

Actual income and expenditure in a financial year.

Pension fund

An employees' pension fund maintained by an authority, or group of authorities, in order to make pension payments on retirement of participants. It is financed from contributions from the employing authority, the employee and investment income.

Precept

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from council tax payers on their behalf.

Precepting authorities

Those authorities which are not billing authorities, i.e. do not collect the council tax and non-domestic rate. County councils, police authorities and joint authorities are 'major precepting authorities' and parish, community and town councils are 'local precepting authorities'.

Provisions and reserves

Amounts set aside in one year to cover expenditure in the future. Provisions are for liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise are uncertain. Reserves are amounts set aside which do not fall within the definition of provisions and include general reserves (or 'balances'), which every authority must maintain as a matter of prudence.

Public works loan board (PWLB)

A central government agency which provides long- and medium-term loans to local authorities at interest rates only slightly higher than those at which the Government itself can borrow. Local authorities are able to borrow a proportion of their requirements to finance capital spending from this source.

Revenue support grant (RSG)

A grant paid by central government to aid local authority services in general, as opposed to specific grants, which may only be used for a specific purpose. The grant makes up the difference between expenditure at SSA and the amount which would be collected in council tax for that level of expenditure (CTSS) and the amount of non-domestic rate redistributed.

Section 137 expenditure

Under Section 137 of the Local Government and Housing Act 1972, local authorities are allowed to spend a limited amount to do things they are not otherwise empowered to do, but which they consider to be in the interests of residents.

Specific grants

The term used to describe all government grants - including supplementary and special grants - to local authorities other than RSG, capital grants and HRA subsidy. Not to be confused with specified capital grants.

Specified capital grant (SCG)

Certain government grants towards capital spending, for example house renovation grants. Local authorities must apply a special accounting treatment to these grants, i.e. reduce their credit approvals by the amount of the grant received. SCGs all relate to housing.

Ultra vires

Local authorities are empowered to do only those things authorised by statute. If they do anything not authorised by statute, that action is said to be ultra vires (i.e. beyond their powers).

Value for money (VFM)

A much-used term that describes a service or product that demonstrates a good balance between its cost, quality and usefulness to the customer. A VFM audit takes into account the economy, efficiency and effectiveness (known as the 'three Es') of a local authority service, function or activity.

Virement

The permission to spend more on one budget head when this is matched by a corresponding reduction on some other budget head, i.e. a switch of resources between budget heads. Virement must be properly authorised by the appropriate committee or by officers under delegated powers.

This page is intentionally left blank