



Oadby & Wigston Borough Council

Unaudited Financial Report



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Bev Bull

The Head of Finance (Acting Chief Finance Officer & Section 151 Officer)

1. The Statement of Accounts

The Head of Finance (Acting Chief Finance Officer & Section 151 Officer) is the statutory officer responsible for the proper administration of the Council's financial affairs. The Head of Finance (Acting Chief Finance Officer & Section 151 Officer) is required by law to confirm that the Council's system of internal controls can be relied upon to produce an accurate Statement of Accounts. To do so the Chief Finance Officer ensures that the Council maintains proper and up to date accounting records and takes all reasonable steps to prevent and detect fraud and any other irregularities. The Statement of Responsibilities appears on page 30.

The Statement of Accounts has been produced in accordance with The Code of Practice on Local Authority Accounting ('the Code') developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Council's Accounting Policies, which are written to take into account the Code, and are outlined on pages 110 - 128 of the Statement of Accounts.

2. Oadby & Wigston as a place

Oadby & Wigston Borough Council is a diverse, thriving and vibrant place - located to the south-east of the city of Leicester and also sharing boundaries with Harborough and Blaby district areas.

There are just under 58,000 residents living in Oadby and Wigston within an area of around nine square miles which is predominantly urban. The Borough consists of three distinct communities, Oadby, Wigston and South Wigston. Each of the three areas have very different perceived levels of affluence. South Wigston has the highest level of social deprivation and is the least affluent with Oadby having the lowest level of social deprivation and is perceived as the most affluent area.



As a whole, the Borough is ranked 242nd out of 318, (where one is the most deprived) by the Indices of Deprivation 2020.

The ethnic and cultural composition of the Borough is diverse. The overall Black and Minority Ethnic (BME) population is 26.9%.

The Borough Council delivers the full range of services that all district councils provide. These are delivered through a combination of arrangements which are direct, contracted, shared or delegated. The Council also owns and manages its own housing stock of 1,200 homes.

- Oadby and Wigston:
 - Collects £36.4m in council tax but retains only £4.2m to provide essential services such as waste and recycling collection
 - Generates over £2m of income
 - Collects £11.2m in business rates but retains only £2m to spend on delivering council services
 - Holds £113m of assets for service delivery, council housing provision and investments
 - Collects £5.1m in rent payments in respect of our 1,200 council homes.
- Like all other district councils, Oadby & Wigston has seen its net general fund annual budget reduce over a number of years, from £8.5 million in 2010/11 to £6.5 million in 2022/23 which increases to £7.5million in 2023/24. The Council has managed to reduce its budget without cutting any front line services, recently turning to income generation as a means of balancing the books. The increasing budget requirement in 2023/24 reflects the impact of inflationary pressures on employee costs, energy costs and interest costs, and means our funding does not match our budgeted net revenue expenditure, with the gap being met by use of reserves.
- The Council's is severely restricted by its size and existing housing density. The Borough therefore has a limited capacity to host additional housing compared to most other districts and boroughs. This means the Council has limited capacity to increase its funding by growing its Council Tax base and attracting New Homes Bonus and is also limited in attaining Business Rates growth.

3. The council

Governance

There has been political continuity since 1991 when the Liberal Democrats achieved an overall majority for the first time. The Council at 31 March 2022 consisted of 26 members including 23 Liberal Democrats and 3 Conservatives. During 2022/23 Councillor John Boyce was the Leader of the Council while his deputy was Councillor Samia Haq. One Councillor switched from Liberal Democrat to Conservative, with the structure as at 31 March 2023 being 22 Liberal Democrat Members and 4 Conservative Members.

A full local election took place on 4th May 2023 with the Liberal Democrats holding 19 seats and the Conservatives gaining 3 seats giving them a total of 7 members.

Oadby and Wigston Council operate a Committee system of governance and all 26 members are involved in the decision making.

All 26 members sit on the Full Council and this oversees decisions and actions of the



five main committees.

The five committees are:

- Policy, Finance & Development Committee
- Service Delivery Committee
- Development Control Committee
- Licensing & Regulatory Committee
- Audit Committee

The Committees debate and decide Council policy and make specific decisions in relation to their individual responsibilities. There are also a number of working groups with limited decision-making power, that develop specific initiatives and which report through the main committees to Council. A Standards Panel to oversee Councillor's conduct can be called at any time from the membership of the Policy, Finance and Development Committee.

On a national level Oadby and Wigston is contained wholly within the Harborough Constituency and is represented at Westminster by Neil O'Brien, MP of the Conservative Party. Mr O'Brien held the seat, for the Conservatives, was re-elected as the MP for the Harborough constituency in December 2019 with a majority of 17,728.

Our Vision and priorities

The Council's policy drivers are the objectives as set out in the adopted Corporate Plan for the period 2019-2024 which set out the Council's Vision of: *A Stronger Borough Together*

"Councillors, staff, residents, businesses, partners and stakeholders will continue to create a stronger borough by working together."

A stronger borough that is inclusive and engaged and focuses on delivering effective services, balanced economic development, green and safe places resulting in better wellbeing for all".

The Corporate Plan centres around Three core Corporate Objectives and is reviewed and updated on an annual basis.

Corporate Objectives

- 1 Building, Protecting and Empowering Communities**
"Be Proud of your borough as a place to live"
- 2 Growing the Borough Economically**
"Realise the aspirations of the borough, benefiting those who live and work here"
- 3 Providing Excellent Services**
"Delivering those services needed to the highest standard whilst providing value for money"

A new Vision was formally adopted at our Full Council meeting on 27 September 2022, and will now be the driving force behind our aims and ambitions. The first major

milestone in embedding this Vision will be in creating a new Corporate Plan, which is in development.



Customer Excellence Award

The high quality of Oadby & Wigston Borough Council's customer service has seen the authority continue to achieve the nationally recognised Customer Service Excellence Award. The award was created by the Cabinet Office and is the gold standard for customer service delivery, recognising that an organisation delivers excellent services with the customer at the heart. The Council achieved the award for the first time in 2020 and retained it in December 2021 and December 2022.

Working for Oadby & Wigston

The council employs 200 individuals across a wide range of services. 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.

Of our total employees, 162 are full time and 25 are part time positions. This includes 1 apprentice.

At the end of March, we also engaged 13 agency staff members.

The Council invested in establishing a set of strong organisational values. These were developed by staff workshops that involved over 95% of staff. The values represent the qualities and behaviours staff strongly believe all should portray. In 2019 these values were reviewed again by staff workshop sessions, staff unanimously agreed to keep them the same. New values have been developed by staff and are being adopted from May 2023.



Our Values during 2022/23 were:

Accountability: Proud to take responsibility for actions, seeing tasks through to completion.

Respect: Acting with honesty, fairness and equality at all times.

Teamwork: Committed to sharing information, skills and experience.

Innovation: Striving for service improvements by exploring new ways of working.

Customer Focus: A mindset that exceeds resident and stakeholder expectations.

These values are ingrained into the Council's service provision, performance, management and recruitment policies throughout the Council.

The Council's Performance

As part of the Council's ongoing development to service performance management and reporting, 2022/23 sees us report on KPIs in two different ways. Firstly, continuous improvement in line with our Corporate Plan 2019 – 2024 and statutory KPIs that have to be delivered as part of legislative or legal duty as a Council.

The Council has produced 44 new Continuous Improvement Key Performance Measures for 2022/23, and these measures relate to each of the Council's three Corporate Objectives as part of the Council's five-year Corporate Plan (2019-2024).

The Council has produced 24 Statutory Improvement Key Performance Measure for 2022/2023. Statutory KPIs refer to those that the Council has to report and measure from a legislative, legal or need to report to a particular body.

Each target has been graded using the Red/Amber/Green status ranking system. There

is also a “blue” ranking and this is for indicators where work has yet to begin, and therefore cannot be ranked. Finally, there is a “white” rating where the indicator cannot be met due to circumstances outside of the Council’s control. The scoring system has been applied using the following definitions:

Green Target fully achieved or currently on track to achieve target

Amber Indicator is in danger of falling behind target

Red Indicator is off target or has been completed behind the deadline target.

Continuous Improvement Key Performance Indicators - Out of the 44 indicators, 40 were due for reporting as at the end of Quarter 4 2022-2023.

Of the 40:

38 were Green status

1 were Amber status

1 were Red status

This equates to 94% Green, 3% Amber and 3% Red status. The following table identifies the Council’s performance, by objective and service delivery section.

Performance Chart One – Continuous Improvement - Corporate and by Objective

Quarter Four 2022/23	Green		Amber		Red	
	Number of Indicators	Percentage	Number of Indicators	Percentage	Number of Indicators	Percentage
Overall Performance						
All Targets Due	38	94%	1	3%	1	3%
Corporate Priority						
Building, Protecting and Empowering Communities	9	90%	0	0%	1	10%
Growing the Borough Economically	4	100%	0	0%	0	0%
Providing Excellent Services	25	96%	1	4%	0	0%

Performance Chart Two – Continuous Improvement - By Service Area

Quarter Four 2022/23	Green		Amber		Red	
	Number of Indicators	Percentage	Number of Indicators	Percentage	Number of Indicators	Percentage
Overall Performance						
All Targets Due	38	94%	1	3%	1	3%
Department						
Built Environment	12	100%	0	0%	0	0%
Customer Service & Transformation	7	88%	0	0%	1	12%
Finance & Resources	10	100%	0	0%	0	0%
Law & Democracy	9	90%	1	10%	0	0%

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Out of the 24 indicators, 21 were due for reporting as at the end of Quarter 4 2022-2023. Of the 21:

19 were Green status
0 were Amber status
2 were Red status

This equates to 90% Green, 0% Amber and 10% Red status.

The following table identifies the Council's performance, by objective and service delivery section.

Performance Chart One - Statutory Key Performance Indicators – Corporate and Objective

Quarter Four 2022/23	Green		Amber		Red	
	Number of Indicators	Percentage	Number of Indicators	Percentage	Number of Indicators	Percentage
Overall Performance						
All Targets Due	19	90%	0	0%	2	10%
Corporate Priority						
Building, Protecting and Empowering Communities	5	100%	0	0%	0	0%
Growing the Borough Economically	0	0%	0	0%	0	0%
Providing Excellent Services	14	88%	0	0%	2	12%

Performance Chart Two - Statutory Key Performance Indicators – By Service Area

Quarter Four 2022/23	Green		Amber		Red	
	Number of Indicators	Percentage	Number of Indicators	Percentage	Number of Indicators	Percentage
Overall Performance						
All Targets Due	19	90%	0	0%	2	10%
Department						
Built Environment	10	100%	0	0%	0	0%
Customer Service & Transformation	0	0%	0	0%	0	0%
Finance & Resources	3	60%	0	0%	2	40%
Law & Democracy	6	100%	0	0%	0	0%

4. Financial context and outlook

Key financial features for Oadby & Wigston

Oadby and Wigston Borough Council is responsible for managing cash flows and assets exceeding £160m each year. Of this amount:

- £113m relates to the value of our assets, of which £112m of these are held for providing council services and £0.6m of investment property. The remaining £0.4m of assets are made up of heritage and intangible assets.
- Over £2m relates to local income that we raise in the form of fees and charges. We use this funding and income to deliver services and keep council tax down. In addition we collect £5.1m in rent for council homes.
- We collect around £12m in business rates and we retain approximately 10%, with approximately 10% being passed onto to our major preceptors LCC and LFRS, 30% paid into the LLEP to support economic growth in Leicestershire and the remaining 50% going to central government.
- We collect £35.6m in council tax from residents in the District. We retain just 12% of this amount, with the remainder passed on to LCC, LFRS and PCC. The Council's Band D precept is £239.50.



The Council has utilised reserves in year to balance the budget and needs to do the same going forward in future years. This demonstrates the Council has challenges ahead and that it needs to deliver and implement plans to bring its expenditure in line with its funding. Continued reliance on reserves to balance the budget is not sustainable and the depletion of reserves means the Council will become unable to respond to external financial challenges.

Strong financial stewardship underpins our approach to service delivery and projects: we manage our budgets well to provide excellent value for money services and invest in key schemes to make a real difference in our communities.

For 2022/23 our revenue budgets totalled £6.6 million and our capital investment programme £10.1 million. At the end of the year, we held reserves of £1.41 million and £1.42 million for the General Fund and HRA respectively. We know that we need to build our level of General Fund reserves to remain healthy and resilient in the future and this is flagged in the CIPFA Financial Resilience Index and other benchmarking data when our reserves performance is compared to other districts.

Our borrowing is in line with prudential guidelines and is affordable and sustainable. We are likely to continue to need to borrow externally as part of our treasury position.

Cost of Living Crisis

During 2022/23 the Council has been impacted on by the cost of living crisis in relation to its own costs increasing due to high levels of inflation on energy, fuel supplies and services, materials and the national pay award. It has also seen increases in demand for services to support residents with the impact of cost-of-living crisis.

At the Full Council Meeting in November 2022 funds were identified for specific proposals to provide support to residents and businesses through the cost-of-living crisis. Table 1 shows the final value of awards that were made against each approved support proposal. The balances were returned to reserves.



Area	Allocation	Actual	Remaining Allocation
Top up DHP with £50,000 of Council funding	£50,000	£15,389	£34,611
Top up the Council funded Discretionary Council Tax Support Fund	£5,000	£5,000	£0
Support and promote public-sector partner-led "Warm Hubs"	£5,000	£5,000	£0
Consider and action requests for support from 3rd sector partners	£10,000	£8,188	£1,812
Residual funds – ability to be drawn down by the Strategic Director/Section 151 Officer in consultation with the PFDC Chair, for additional needs identified.	£10,000	£4,685	£5,315
Total General Fund Cost of Living reserve	£80,000	£38,262	£41,738

HRA

Area	Upper Value	Actual to Date	Remaining allocation
Create a new £10,000 HRA Hardship Fund for supporting Council Tenants	£10,000	£0	£10,000
Residual funds – ability to be drawn down by the Strategic Director/Section 151 Officer in consultation with the PFDC Chair, for additional needs identified	£20,000	£0	£20,000

Total HRA Cost of Living reserve	£30,000	£0	£30,000
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As part of the national response, the Council administered government support in the form of:

Energy Rebate Scheme - All households in council tax A-D have received a £150 council tax rebate.

Some areas such as leisure who were still recovering from the pandemic have now also been impacted on by the high levels of inflation in 2022/23 most significantly on energy costs, affecting our anticipated income from this contract.

Financial Sustainability

The Council approved a Medium-Term Financial Strategy (MTFS) in September 2022, this presented a high-level five-year assessment of the financial resources required to deliver the Council's strategic priorities and essential services, and the projected resources available; showing budget gaps each year. The reserves available will not be sufficient to fund the budget gaps over the MTFS period. Using reserves to balance the budget demonstrates the Council is not financially sustainable, the Council needs to manage its expenditure within its funding and income means.

The MTFS included a sustainability plan of high-level savings targets. The sustainability programme has been developed further as part of the 2023/24 budget setting process and has begun to be mobilised. The Chief Executive is the sustainability programme sponsor and the Strategic Directors are project heads.

The projects within the sustainability programme focus on maximising income generation, rationalisation and utilisation of assets, delivering efficient services aligned to corporate priorities through an outcome-based budget approach and service reviews; and contract and financial management. The current sustainability programme savings targets identified do not fully meet the projected budget gap and need to be enhanced further. It is paramount that the Senior Leadership Team with elected members deliver and enhance the savings targets.

Projects

During 2022/23 the Council has been progressing plans for the relocation of the Council's headquarters from its current location at Bushloe House in Wigston to Brocks Hill in Oadby. Major construction works have been completed at Brocks Hill former visitor centre to make it fit for purpose as the Council's new headquarters, the relocation is planned for Summer 2023. Bushloe House has been marketed and proposals are being evaluated.

We have also progressed our regeneration plans for Oadby swimming pool, a council-owned site within the borough. The site has been marketed and proposals are being evaluated. The capital receipts from the sale are planned to be reinvested in Ellis Park, including redevelopment of the Pavilion into a Community Facility.

The New Housing Supply capital scheme has also progressed with detailed plans developing for the Horsecwell Lane site.

Corporate Peer Challenge

In November 2022 an LGA Peer Review team revisited the Council to complete a 6-month review of its progress against the action plan the Council put in place following the Corporate Peer Challenge in January 2022.

Officers and members have been working hard on delivering on the actions which help drive our Council's performance forward. The review team acknowledged there had been progress on delivering the actions and that the Council wants to learn and improve.

The action plan is one for continuous improvement, that will help us improve our processes and systems internally also what we deliver in our services to residents, businesses, key stakeholders and partners.

The feedback report from the Corporate Peer Challenge in January 2022 is available here: [Corporate Peer Challenge - Feedback Report](#) (PDF Document, 309.32 Kb)

This updated Action Plan is available to read here: [the Corporate Peer Review Action Plan](#). (Word Document, 743Kb)

Current economic conditions

The national fiscal and economic situation is an important consideration for the Council. Currently there are a number of significant financial challenges for the sector.

Local Government Funding System

The system of funding for local government has significantly changed since 2010, with Councils now increasingly reliant on localised funding sources, principally council tax and business rates. However the mechanic around these funding streams are still determined by central government in a financial settlement. In recent years this has moved from a multi-year settlement to one year settlement. The settlement for 2023/24 was a one-year settlement, meaning understanding the funding position beyond 2023/24 is extremely difficult.

Local government funding reforms were first announced in 2016 and there have since been a number of deferrals. The reforms include:

- A review of the Needs and Resources assessment (previously Fair Funding Review announced in 2016) is due to determine a new mechanism for allocating resources within the sector;
- A review of the new Homes Bonus funding system



- The Business Rates Retention Scheme is due to be reset potentially removing all of the previously generated growth in the system

The potential impact of these changes represents significant uncertainty in terms of the financial resources available from 2025/26 onwards.

Global and national economic climate

The current global and national economic climate remains unstable. In October 2022 inflation peaked at 11.2% and as at August 2023 it was 6.7%. Whilst inflation has fallen during 2023/24, the high inflation levels during 2022/23 are embedded into the current and ongoing costs and the existing rates of inflation remain higher than the Bank of England inflation target of 2%.

The Bank of England have increased the bank rate from 0.75% at April 2022 to 4.25% at March 2023, to the current rate of 5.25%. The bank rate impacts on the interest rate earned on investments and influences the interest rate on borrowing.

Service costs, risks and demands

The high inflation rates have impacted on employee pay awards in 2022/23 and 2023/24 being higher than in previous years. These higher costs are embedded into the cost of providing our services.

Energy and fuel inflation rates have been impacted by the Russian invasion of the Ukraine, although the increases have reduced since this time last year. This remains an area where prices are volatile.

The high levels of inflation are also impacting on the costs of supplies and contracts and are adding risk to the viability of some suppliers which increases the contract risk exposure.

The impact of high levels of inflation on the cost of living creates more demand for our services and is creating increased demands around homelessness support and costs.

Our General Fund Medium Term Financial Plan

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

The current medium term financial plan looks ahead to the forthcoming five year period and projects a sizeable budget gap from 2023 which is forecast to increase year on year if corrective action is not undertaken.

The Council's ability to influence growth in the area and increase its funding through new homes bonus, additional council tax and business rates growth is restricted due to its size and due to it already being densely built up.

The changes to the funding regime anticipated as part of the Needs and Resources Review and Business Rates Reform aren't likely to hit the Council's finances as hard as may be the case for some authorities, but we still expect our modest business rates funding to reduce in the future when these reviews are implemented.

Currently the Medium-Term Financial Plan is looked at annually alongside the forthcoming years' budget, having been reviewed at budget setting 2023/24 and is now currently being reviewed again as part of the budget setting process for 2024/25.

Our Housing Revenue Account 5-year projections

The Housing Revenue Account summarises income and expenditure relating to the rented housing accommodation of 1,183 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 just over £5 million of rent from properties let at either social or affordable rental rates.



The Council's current projections with the HRA MTFP show a stable five-year financial position when considering the level of reserves available to balance projected deficit years.

The council's financial performance in 2022/23

General Fund

The outturn position for the General Fund Revenue Account is a £440k overspend, in the region of 6% of the council's overall net revenue spend budget. The main cause of the overspend relates to pay inflation for implementing the national pay award and reduced management fee from the Leisure Centre Operator.

The position on the account as the end of year is set out in the table below.

Service	Original Budget 2022/23	Revised Budget 2022/23	Actual Spent 2022/23	Variance (Under) / Over Spend 2022/23
	£000	£000	£000	£000
Senior Leadership Team	428	428	445	17
Covid 19 Funding	0	175	177	2
Finance & Resources (Including	2,344	2,389	2,420	31

Corporate Budgets)				
Law & Democracy	654	657	646	(11)
The Built Environment 1 & 2	897	740	784	44
Community & Wellbeing	(11)	66	320	254
Community & Wellbeing Depot	1,050	1,055	1,129	74
Customer Service & Business Transformation	1,605	1,661	1,667	6
HRA Recharge	(1,240)	(1,240)	(1,306)	(66)
Capital Financing	680	680	688	8
Net Revenue Expenditure	6,407	6,611	6,970	359
Earmarked Reserves	(125)	(324)	(324)	0
General Fund Supplementary	0	(5)	(5)	0
Funding	(6,282)	(6,282)	(6,201)	81
Budget Deficit / (Surplus)	0	0	440	440

A summary of the major variances on the 2022/23 year are detailed in the table below.

Major Variances	£'000	£'000
Adverse		
2022/23 Pay award greater than budgeted	213	
Loss of income on the leisure management contract	202	
Increase in Council-wide software and corporate networking costs	87	
Reduction in business rates income due to increased levy payment	80	
Agency staff covering roles in Planning Control / Building Control / Economic Development due to national shortage in planning recruitment	71	
Fuel inflation (diesel)	62	
Favourable		
Vacancy savings and capitalisation of salary costs on Economic Development	(87)	
HRA recharge increased to incorporate HRA pension lump sum	(66)	
Recovery of Bushloe Developments balance	(65)	

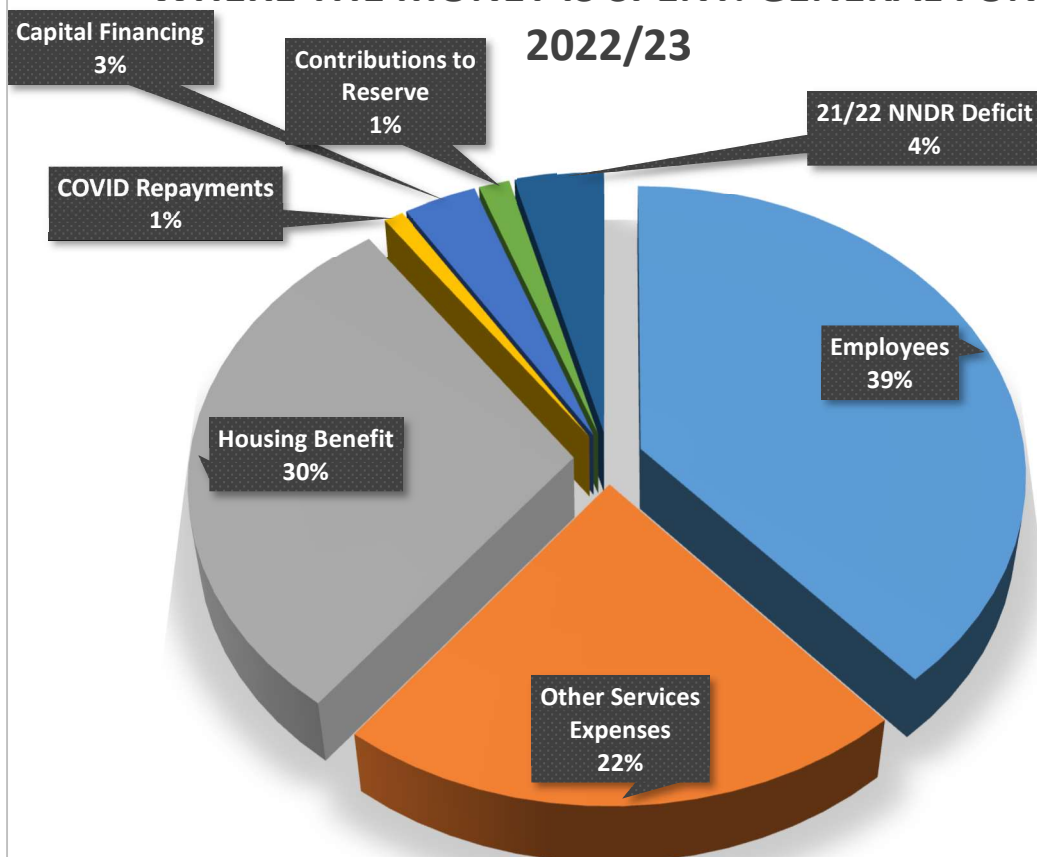
Other Variance under £50K

(57)

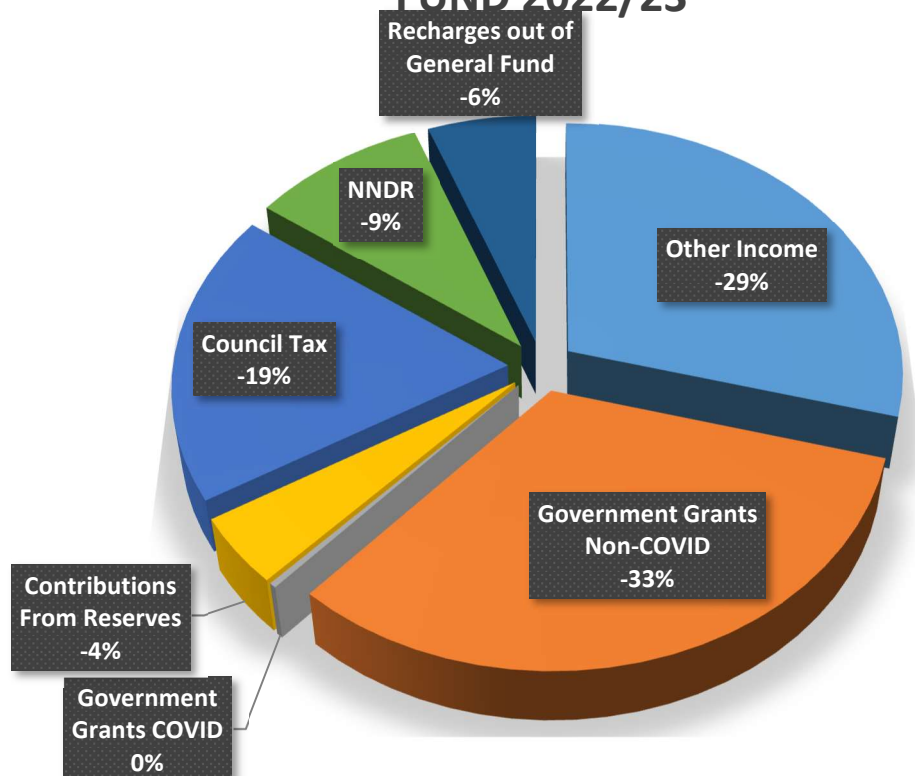
Total

440

WHERE THE MONEY IS SPENT: GENERAL FUND 2022/23



WHERE THE MONEY COMES FROM: GENERAL FUND 2022/23



Housing Revenue Account (HRA)

The Housing Revenue Account summarises income and expenditure relating to the rented housing accommodation of 1,183 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.

The position on the account as the end of year is set out in the table below.

Service	Original Budget 2022/23	Actual Spent 2022/23	Variance
	£000	£000	£000
Housing Revenue Account	(3,529)	(3,417)	113
Supervision and Management	1,887	1,898	11
Repairs & Maintenance	1,067	1,051	(16)
Net Cost of Services	(575)	(468)	108
Capital Charges	625	514	(111)
Appropriations	0	0	0
Year End Adjustments	0	0	0
(Surplus) / Deficit	50	46	(4)

A summary of the major variances on the 2022/23 year are detailed in the table below.

Major Variances	£'000	£'000
Adverse		
Major Repairs Contribution higher than budgeted	173	
Increase in the price of gas for heating	70	
HRA recharge increased to incorporate HRA pension lump sum	66	
Favourable		
Reduction in interest costs on borrowing	(111)	
Underspend on planned maintenance due to fewer voids	(91)	
Reduction in provision for bad debts	(78)	
Other Variance under £50K	(33)	
Total	(4)	

Reserves and Balances

The General Fund and Housing Revenue Account Reserves increased by £113k and £264k during 22/23, despite the £440k and £46k deficits reported above. This was due to an in-year exercise identifying earmarked reserves that were no longer required and transferring their remaining balances to the main reserves.

	General Fund	HRA
In-year deficit funded by reserve	440	46
Repurposing of earmarked reserves	(553)	(310)
Final movement to main reserve	(113)	(264)

The General Fund Reserve opening balance as at 1st April 2022 was £1.299m. In 2022/23 the account has a budget surplus of £113k after appropriations from earmarked reserves, leaving General Fund Reserve balance of £1.412m at 31st March 2023

The Housing Revenue Account opening balance as at 1st April 2022 on its main reserve was £1.155m. In 2022/23 the account has a budget surplus of £264k after appropriations from earmarked reserves, leaving an estimated HRA Reserve balance of £1.419m at 31st March 2023.

The following table sets out the reserves available to the Council to meet its capital expenditure plans and other financial commitments as at 31 March 2023

	2022/23	2021/22
	£000's	£000's
Revenue Reserves		
General Fund	1,412	1,299
Housing Revenue Account	1,419	1,155
Other Reserves		
Useable Capital Receipts	1,391	1,468
Earmarked Reserves Non-COVID	3,149	3,566
Earmarked Reserves COVID	44	364

Our Assets and Liabilities

Pension Liabilities

£5.337m

This is the value of what the council owes across future years offset by the value of assets invested in the pension fund. The council made a contribution of £1.65m to the scheme in 2022/23 and recognised a total charge of £3.0m for the year. However, an £17.9m remeasurement due to changes in financial assumptions resulted in a total actuarial gain for the year of £16.5m.

The pension fund, which is a Local Government Pension Scheme, is revalued every three years to set the future contribution rates. The last valuation took place in March 2019 which set our additional contribution rate at 18.4% plus £621K for the 2022/23 financial year. This rate means we pay additional amounts into the pension fund to offset the predicted liability on the scheme.

Provisions

The council sets asides provision for business rate appeals against rateable valuations. Business ratepayers who have appealed against their assessment are still required to pay the rates demanded but should their appeal be successful then any sums overpaid will be refunded.

	2022/23	2021/22
Business Rates Appeals Provision	£157k	£387k

Borrowing

As at 31st March 2023 the council has total external borrowing of £18.062m of long-term borrowing. This relates to loans from the Public Loans and Works Board (PWLB), which were either taken out in 2012 in order to fund HRA self-financing (£13.082m), or in 2016, to fund the leisure centre project (£4.480m), with the remainder being general fund borrowing (£500k). Additionally, there is another £16.006m of short-term borrowing, both for cash flow purposes, and in lieu of long-term debt. All of our borrowing was within our Prudential Code limit of £48m for the year.

Cash flow

The Council's cash flow shows a decrease of £9.437m in its cash and cash equivalents from the previous year. This may be attributed to the repayment of various COVID-related grants unspent from the previous year, and the use of the £150 council tax rebate grant received in 2021/22 to offer relief in 2022/23. Interest payable was broadly similar to 2021/22, due to locking in most of the year's borrowing before the increase in interest rates, but interest receivable increased in line with prevailing interest rates.

Financial Position

We have maintained a strong financial position despite the financial challenges we face, with net assets increasing by £21.92m between 2021/22 and 2022/23

	2021/22	2022/23
Non-Current Assets (property and long-term investments)	105,615	112,976
Net Current Assets (debtors, stock and cash less creditors and liabilities)	(10,760)	(13,469)
Long-term Liabilities and Provisions	(42,035)	(24,767)
Net Assets	52,820	74,740
Funded by:		
Usable Reserves	(7,852)	(7,415)
Unusable Reserves	(44,968)	(67,325)

Capital

The 2022/23 Capital Programme was set at Full Council in February 2022 and amended in July 2022. **Table 3** shows a summary of the 2022/23 capital programme.

Some key features of the capital programme for 2022/23 include:

- £900k in undertaking Decent Homes standard related works for council homes
- £3.14m on developing new Council Offices, to be funded through the sale of the old.

Table 3 - Capital Programme Summary

Fund	Revised Budget 2022/23	Actual Spent 2022/23	Variance to Budget
	£'000	£'000	£'000
General Fund	5,025	3,747	(1,278)
Housing Revenue Account	1,038	906	(132)
Total	6,063	4,653	1,410

The Combe Park Pavilion project (£170k) was removed pending the receipt of the S106 monies that are intended to fund it. £400k for vehicle refurbishment and replacement was added in-year

5. Risk Management

A refreshed Risk Management Policy was approved in January 2023 reaffirming the formal arrangements the Council has in place for risk management, with the prior policy being approved in July 2021. The overall objective of the Council's risk management policy is the identification, analysis, management and financial control of those risks which can most impact on the Council's ability to pursue its approved corporate objectives.

A Strategic Risk Register is in place and is approved by both the Senior Leadership Team and Elected Members via the Audit Committee. The Strategic Risk Register is a live document constantly under review to ascertain progress on managed risks and new risks that could impact on the Council.

Set out below are the key risks from the Council's Strategic Risk Register.

Risk	Impact	Mitigation
Decreasing Financial resources / Increasing Financial Pressures	Cuts in services Political and customer expectations not met Quality of service Reputation damage Knock on impact on the local community and economy e.g. spiral effect Legal challenge, Reduction in rent/monies owed to the council through the introduction of UC, increased homelessness adding stresses to council finances and the local economy. Supplier price variations significant.	Review of Financial Regulations Training on Contract Procedure Rules; enhance budget monitoring Creating a new MTFS Cost of Living impact assessment Engagement with stakeholders on Financial Outlook Updated MTFP position Implementation of the Sustainability Programme
Key Supplier Failure	Cost implications Business Continuity Loss of revenue Service failure TUPE issues	Incorporate service contract register and plans for managing contracts into Service Plans

Risk	Impact	Mitigation
	Potential court action Increased complaints Reputation issues Political damage Delays	
Failure to work effectively with other public sector partner organisations (PSOs)	Loss of public confidence in Community Safety Partnership Loss of funding for LLR Sports Alliance partnership Impact on service delivery of poor ICT service May not realise potential economies of scale Impact on staff morale	Formal agreements with public sector partners which clearly identify roles & responsibilities Governance arrangements which manage performance against agreements Lead officer arrangements/contract manager Financial controls ensuring payments are only authorised where service being delivered by partner organisation is received and is of appropriate quality Strategic Planning Group - governance arrangements are in place for this. Member Advisory Group also in place Southern Alliance (OWBC, HDC, Blaby & Hinckley working together) Performance of these arrangements is formally reviewed and changes are made if necessary. Regular account meetings with contracted 3rd sector organisations. Service Level Agreements in place where necessary. Cost of Living support programme has funded 3rd sector organisations and support for warm hubs.
Hard to reach demographics feel disenfranchised through lack of specific	Reputational damage Lack of support for community initiatives Missed opportunity to impact on equalities agenda and HWB of residents Citizens panel not representative of	Customer Experience Strategy Action Plan. Housing Regulators new Tenant Satisfaction Measures that all social housing landlords will need to adopt from April 2023. Tenant Engagement Review

Risk	Impact	Mitigation
communication and engagement.	demographic. Services may not meet the needs of this demographic	
Political Dynamics	Change in priorities Change in member/officer engagement Breakdown in communication Inability to meet expectations Reputation issues (organisational and political) Reactive decision making (rather than planned) Failure to follow legislative requirements e.g. equalities Further strain on council finances	Political awareness training for officers June 2022. Member and officer training undertaken with Centre for Governance and Scrutiny November 2022. Full review of members induction programme has been completed. Training/action plans for member elected May 2023.
Reputation Damage	Intervention Loss of public confidence Ombudsman findings Court costs Quality of service affected Breakdown in a partnership Adverse publicity Lower public satisfaction level Time spent mitigating damage/rectifying the situation Low Morale Difficulties to recruit/staff retention Inadequate budget provision, inappropriate financial decisions made	Anti-Fraud Policy to be reviewed and presented to PFD June 2023.
Effective utilisation of Assets/Buildings	Loss of investment opportunities Loss of income	Revision of Asset Management Policy and Capital Expenditure Plan

Risk	Impact	Mitigation
	Loss of capital Higher revenue costs Costs Death or injury Higher insurance premiums Reputation damage Public liability Personal liability for corporate team e.g. corporate manslaughter	Revision of Asset Management Policy and Capital Expenditure Plan - Dec 2023. Asset review - Dec 2023. Holistic Asset Management database/system purchased and timetabled for implementation - Dec 2023. Production of a Health and Safety Action Plan.
Regulatory Governance	Substantial fines e.g. Data Protection Judicial review Reputation Code of conduct Financial loss Cost orders Personal liability	Training on GDPR/DPA to be completed by all - Sept 2023.
Failure to respond to a significant incident	Insurance – higher premiums Loss of essential services Adverse publicity Reputation damage Loss of public confidence Loss of income Financial damage Death and injury Litigation risks Insurance – higher premiums Loss of essential services	Business Continuity training exercise and refresh – Completed December 2022. BC Plans refresh and incorporation into service plans – completed December 2022. SLT and CMT additional training scheduled with LRF – on-going.

Risk	Impact	Mitigation
	Adverse publicity Reputation damage Loss of public confidence Loss of income Financial damage Death and injury Litigation risks Staff unavailable after major incident Large proportion of staff becoming ill	
Organisational/Transformational Change	Redundancy Staff morale Staff retention Change in working practices Impact on quality of service Legal implications HR implications Reputation damage/perception Financial loss Possible litigation Increased fraud	Developing a People Strategy - to include resilience and succession planning as a key consideration – June 2023
Economy/Regeneration	Relocation (Business and Domestic) Lack of inward investment Increased demand for certain services e.g. benefits Loss of value in public assets Need to continually adapt/change Conflicting pressures - decreased funding –	Continue to review the opportunity to maximise funding sources (as per Corporate Peer Review Action Plan) Bids being prepared to UK Social Prosperity Fund and Levelling Up Fund to develop projects that will support local businesses, bring investment into the Borough and regenerate key sites Sub-committees established to provide a focus on key

Risk	Impact	Mitigation
	increased demand Spiral effect Short term decision making – uncertainty Increased autonomy leads to greater risk Decrease in collection levels	regeneration projects Specialist support procured to advise on the deliverability of regeneration projects
Increased Fraud	Homelessness, poverty and social deprivation Financial loss Resources of the authority to investigate fraud issues Reputation impact Litigation	Bribery Act Risk Assessment – June 2023 Fraud Awareness Training – July 2023 Implementation of internal audit recommendations – July 2023
Cyber Threat/Security, Cyber security is seen as an ICT risk and not a corporate risk that needs to be managed and monitored by senior management.	Financial loss Resources of the authority to investigate fraud issues Reputation impact Litigation, Loss of data, breaches of GDPR, SMT lack of oversight	BCP has been reviewed by IT Security Manager. Consider Cyber Threat training and awareness raising via internal exercises. Ensure access to secure email is provided where needed across organisation.
Coronavirus (SARS coronavirus-2 (SARS-CoV-2)) locally results in significant loss of staff at any one time and/or wider national measures	Council is unable to deliver any services including essential/critical services, or only deliver to a significantly reduced extent. Significant risk to the health, safety and welfare of vulnerable services users. Significant impacts on the local economy causing resulting impacts financially on the Council from reduced revenue	

Risk	Impact	Mitigation
designed to slow the spread of COVID-19 cause significant impacts on service delivery and the wider city	including loss of income for commercially traded services. Reputational damage should the Council not be able to respond adequately	
Staff lone working including out of hours	Staff could suffer physical and emotional harm, which could lead to long periods of sick leave.	Include in induction and also carry out training awareness exercise for all current staff Need to review utilisation and cost of equipment

1. 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 Authority's responsibilities

- Manage 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 authority, that officer is the Section 151 Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Section 151 Officer's responsibilities:

The Section 151 Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Section 151 Officer has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that are reasonable and prudent.
- Complied with the Code.
- Kept proper accounting records which are up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.
- Assessed the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern.
- Used the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future, and
- Maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

Certification of the Accounts

I certify that the unaudited statement of accounts gives a true and fair view of the financial position of Oadby and Wigston Borough Council as at the 31 March 2023 and the Council's income and expenditure for the year ended 31 March 2023.

Bev Bull

Date:

The Head of Finance (Acting Chief Finance Officer & Section 151 Officer)

Approval of the Accounts

I certify that the unaudited Financial Statements have been approved by the Section 151 Officer in accordance with the Accounts and Audit (England) Regulations 2015 and are authorised for issue.

Councilor K Loydall

Chair, Policy Finance and Development Committee

Date:

Anne Court

Chief Executive

Date:

THE MOVEMENT IN RESERVES STATEMENT

This Statement shows the movement in the year on the different reserves held by the Council, analysed into 'useable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to/from Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to/from Earmarked Reserves undertaken by the Council.

During the Covid-19 pandemic and recovery additional business rates reliefs were given by Central Government, billing authorities were compensated by additional Section 31 grant. Due to the collection fund accounting rules, the impact of the additional reliefs created a deficit taken to the Collection Fund Adjustment Account which is then required to be released and incurred in the following year. This requires that the Section 31 Grant is held in reserve and released in the same year as the deficit is incurred. This is shown by the inclusion of the Section 31 Grant Reserve in the Movement in Reserves Statement.

THE MOVEMENT IN RESERVES STATEMENT

Movement in Reserves 2022/23		General Fund Balance	Deferred Capital Receipts	Housing Revenue Account	Earmarked Reserves	Major Repairs Reserve	COVID-19 Grant Reserve	Section 31 Grant Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	Note	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 1 April 2022		1,299	3	1,155	2,402	450	364	687	1,467	24	7,852	44,968	52,820
<u>Movement in Reserves during 2022/23</u>													
Deficit on the provision of services		(3,119)	0	2,033	0	0	0	0	0	0	(1,086)	0	(1,086)
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0	0	0	0	23,005	23,005
Total Comprehensive Income and Expenditure		(3,119)	0	2,033	0	0	0	0	0	0	(1,086)	23,005	21,919
Adjustments between accounting basis & funding basis under regulations	5	1,958	0	(2,079)	0	847	0	0	(77)	0	649	(649)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves		(1,161)	0	(46)	0	847	0	0	(77)	0	(437)	22,356	21,919
Transfers (to)/from Earmarked Reserves	6	1,274	0	310	(883)	0	(320)	(381)		0	0	0	0
Increase/(Decrease) in 2022/23		113	0	264	(883)	847	(320)	(381)	(77)	0	(437)	22,356	21,919
Balance at 31 March 23 carried forward		1,412	3	1,419	1,519	1,297	44	306	1,390	24	7,415	67,324	74,739

THE MOVEMENT IN RESERVES STATEMENT

Movement in Reserves 2021/22 Restated		General Fund Balance	Deferred Capital Receipts	Housing Revenue Account	Earmarked Reserves	Major Repairs Reserve	COVID-19 Grant Reserve	Section 31 Grant Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	Note	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 1 April 2021		1,127	3	1,332	2,631	412	1,717	2,115	1,180	24	10,541	28,196	38,737
<u>Movement in Reserves during 2021/22</u>													
Deficit on the provision of services		(2,366)	0	1,471	0	0	0	0	0	0	(895)	0	(895)
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0	0	0	0	14,978	14,978
Total Comprehensive Income and Expenditure		(2,366)	0	1,471	0	0	0	0	0	0	(895)	14,978	14,083
Adjustments between accounting basis & funding basis under regulations	5	(471)	0	(1,648)	0	38	0	0	287	0	(1,794)	1,794	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves		(2,837)	0	(177)	0	38	0	0	287	0	(2,689)	16,772	14,083
Transfers (to)/from Earmarked Reserves	6	3,009	0	0	(229)	0	(1,353)	(1,428)		0	0	0	0
Increase/(Decrease) in 2021/22		172	0	(177)	(229)	38	(1,353)	(1,428)	287	0	(2,689)	16,772	14,083
Balance at 31 March 22 carried forward		1,299	3	1,155	2,402	450	364	687	1,467	24	7,852	44,968	52,820

THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This Statement (The Comprehensive Income and Expenditure (CIES)) shows the accounting cost in the year of providing services in accordance with Generally Accepted Accounting Practice, 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 (MIR) Statement.

		2022/23			2021/22	
		Gross	Gross	Net	Gross	Net
		Expend	Income	Expend	Expend	Income
		£000's	£000's	£000's	£000's	£000's
	Note					
EXPENDITURE ON SERVICES						
Customer Services & Business Transformation		2,008	(120)	1,888	1,948	(120)
Senior Leadership Team		507	0	507	264	0
Community & Wellbeing		3,649	(1,127)	2,522	2,790	(1,306)
Law & Governance		1,154	(406)	748	1,007	(602)
The Built Environment		2,777	(1,627)	1,150	2,150	(1,278)
Finance & Resources		12,827	(8,539)	4,288	11,849	(8,727)
COVID-19 Council Costs		207	(167)	40	2,224	(974)
Housing Revenue Account		1,483	(5,397)	(3,914)	2,124	(5,200)
Net Cost of Services		24,612	(17,383)	7,229	24,356	(18,207)
Other Operating Expenditure	8			(13)		
						79
Financing and Investment Income	9			1,036		
						1,230
Taxation and Non-specific Grant						
Income and Expenditure	10			(7,166)		
						(6,563)
(Surplus) or Deficit on Provision of Services				1,086		
						895
(Surplus)/Deficit arising on						
Revaluation of Plant, Property and						
Equipment Assets	25			(5,055)		
						(6,237)
Actuarial (Gains)/Losses on						
Pension Fund Assets and						
Liabilities	26			(17,950)		
						(8,741)
Other Comprehensive Income and Expenditure				(23,005)		
						(14,978)
Total Comprehensive Income and Expenditure				(21,919)		
						(14,083)

Support grants paid to business and individuals. Where the Council is acting as Principal, i.e. the Council determines the eligibility criteria, these payments, and the income that funds them, are included in the Comprehensive Income & Expenditure Statement. Where the Council acts as an Agent of Central Government, i.e. where Central Government determines the eligibility criteria, they are excluded.

THE BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council (31 March 2023). 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 authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).

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 (MIR) Statement line "Adjustments between Accounting Basis and Funding Basis under Regulations".

	Note	As At 31/03/2023 £000's	As At 31/03/2022 £000's
Property, Plant & Equipment	11	111,975	104,759
Heritage Assets	12	78	78
Investment Property	13	139	398
Intangible Assets	14	200	288
Long Term Debtors	15	84	92
Long Term Investments	16	0	0
Assets Held for Sale	17	500	0
Long Term Assets		112,976	105,615
Short Term Debtors	15	3,798	4,745
Short Term Investments	16	4	5,003
Inventories	18	42	35
Cash and Cash Equivalents	19	3,783	13,219
Current Assets		7,627	23,002
Short Term Borrowing	43	(16,126)	(19,549)
Bank Overdrawn	19	0	1
Short Term Creditors	20	(4,760)	(13,778)
Short Term Provisions	21	(210)	(436)
Current Liabilities		(21,096)	(33,762)
Long Term Creditors	44	0	(7)
Long Term Borrowing	44	(18,063)	(19,155)
Other Long Term Liabilities	38	(5,337)	(21,842)
Capital Grants Receipts in Advance	22	(1,367)	(1,031)
Long Term Liabilities		(24,767)	(42,035)
Net Assets		74,740	52,820

THE BALANCE SHEET

	Note	As At 31/03/2023 £000's	As At 31/03/2022 £000's
Usable Reserves	23	(7,415)	(7,852)
Unusable Reserves			
Capital Adjustment Account	24	(48,972)	(48,052)
Revaluation Reserve	25	(23,849)	(19,805)
Pension Fund Reserve	26	5,337	21,842
Financial Instrument Adjustment Account	23	7	7
Collection Fund Adjustment Account	23	99	991
Accumulated Staff Absences Reserve	23	53	49
Total Reserves		(74,740)	(52,820)

THE CASH FLOW STATEMENT

The Cash Flow Statement shows the change in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as **operating, investing and financing activities**. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (*i.e. borrowing*) to the authority.

	2022/23	2021/22
Note	£000's	£000's
Net (Surplus) or Deficit on the Provision of Services	1,086	895
Adjustments to the Net Surplus or Deficit of the Provision of Services for Non Cash Movement		
Depreciation and Impairment of Non-current Assets	(1,856)	(870)
Bad Debts Written Off in Year	53	6
Increase/(Decrease) in Inventories	7	2
Increase/(Decrease) in Debtors	92	(4,238)
(Increase)/Decrease in Creditors	4,870	(2,818)
Net Charges made for Retirement Benefits	(1,445)	(1,327)
Carrying Amount of Non Current Assets Sold	(527)	(484)
Carrying Amount of Non Current Assets De-recognised	(127)	(163)
Increase/(Decrease) in Provisions	226	1,557
Movement in the Value of Investment Properties	241	24
Other Cash and Non Cash Movements	(4)	87
	1,530	(8,224)
Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities		
	1,339	1,893
Interest Received in Year	(91)	(6)
Interest Paid in Year	688	666
Net Cashflows from Operating Activities	4,552	(4,776)
Investing Activities	27	2,340
Financing Activities	28	(7,429)
Net Increase or (Decrease) in Cash or Cash Equivalents	9,436	(9,865)
Cash or Cash Equivalents at the Beginning of the Reporting Period	(13,219)	(3,354)
Cash or Cash Equivalents at the End of the Reporting Period	19	(13,219)
Movement in Cash and Cash Equivalents	9,436	(9,865)

1. Accounting Standards Issued but not Adopted

The Code of Practice on Local Authority Accounting requires the Council to disclose the expected impact of new standards that have been issued but not yet adopted by the Code for the financial year.

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

The standards applicable for 2022/23 financial statements, which will apply from 2023/24 are:

- IAS 1 (Presentation of Financial Statements) and IFRS Practice Statement 2 – amendment to disclosure of material accounting policies instead of significant help entities to distinguish.
- IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) – amendment to the definition of accounting estimates to distinguish from accounting policies.
- IAS 12 (Income Taxes) – amendment related to deferred tax on assets and liabilities arising from a single transaction.
- IFRS 3 (Business Combinations) – reference updated to the Conceptual Framework.
- IFRS 16 Leases (but only for those local authorities that have decided to voluntarily adopt IFRS 16 in the 2023/24 year, it must be adopted in 2024/25).

These changes are not expected to have a material impact on the Council's financial statements.

2. Critical Judgements in Applying Accounting Policies

Critical Judgements in Applying Accounting Policies In applying the accounting policies as set out in the Statement of Accounting Policies, the Council has had to make critical judgements about complex transactions and those involving uncertainty about future events.

Future Funding 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 as 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.

3. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

NOTES TO THE CORE FINANCIAL STATEMENTS

The Statement of Accounting Policies describes the significant areas in which estimates and assumptions have been made, relating to the reporting of results of operations and the financial position of the Council.

The items in the Council's Balance Sheet at 31st March 2023 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	<p>Depreciation and amortisation are provided for Property, Plant and Equipment and Intangible Assets respectively. This enables the assets to be written down over their estimated useful lives and show an appropriate cost of the asset in the Comprehensive Income and Expenditure Statement. Management judgement based on independent external advice is used to determine the useful economic lives of the Council's property.</p> <p>The useful lives are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p> <p>Assets are valued on a five-year rolling basis.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £151k on General Fund Property and £55k on Housing Revenue Account property for every year that the useful life is reduced. If an asset is impaired the carrying amount of the asset is reduced.</p>
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</p>	<p>The effect on net pensions of changes in individual assumptions can be measured. For instance:</p> <ul style="list-style-type: none"> • A decrease in the discount rate assumption of 0.1% would result in an increase in the

NOTES TO THE CORE FINANCIAL STATEMENTS

	pension fund assets. These judgements are made by Hymans Robertson actuaries appointed by Leicestershire County Council, the pension fund administer.	<p>pension liability of £763k</p> <ul style="list-style-type: none"> • A one year increase in member life expectancy would result in an increase in the pension liability of £1.934M • An increase in the pension increase rate of 0.1% would result in an increase in the pension liability of £724k
Arrears	At 31st March 2023, the Council had a balance of £387k for sundry debtors. A review of balances suggested that £56k impairment of doubtful debts of was necessary.	If collection rates were to deteriorate and sundry debt increased with the same debt profile, an additional contribution would be required to be set aside as an allowance.
Business Rate Appeals	The Business Rate Retention scheme introduced a requirement to maintain a provision for rating appeals. The system is complex and neither the number of successful appeals nor the percentage reduction in rateable value (RV) achieved can be pre-determined. The current provision totals £392k, of which the Council's share as a billing authority is £157k, as detailed in note 21.	A change of 5% in the assumed RV reduction achieved for each NDR appeal could increase or decrease the provision requirement by around £20k. Of this, the Council's share as a billing authority would be £8k.

4. Events after the Reporting Period

There were no adjusting events after the reporting period.

NOTES TO THE CORE FINANCIAL STATEMENTS

5. Adjustments between Accounting and Funding Basis under Regulation

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.

2022/23	Usable Reserves								Movement in Unusable Reserves
	General Fund Balance	Deferred Capital Receipts	Housing Revenue Account	COVID-19 Grant Reserve	Section 31 Grant Reserve	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	
Adjustment primarily involving the Capital Adjustment Account:									
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>									
Depreciation and impairment of non-current Assets	2,205	0	(482)	0	0	0	0	0	(1,723)
Movement in Market Value of Investment Properties	(241)	0		0	0	0	0	0	241
Amortisation of Intangible Assets	111	0	23						(134)
Revenue Expenditure Funded from Capital Under Statute	466	0	0	0	0	0	0	0	(466)
Amounts 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									
	2	0	652	0	0	0	0	0	(654)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>									
Statutory provision for the financing of capital investment	(530)	0	0	0	0	0	0	0	530
Capital Expenditure charged against Earmarked Reserves	(16)	0	0	0	0	0	0	0	16

NOTES TO THE CORE FINANCIAL STATEMENTS

2022/23	Usable Reserves								Movement in Unusable Reserves
	General Fund Balance	Deferred Capital Receipts	Housing Revenue Account	COVID-19 Grant Reserve	Section 31 Grant Reserve	Earmarked Reserve	Capital Receipts Reserve	Capital Grants Unapplied	
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Adjustments primarily involving the Capital Grants Unapplied Account:									
Application of grants to capital financing transferred to Capital Adjustment Account	(449)	0	0	0	0	0	0	0	449
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	(25)	0	(645)	0	0	0	670	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	0	0	(744)	0	744
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposal	3	0	0	0	0	0	(3)	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	0	0	0	0	0	0	0	0	0
Adjustments involving the Major Repairs Reserve:									
Reversal of Major Repairs Allowance credited to the HRA	0	0	(1,753)	0	0	1,753	0	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	0	0	(906)	0	0	906

NOTES TO THE CORE FINANCIAL STATEMENTS

2022/23	Usable Reserves							Movement in Unusable Reserves	
	General Fund Balance	Deferred Capital Receipts	Housing Revenue Account	COVID-19 Grant Reserve	Section 31 Grant Reserve	Earmarked Reserves	Capital Receipts Reserve		Capital Grants Unapplied
	£000's	£000's	£000's	£000's	£000's	£000's	£000's		£000's
Adjustments involving the Pensions Reserve:									
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	2,753	0	271	0	0	0	0	0	(3,024)
Employer's pension contributions and direct payments to pensioners payable in the year	(1,437)	0	(142)	0	0	0	0	0	1,579
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 requirements	(891)	0	0	0	0	0	0	0	891
Adjustments involving the Accumulated Absences Account:									
Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirement	7	0	(3)	0	0	0	0	0	(4) 0
Total Adjustments	1,958	0	(2,079)	0	0	847	(77)	0	(649)

NOTES TO THE CORE FINANCIAL STATEMENTS

2021/22	Usable Reserves								Movement in Unusable Reserves
	General Fund Balance	Deferred Capital Receipts	Housing Revenue Account	COVID-19 Grant Reserve	Section 31 Grant Reserve	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	
Adjustment primarily involving the Capital Adjustment Account:									
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>									
Depreciation and impairment of non-current Assets	700	0	27	0	0	0	0	0	(727)
Movement in Market Value of Investment Properties	(24)	0	0	0	0	0	0	0	24
Amortisation of Intangible Assets	117	0	26	0	0	0	0	0	(143)
Revenue expenditure funded from capital under statute	4	0	0	0	0	0	0	0	(4)
 Amounts 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									
	0	0	646	0	0	0	0	0	(646)
 <u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>									
Statutory provision for the financing of capital investment	(833)	0	0	0	0	0	0	0	833
Capital Expenditure charged against General Fund and HRA Balances	0	0	0	0	0	0	0	0	0
Capital Expenditure charged against Earmarked Reserves	0	0	0	0	0	0	0	0	0

NOTES TO THE CORE FINANCIAL STATEMENTS

2021/22	Usable Reserves								Movement in Unusable Reserves
	General Fund Balance	Deferred Capital Receipts	Housing Revenue Account	COVID-19 Grant Reserve	Section 31 Grant Reserve	Earmarked Reserve	Capital Receipts Reserve	Capital Grants Unapplied	
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Adjustments primarily involving the Capital Grants Unapplied Account:									
Application of grants to capital financing transferred to Capital Adjustment Account	(176)	0	0	0	0	0	0	0	176
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	(5)	0	(756)	0	0	0	761	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	0	0	(280)	0	280
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposal	3	0	0	0	0	0	(3)	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	191	0	0	0	0	0	(191)	0	0
Adjustments involving the Major Repairs Reserve:									
Reversal of Major Repairs Allowance credited to the HRA	0	0	(1,693)	0	0	1,693	0	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	0	0	(1,654)	0	0	1,654

NOTES TO THE CORE FINANCIAL STATEMENTS

2021/22	Usable Reserves								Movement in Unusable Reserves
	General Fund Balance	Deferred Capital Receipts	Housing Revenue Account	COVID-19 Grant Reserve	Section 31 Grant Reserve	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	
Adjustments involving the Pensions Reserve:									
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	2,550	0	222	0	0	0	0	0	(2,772)
Employer's pension contributions and direct payments to pensioners payable in the year	(1,330)	0	(116)	0	0	0	0	0	1,446
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 requirements	(1,619)	0	0	0	0	0	0	0	1,619
Adjustments involving the Accumulated Absences Account:									
Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirement	(49)	0	(4)	0	0	0	0	0	53
Total Adjustments	(471)	0	(1,648)	0	0	38	287	0	(1,794)

NOTES TO THE CORE FINANCIAL STATEMENTS

6. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and Housing Revenue Account (HRA) balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2022/23.

	2022/23			2021/22		
	Balance	Transfer (To)/From	Balance	Transfer (To)/From	Balance	
	31 March	In/(Out)	Other	31 March	In/(Out)	Other
	2023	Fund	Reserves	2022	Fund	Reserves
	£000's	£000's	£000's	£000's	£000's	£000's
General Fund Earmarked						
Budget Carried Forward	27	(67)		94	94	0
Homelessness	0	(50)		50	(50)	100
Wellbeing	0		(80)	80	(58)	138
Service Improvement	0			0	(12)	12
Corporate Challenge	58	(92)	38	112		112
Welfare Reform	0			0	(72)	72
Disabled Facilities	22			22		22
ERDF Schemes	0	(16)		16		16
Greening the Borough	0	(60)	(60)	120		120
Active Assest Management	0			0	(300)	300
Cointingency	28	(15)		43		43
Budget Equilibrium	0		(29)	29	(3)	32
Income Profiling	0			0	(47)	47
Land Valuation	0		(17)	17		17
Land Charges	0			0	(23)	23
Borough Events	0		(5)	5		5
Collection Fund	306	(382)		688	(1,428)	2,116
COVID-19	44	(190)	(130)	364	(1,353)	1,717
Local Elections Reserve	58	8		50		50
Retained Rates Reserve	0	0	(350)	350		350
GF Cost of Living Reserve	42	(38)	80	0		0
Total General Fund	585	(902)	(553)	2,040	(3,252)	0
Earmarked Reserves						5,292

NOTES TO THE CORE FINANCIAL STATEMENTS

	2022/23			2021/22			
	Balance	Transfer	(To)/From	Balance	Transfer	(To)/From	Balance
31 March	In/(Out)	Other	Other	31 March	In/(Out)	Other	31 March
2023	Fund	Reserves	Reserves	2022	Fund	Reserves	2021
£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
General Fund Grants							
Grounds Maintenance	257	(34)	0	291	50	0	241
Local Plan Reserve	204	(66)	0	270	90	0	180
Earmarked Grants	405	281	0	124	102	0	22
Total General Fund Grants	866	181	0	685	242	0	443
Total General Fund	1,450	(721)	(553)	2,724	(3,010)	0	5,734
HRA							
Regeneration Reserve	361	0	0	361	0	0	361
Major Repairs Reserve	1,297	847	0	450	38	0	412
Housing Voids Levy Reserve	0	0	(220)	220	0	0	220
Universal Credit Reserve	0	0	(140)	140	0	0	140
Budget Carried Forward	8	0	0	8	0	0	8
HRA Cost Of Living Res	50	0	50	0	0	0	0
Total HRA	1,716	847	(310)	1,179	38	0	1,141
Grand Total	3,166	126	(863)	3,903	(2,972)	0	6,875

Purpose of Reserves

Details of the purpose of reserves not given elsewhere in either the Notes to the Core Financial Statements or the Statement of Accounting Policies are shown below.

Budget Carried Forward	Contains authorised budget carry forwards from this year, to be used in the next financial year.
Homelessness	Fund to mitigate the increased incidence of homelessness within the borough.
Health & Wellbeing	Fund to promote the physical and mental health and wellbeing of residence of the borough through sport and light recreation.

NOTES TO THE CORE FINANCIAL STATEMENTS

Service Improvement Reserve	Used to fund improvements in Council services to improve performance after corporate restructure and reductions in commensurate budgets
Corporate Challenge Reserve	Funding to be used to fund service improvements as recommended by the Corporate Peer Challenge.
Welfare Reform	Monies set aside to cover the additional costs of administration and recovery following the introduction of the local Council Tax Benefit scheme and Universal Credit.
Disabled Facilities	Monies put aside specifically to fund Disabled Facilities Grants.
ERDF	Monies put aside specifically to provide matched funding for European Regional Development Fund schemes.
Greening the Borough	Resources available to improve the environment Of the Borough and well-being of residents.
Active Asset Management	Funding for developing Business Enterprise Centres in the Borough.
Contingency Reserve	To safeguard against budget risk and for one off Priming initiatives.
Budget Equilibrium Reserve	To safeguard against changes in Council funding.
Income Profiling Reserve	To safeguard against the volatility of planning income in future years
Land Valuation Reserve	To allow the Council to value land within the Borough with a view to selling.
Land Charges Reserve	To fund improvements in the land charges service
Borough Events Reserve	To fund commemorative events held in the borough by the Council or other grant assisted groups.
Section 31 Grant Reserve	To hold the surplus of Section 31 grant received from central government in-year over and above the applicable deficit on business rate for the year. This will be released to the collection fund to offset the expected deficit on businesses rates arising from COVID-19.

NOTES TO THE CORE FINANCIAL STATEMENTS

COVID-19 Grant Reserve	To hold unspent grant funding received from central government for the financing of COVID-19 business support grants. This is a temporary reserve, with the expectation that all funding will either be granted or reclaimed by central government in 2021/22.
Local Elections Reserve	To balance the budget for the four-yearly borough election cycle. Contributions of one quarter of the anticipated cost of the election are appropriated into the reserve in each of years 1-3, and then the balance is appropriated out in the year of the election.
Retained Business Rates Reserve	To hold the amounts required to fund the anticipated deficit on business rates collection over the following three financial years.
General Fund Cost Of Living Reserve	To fund measures aimed at supporting borough residents struggling the most with the cost-of-living crisis
Grounds Maintenance Reserve	This reserve holds commuted lump sums received from developers earmarked for the maintenance of specific green spaces
Local Plan Reserve	Formerly Housing and Planning Delivery Grant Reserve and will be used to fund the development of the Local Plan in future years.
Earmarked Revenue Grants and Contributions	Reserves containing the proceeds of revenue grants and other external contributions that are yet to be used.
Regeneration Reserve	Additional reserve set aside for regeneration and new build of council housing.
Major Repairs Reserve	Resources available to meet capital investment in council housing.
Housing Voids Levy Reserve	To mitigate the impact of any levy imposed by the Government in relation to the sale of high value void dwellings.
Universal Credit Reserve	To fund if necessary the impact of Universal Credit on the level of rent arrears and therefore income to the HRA.
HRA Fund Cost Of Living Reserve	To fund measures aimed at supporting Council tenants struggling the most with the cost-of-living crisis

NOTES TO THE CORE FINANCIAL STATEMENTS

7. Material Items of Income and Expenditure

For 2022/23 the Council has the following material items of income and expenditure for both capital and revenue:

The Council paid out £4.175m in housing benefits during 2022/23 and a further £1.875m in rent rebates. The Government subsidy that provides the funding for these items is not listed here, but is included in Note 38 to the core statements. The Council also repaid £2.692m of leftover COVID-19 business grants allocations, which were carried on the balance sheet from previous years.

The Council also carried out £893k of major refurbishment work on the Council's housing stock.

8. Other Operating Expenditure

	<u>2022/23</u> £000's	<u>2021/22</u> £000's
(Gain)/Loss on Disposal of Non-Current Assets	(143)	(278)
Loss on De-Recognition of Fixed Assets *	127	163
Contribution to Housing Pooled Capital Receipts	3	194
	<u>(13)</u>	<u>79</u>

* De-recognition relates to components of various housing assets which have been replaced and therefore de-recognised in year.

9. Financing and Investment Income and Expenditure

	<u>2022/23</u> £000's	<u>2021/22</u> £000's
Interest Payable and Similar Charges	765	670
(Gains)/Loss on Revaluation of Investment Properties	(241)	(24)
Interest and Investment Income	(92)	(8)
Pension Interest Costs and Expected Return on Pension Assets	604	592
Total	<u>1,036</u>	<u>1,230</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

10. Taxation and Non Specific Grant Income and Expenditure

	<u>2022/23</u>	<u>2021/22</u>
	<u>£000's</u>	<u>£000's</u>
General Government Grants	(177)	(67)
Tax Income Compensation Scheme Grant Income	0	(123)
Council Tax Income	(4,216)	(4,120)
Collection Fund (Surplus)/Deficit - Council Tax	(30)	35
Non Domestic Rates Income	(5,616)	(6,669)
Non Domestic Rates Tariff Payment	3,761	3,761
Non Domestic Rates Levy	336	206
Collection Fund (Surplus)/Deficit - NNDR	845	2,179
S31 Small Business Rate Relief	(1,488)	(1,392)
Capital Grants and Contributions	(449)	(176)
New Homes Bonus	(132)	(197)
Total	<u><u>(7,166)</u></u>	<u><u>(6,563)</u></u>

The general government grants, contributions in the form of Revenue Support Grant, NDR redistribution, other non-ringfenced government grants are disclosed within the Taxation, non-specific grant, income and expenditure (Note 9).

Revenue grants, contributions that are not considered as general grants are credited to service revenue accounts, support services, trading accounts and the Housing Revenue Account (HRA).

NOTES TO THE CORE FINANCIAL STATEMENTS

11. Property, Plant and Equipment

Balance at 1 April 2021	66,000	24,864	2,700	8,105	538	102,207
Additions	1,935	134	9	960	377	3,415
Revaluation Increases/ (Decreases) Recognised in the Revaluation Reserve	3,807	524	41	0	0	4,372
Revaluation Increases/ (Decreases) Recognised in the Surplus/Deficit on the Provision of Services	1,025	863	(5)	0	0	1,883
Derecognition - Disposals (Sales)	(484)	0	0	(15)	0	(499)
Derecognition - Disposals (Component Disposal)	(162)	0	0	0	0	(162)
Balance at 31 March 2022	72,121	26,385	2,745	9,050	915	111,216
Adjustments between Cost/Value and Depreciation/Impairment						0
Balance at 1 April 2022	72,121	26,385	2,745	9,050	915	111,216
Additions	900	47	0	0	3,382	4,329
Revaluation Increases/ (Decreases) Recognised in the Revaluation Reserve	4,286	452	(104)	209	(1,438)	3,405
Revaluation Increases/ (Decreases) Recognised in the Surplus/Deficit on the Provision of Services	1,644	104	(11)	0	(809)	928
Derecognition - Disposals (Sales)	(525)	0	0	(130)	0	(655)
Derecognition - Disposals (Component Disposal)	(127)	0	0	0	0	(127)
Assets Reclassified (to)/from Non-Operational Assets	0	0	0	0	(245)	(245)
Assets Reclassified (to)/from Assets Under Construction	0	(2,345)	0	221	2,124	0
Derecognition - Disposals (Other)	0	0	0	0	0	0
Balance at 31 March 2023	78,299	24,643	2,630	9,350	3,929	118,851

NOTES TO THE CORE FINANCIAL STATEMENTS

Depreciation and Impairment

Restated	Council Dwellings	Other Land & Buildings	Community Assets	Vehicles, plant etc.	Assets Under Construction	Total Assets
	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 1 April 2021	0	0	0	(5,473)	0	(5,473)
Depreciation Charge	(1,457)	(1,176)	(10)	(754)	0	(3,397)
Depreciation Written out to the Revaluation Reserve	831	1,014	0	0	0	1,845
Depreciation & Impairment Written Out to the Surplus/Deficit on the Provision of Services	626	162	10	0	0	798
Derecognition - Sales	0	0	0	15	0	15
Balance at 31 March 2022	0	0	0	(6,212)	0	(6,212)
Balance at 1 April 2022	0	0	0	(6,212)	0	(6,212)
Depreciation Charge	(1,639)	(968)	(10)	(792)	0	(3,409)
Depreciation Written out to the Revaluation Reserve	1,070	788	0	0	0	1,858
Depreciation & Impairment Written Out to the Surplus/Deficit on the Provision of Services	569	180	10	128	0	887
Derecognition - Sales						0
Balance at 31 March 2023	0	0	0	(6,876)	0	(6,876)

	Value	Finance Lease	Owned	Value	Finance Lease	Owned
	£000's	£000's	£000's	£000's	£000's	£000's
Council Dwellings	78,299	0	78,299	72,121	0	72,121
Other Land & Buildings	24,643	0	24,643	26,385	0	26,385
Community Assets	2,630	0	2,630	2,745	0	2,745
Vehicles, Plant etc	2,474	7	2,467	2,837	16	2,821
Incomplete Assets	3,929	0	3,929	671	0	671
Total	111,975	7	111,968	104,759	16	104,743

Depreciation

The following useful lives have been used in the calculation of depreciation:

- i) Council Dwellings - 45 to 50 Years
- ii) Other land and buildings - 5 to 40 years
- iii) Vehicle Plant and Equipment - 5 to 10 years

NOTES TO THE CORE FINANCIAL STATEMENTS

Capital Commitments

At 31st March 2023, the Council had outstanding capital commitments of £70k (2021/22 £323k) on the Housing Revenue Account.

At 31st March 2023, the Council had outstanding capital commitments of £776k (2021/22 £268k) on the General Fund, including major items such as;

- | | |
|--|-------|
| • Replacement Refuse Collection Vehicle | £213K |
| • Fleet Replacement (Various new vehicles) | £227K |
| • Brocks Hill Office Move | £328K |

Valuation of Assets

The freehold and leasehold properties which comprise the Council's property portfolio have been valued as at 31 March 2023 by an external independent valuer, Innes England, in accordance with the statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors (RICS).

Assets that are held on the balance sheet at fair value are formally revalued on a five-year rolling programme, with any material changes to valuations adjusted in the interim. During 22/23, all General Fund fixed assets were individually revalued to provide a baseline for the programme going forward, while Council Dwellings were valued using the "Beacon Principle". Inspections to determine the Beacon properties were carried out between March and April 2023.

Plant and machinery directly associated with the building is generally included in the valuation of the buildings. However, where in conjunction with the valuer it is found that a building has plant of which the value forms a significant part of the building and which needs to be depreciated at a different rate from the building, then this has been dealt with as a separate item.

Properties regarded by the Council as operational were valued on the basis of open market value for the existing use or, where this could not be assessed because there was no market value for the subject asset, the depreciated replacement cost.

Where an impairment loss on an operational fixed asset occurs this has been recognised, if it is caused by a clear consumption of economic benefit (e.g. physical damage or deterioration in the quality of the service provided by the asset), or a significant decline in the market value of assets that is significantly greater than would be expected as a result of the passage of time or normal use.

In order to judge impairment of Council Dwellings, a rolling stock condition survey is being carried out. Any assets that are considered to have suffered any impairment are referred to the Council's independent valuer for assessment. To date no impairment relating to obsolescence has been recognised although some assets have suffered a reduction in value due to market forces.

NOTES TO THE CORE FINANCIAL STATEMENTS

12. Heritage Assets

Heritage assets are held and maintained principally for their contribution to knowledge and culture. They have historical, artistic, technological, geophysical or environmental qualities. All assets are deemed to have indefinite useful economic lives.

	<u>2022/23</u>	<u>2021/22</u>
	£000's	£000's
Balance at 1 April	78	69
Additions	0	0
Revaluation	0	9
Balance at 31 March	78	78

13. 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

	<u>2022/23</u>	<u>2021/22</u>
	£000's	£000's
Rental Income from Investment Property	(14)	(16)
Net Gain/(Loss)	(14)	(16)

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.

2022/23 has seen a net increase of £241,000 in the value of the Council's investment properties due to revaluation gains

The current investment property balance consists of £139,000 of retail property let out, and £500,000 of property awaiting development, which has been reclassified as an asset held for sale.

	<u>2022/23</u>	<u>2021/22</u>
	£000's	£000's
Balance at 1 April	398	374
Disposals	0	0
Revaluation Gain Recognised in the Surplus/Deficit on the Provision of Services	241	24
Reclassification of asset	(500)	0
Balance at 31 March	139	398

NOTES TO THE CORE FINANCIAL STATEMENTS

14. Intangible Assets

The Council accounts for its software and licenses as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful life assigned to all the major software suites used by the Council is 5 years.

Amortisation of the assets is charged to the ICT support service and then recharged to services on an appropriate basis under Net Cost of Services within the Comprehensive Income and Expenditure Statement.

Cost or Valuation of Software

	<u>2022/23</u>	<u>2021/22</u>
	£000's	£000's
Balance at 1 April	1,322	1,288
Additions	46	34
Disposals	0	0
Balance at 31 March	1,368	1,322

Depreciation and Impairment of Software

	<u>2022/23</u>	<u>2021/22</u>
	£000's	£000's
Balance at 1 April	1,034	891
Amortisation for the Year	134	143
Disposals	0	0
Balance at 31 March	1,168	1,034

Net Book Value

	<u>Balance as at 31 March 2023</u>	<u>Balance as at 31 March 2022</u>
	£000's	£000's
Software	200	288

15. Debtors

NOTES TO THE CORE FINANCIAL STATEMENTS

Amounts falling due in less than one year are:

	<u>2022/23</u>	<u>2021/22</u>
	£000's	£000's
Central Government Bodies	466	1,419
Other Local Authorities	885	1,153
Other Entities and Individuals	2,447	2,173
Total	<u><u>3,798</u></u>	<u><u>4,745</u></u>

Amounts falling due after one year are:

	<u>2022/23</u>	<u>2021/22</u>
	£000's	£000's
Voluntary Organisation Loans	3	3
Bushloe Developments Loan	73	73
Car Loans to Employees	8	16
Other Long Term Debtors	0	0
	<u><u>84</u></u>	<u><u>92</u></u>

16. Investments

The Council had £4,000 of short-term investments outstanding as at 31 March 2023 (2021/22 £5m)

The Council had no long-term investments outstanding as at 31 March 2023 (2021/22 £0m)

17. Assets Held for Sale

In 2022/23, the former Oadby Swimming Pool complex, valued at £500,000 was held for sale (2021/22 £0).

18. Inventories

NOTES TO THE CORE FINANCIAL STATEMENTS

	Stores		Materials		Total	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
	£000's	£000's	£000's	£000's	£000's	£000's
Balance Outstanding at Start of Year	9	12	26	20	35	32
Purchases	201	158	1	14	202	172
Recognised as an Expense in the Year	(192)	(161)	(3)	(8)	(195)	(169)
Written Off Balances		0	0	0	0	0
Balance Outstanding at End of Year	18	9	24	26	42	35

19. Cash and Cash Equivalent and Bank Overdrawn

	31 March 2023	31 March 2022
	£000's	£000's
Cash and Cash Equivalents		
Short Term Deposits	3,206	12,871
Bank and Overdrafts		
Cash held by the Authority		
Bank Current Accounts	577	348
Total	3,783	13,219

Cash and cash equivalents consist of short-term bank deposits and money market funds.

Short-term bank deposits consist primarily of money market deposits, which can be readily converted to cash at short notice. The effective interest rate on short-term bank deposits at 31st March 2023 was 1.05% (0.01% as at 31st March 2022).

The maximum exposure to credit risk for cash and cash equivalents is equal to the carrying value.

NOTES TO THE CORE FINANCIAL STATEMENTS

20. Short Term Creditors

	<u>2022/23</u>	<u>2021/22</u>
	£000's	£000's
Central Government Bodies	(2,189)	(11,514)
Other Local Authorities	(1)	0
Other Entities and Individuals	(2,570)	(2,264)
Total	<u><u>(4,760)</u></u>	<u><u>(13,778)</u></u>

21. Short Term Provisions

	<u>Accumulated Absence 2022/23</u>	<u>NNDR Appeals 2022/23</u>	<u>Total 2022/23</u>
	£000's	£000's	£000's
Balance B/Fwd	(49)	(387)	(436)
Arising during the year	49	113	162
Used during the year	(53)	117	64
Balance C/Fwd	<u><u>(53)</u></u>	<u><u>(157)</u></u>	<u><u>(210)</u></u>
 Current Provision	 <u><u>(53)</u></u>	 <u><u>(157)</u></u>	 <u><u>(210)</u></u>
	<u><u>(53)</u></u>	<u><u>(157)</u></u>	<u><u>(210)</u></u>
 Expected Timing of Cash Flows:			
To 31 March 2023	<u><u>(53)</u></u>	<u><u>(157)</u></u>	<u><u>(210)</u></u>
Total	<u><u>(53)</u></u>	<u><u>(157)</u></u>	<u><u>(210)</u></u>

NOTES TO THE CORE FINANCIAL STATEMENTS

	Accumulated Absence 2021/22	NNDR Appeals 2021/22	Total 2021/22
	£000's	£000's	£000's
Balance B/Fwd	(102)	(1,891)	(1,993)
Arising during the year	(49)	765	716
Used during the year	102	739	841
Balance C/Fwd	(49)	(387)	(436)
 Current Provision	(49)	(387)	(436)
	(49)	(387)	(436)
 Expected Timing of Cash Flows:			
To 31 March 2022	(49)	(387)	(436)
Total	(49)	(387)	(436)

The provision represents the value of employee benefits, mainly flexi time and annual holiday entitlement not taken at 1 April each year.

A provision has been set up to fund appeals against rateable values for business within the Borough. This will be utilised as appeals are settled.

22. Capital Grants and Contributions - Receipts in Advance

	2022/23 £ 000's	2021/22 £ 000's
Grants and Contributions		
Big Lottery Grant - Toy library	(5)	(5)
Big Lottery Grant - Mobile library	(1)	(1)
Section 106 South Wigston Regeneration	(10)	(10)
South Wigston Regeneration - Interest	(111)	(111)
Section 106 - Open Space	(964)	(738)
Green Roof Bus Shelter	(6)	(6)
Brocks Hill Alarm	(1)	(1)
DECC Grant	(5)	(5)
LCC BRP Highways Improvements	(50)	(50)
LCC BRP Kirby Bridge	(10)	(10)
Treescape Grant	(11)	(6)
Local Authority Delivery 2	(174)	(88)
UK Shared Prosperity Fund	(19)	0
Total	(1,367)	(1,031)

NOTES TO THE CORE FINANCIAL STATEMENTS

23. Movements on Reserves (MIR)

	Balance At 31st March 2023 £000's	Net Movement in Year £000's	Balance At 31st March 2022 £000's	Net Movement in Year £000's	Balance At 31st March 2021 £000's
Earmarked Reserves (Note 5)	(3,166)	777	(3,903)	2,972	(6,875)
Other Usable Reserves					
Usable Capital Receipts Reserve	(1,391)	77	(1,468)	(288)	(1,180)
Capital Grants Unapplied Reserve	(24)	0	(24)	0	(24)
Deferred Capital Receipts - General Fund	(3)	0	(3)	0	(3)
General Fund	(1,412)	(113)	(1,299)	(55)	(1,127)
Housing Revenue Account	(1,419)	(264)	(1,155)	177	(1,332)
	(7,415)	477	(7,852)	2,806	(10,541)
Unusable Reserves					
Collection Fund Adjustment Account	99	(892)	991	(1,600)	2,610
Pensions Reserve	5,337	(16,505)	21,842	(7,414)	29,256
Revaluation Reserve	(23,849)	(4,044)	(19,805)	(5,268)	(14,537)
Capital Adjustment Account	(48,972)	(920)	(48,052)	(2,417)	(45,635)
Financial Instruments Adjustment Account	7	0	7	0	7
Accumulated Absences Reserve	53	4	49	(54)	103
	(67,325)	(22,357)	(44,968)	(16,753)	(28,196)
Total	(74,740)	(21,880)	(52,820)	(13,947)	(38,737)

Purpose of Reserves

Details for the purpose of reserves not given elsewhere in either the Notes to the Core Financial Statements or the Statement of Accounting Policies are shown below.

Usable Capital Receipts	Proceeds of fixed asset sales available to meet future capital investment
Capital Grants Unapplied	Reserve contains capital grants for which all conditions of use have been fulfilled, but have yet to be used for funding.
Deferred Capital Receipts	Proceeds of fixed asset sales which are not Receivable immediately on sale.

NOTES TO THE CORE FINANCIAL STATEMENTS

General Fund	Resources available to meet future running costs of non-housing services.
Housing Revenue Account	Resources available to meet future running costs of council houses.
Financial Instruments Adjustment Account	Accounts for the timing differences in the different methods of accounting for Financial Instruments.
Accumulated Staff Absence	The authority's obligation to staff for leave earned but not taken at the end of the financial year.
Useable Revenue Reserves	<p>31 March 2021 government has changed how authorities are compensated through the S31 grants for administering their Covid-19 support programmes. Primarily in the form of Business Rate Reliefs and Business Grants. Districts in particular are seeing a larger than expected temporary increase in reported reserves.</p> <p>Due to timing the payments were not considered within the NNDR 1 set business rates share for 2020/21. They were paid to the General Fund in the year and the reliefs sit in Earmarked Reserves at the year end. (Revised Note has been compiled to reflect the movements and changes as per reporting requirements).</p>

24. 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 (CIES) (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

NOTES TO THE CORE FINANCIAL STATEMENTS

	<u>2022/23</u> <u>£000's</u>	<u>2021/22</u> <u>£000's</u>
Balance as at 1 April 2022	(48,052)	(45,635)
Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement		
Charges for depreciation and impairment of non-current assets	1,722	727
Amortisation of intangible assets	134	143
Revenue expenditure funded from capital under statute	466	4
Amounts 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	<u>654</u>	<u>645</u>
	2,976	1,519
Adjusting amounts written out of the Revaluation Reserve	<u>(1,011)</u>	<u>(969)</u>
Net Written Out Amount of the Cost of Non-current Assets Consumed in the Year	1,965	551
Capital financing applied in the year		
Use of Capital Receipts Reserve to finance new capital expenditure	(744)	(280)
Use of Major Repairs Reserve to finance new capital expenditure	(906)	(1,655)
Capital Grants & Contributions Credited to the Comprehensive Income & Expenditure Statement That Have Been Applied to to Capital Financing	<u>(449)</u>	<u>(176)</u>
Application of grants to capital financing from the Capital Grants Unapplied Account	0	0
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(529)	(833)
Capital expenditure charged against the General Fund and HRA balances	<u>(16)</u>	<u>0</u>
	(2,644)	(2,944)
Movements in the Market Value of Investment Property Debited or Credited to the Comprehensive Income & Expenditure Statement	<u>(241)</u>	<u>(24)</u>
Balance as at 31 March 2023	<u>(48,972)</u>	<u>(48,052)</u>

The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

25. Revaluation Reserve

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

	<u>2022/23</u>	<u>2021/22</u>
	<u>£000's</u>	<u>£000's</u>
Balance at 1 April 2022	(19,805)	(14,537)
Upward Revaluation of Assets	(6,828)	(7,282)
Downwards Revaluation of Assets & Impairment Losses not Charged to the Surplus/Deficit on the Provision of Services	1,773	1,045
Surplus or Deficit on Revaluation of Non-Current Assets not Posted to the Surplus or Deficit on the Provision of Services	(5,055)	(6,237)
Difference Between Fair Value Depreciation & Historical Cost Depreciation	(1,011)	(969)
Accumulated Gains on Assets Sold or Scrapped	(1,011)	(969)
Amount Written off to the Capital Adjustment Account	(23,849)	(19,805)
Balance at 31 March 2023	(23,849)	(19,805)

26. Pensions Fund Reserve

The Pension 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-employment 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 employers contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pension 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.

	<u>2022/23</u>	<u>2021/22</u>
	<u>£000's</u>	<u>£000's</u>
Balance as at 1 April 2022	21,842	29,256
Transfer to Pension Reserve	(70)	15
Remeasurements of the net defined benefit liability/(asset)	(17,880)	(8,756)
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.	3,024	2,772
Employer's Pension Contributions and direct payments to the pensioners payable in the year.	(1,579)	(1,445)
Balance as at 31 March 2023	5,337	21,842

NOTES TO THE CORE FINANCIAL STATEMENTS

27. Cash Flow Statement - Investing Activities

	<u>2022/23</u>	<u>2021/22</u>
	<u>£000's</u>	<u>£000's</u>
Purchase of Property, Plant and Equipment	4,584	3,447
Proceed of the Sale of Property, Plant and Equipment	(670)	(761)
Other Receipts from Investing Activities	(786)	(346)
Net Change in Investments	<u>(5,000)</u>	<u>0</u>
Total Investing Activities	<u>(1,872)</u>	<u>2,340</u>

28. Cash Flow Statement - Financing Activities

	<u>2022/23</u>	<u>2021/22</u>
	<u>£000's</u>	<u>£000's</u>
Cash Receipts from Long and Short Term Borrowing	3,500	(5,000)
Repayments of Short Term and Long Term Borrowing	1,092	1,090
Appropriation to/from the Collection Fund Adjustment Account	(892)	(1,619)
Other Payments for Financing Activities	<u>3,056</u>	<u>(1,900)</u>
Total Financing Activities	<u>6,756</u>	<u>(7,429)</u>

29. Net Movement in Liquid Resources

The Council seeks to maximise return on short term cash surpluses by the use of money market deposits.

	<u>As at</u> <u>31st March</u> <u>2023</u> <u>£000's</u>	<u>As at</u> <u>31st March</u> <u>2022</u> <u>£000's</u>	<u>Increase/</u> <u>(Decrease) in</u> <u>Year</u> <u>£000's</u>
Money Market	3,206	17,871	(14,665)
Short Term Deposits	<u>3,206</u>	<u>17,871</u>	<u>(14,665)</u>

The Council collects Council Tax and Non Domestic Rates on behalf of its Precepting Authorities and the Government. At the end of the year the difference between money collected and paid over is shown as an increase or decrease in liquid resources.

	<u>As At</u> <u>31/03/2023</u> <u>£000's</u>	<u>As At</u> <u>31/03/2022</u> <u>£000's</u>
Net Movement in other Liquid Resources	<u>3,056</u>	<u>(1,903)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

30. Operating and Finance Leases

Operating Leases

During the year the Council made payments on operating leases as detailed below.

2022/23			2021/22
Vehicles £000's	Other Equipment £000's	Total £000's	Total £000's
2	2	4	6

At 31 March 2023 the Council had no commitments in respect of operating leases for future years.

As at 31st March 2023

	Vehicles £000's	Other Equipment £000's	Total £000's
Less than 1 year	0	0	0
Between 1 and 5 years	0	0	0
Total	0	0	0

As at 31st March 2022

	Vehicles £000's	Other Equipment £000's	Total £000's
Less than 1 year	0	2	2
Between 1 and 5 years	0	0	0
Total	0	2	2

Finance Leases

During 2022/23 the Council held photocopying equipment under a finance lease. This was fully depreciated in year, and hence carried as Property, Plant and Equipment in the Balance Sheet at a net amount of £0 at 31 March 2023 (£15,659) at 31 March 2022).

The Council is committed to making minimum lease payments as shown below:

NOTES TO THE CORE FINANCIAL STATEMENTS

Minimum Lease Payments	2022/23 £000's	2021/22 £000's
Amounts Payable under Finance Leases		
Within One Year	8	19
Between One and Five Years	0	8
Less Future Finance Charges	(1)	(4)
Present Value of Minimum Lease Payments	<u>7</u>	<u>23</u>
Included in:		
Current Liabilities	7	16
Non-current Liabilities	0	7
Total	<u>7</u>	<u>23</u>

The total future minimum lease payments amount to £7,952 (2021/22 £26,678) which includes a future rental cost of £6,693 at 31 March 2023 (2021/22 £22,353).

31. Note to The Expenditure and Funding Analysis

The Expenditure and Funding Analysis

	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement £000's
2022/23			
Customer Services & Business Transformation	1,398	490	1,888
Senior Leadership Team	453	54	507
Community & Wellbeing	1,535	987	2,522
Law & Governance	648	100	748
The Built Environment	575	575	1,150
Finance & Resources	2,947	1,341	4,288
COVID-19 Council Costs	40	0	40
Housing Revenue Account	(3,530)	(384)	(3,914)
Net Cost of Services	<u>4,066</u>	<u>3,163</u>	<u>7,229</u>
Total - Other Operating Expenditure	0	(13)	(13)
Total - Financing & Investment Income & Expenditure	2,967	(1,931)	1,036
Total - Taxation & Non Specific Grant Income	(5,825)	(1,341)	(7,166)
(Surplus)/Deficit on Provision of Services	<u>1,208</u>	<u>(122)</u>	<u>1,086</u>
Opening General Fund & HRA Balance at 1st April	(2,454)		
Less Deficit/(Surplus) on General Fund and HRA Balance in Year	(377)		
Closing General Fund & HRA Balance at 31st March	<u>(2,831)</u>		

* See Movement in Reserves Statement for the split of General Fund and HRA balances.

NOTES TO THE CORE FINANCIAL STATEMENTS

	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement £000's
2021/22 Restated			
Customer Services & Business Transformation	1,405	423	1,828
Senior Leadership Team	236	28	264
Community & Wellbeing	1,147	337	1,484
Law & Governance	329	76	405
The Built Environment	746	126	872
Finance & Resources	2,650	472	3,122
COVID-19 Council Costs	1,217	33	1,250
Housing Revenue Account	(3,191)	115	(3,076)
Net Cost of Services	4,539	1,610	6,149
Total - Other Operating Expenditure	0	79	79
Total - Financing & Investment Income & Expenditure	3,242	(2,012)	1,230
Total - Taxation & Non Specific Grant Income	(4,768)	(1,795)	(6,563)
(Surplus)/Deficit on Provision of Services	3,013	(2,118)	895
Opening General Fund & HRA Balance at 1st April	(2,459)		
Less Deficit/(Surplus) on General Fund and HRA Balance in Year	5		
Closing General Fund & HRA Balance at 31st March	(2,454)		

* See Movement in Reserves Statement for the split of General Fund and HRA balances.

The Expenditure and Funding Analysis above 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

2022/23

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments between Funding and Accounting Basis			
	Adjustments for Capital Purposes	Net change for the		Total Adjustments
		Pensions	Other	
		Adjustments	Differences	
	(Note 1)	(Note 2)	(Note 3)	
	£000's	£000's	£000's	£000's
Customer Serv. & Bus. Transformation	372	118	0	490
Senior Leadership Team	0	54	0	54
Community & Wellbeing	772	215	0	987
Law & Governance	16	84	0	100
The Built Environment	480	95	0	575
Finance & Resources	1,142	199	0	1,341
COVID-19 Council Costs	0	0	0	0
Housing Revenue Account	(459)	75	0	(384)
Net Cost of Services	2,323	840	0	3,163
Other Income and Expenditure from the Expenditure and Funding Analysis	(3,001)	604	(888)	(3,285)
Difference between General Fund Surplus or Deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(678)	1,444	(888)	(122)

2021/22 Restated

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments between Funding and Accounting Basis			
	Adjustments for Capital Purposes	Net change for the		Total Adjustments
		Pensions	Other	
		Adjustments	Differences	
	(Note 1)	(Note 2)	(Note 3)	
	£000's	£000's	£000's	£000's
Customer Serv. & Bus. Transformation	323	100	0	423
Senior Leadership Team	0	28	0	28
Community & Wellbeing	126	211	0	337
Law & Governance	13	63	0	76
The Built Environment	38	88	0	126
Finance & Resources	321	151	0	472
COVID-19 Council Costs	0	33	0	33
Housing Revenue Account	53	62	0	115
Net Cost of Services	874	736	0	1,610
Other Income and Expenditure from the Expenditure and Funding Analysis	(2,647)	592	(1,673)	(3,728)
Difference between General Fund Surplus or Deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(1,773)	1,328	(1,673)	(2,118)

NOTES TO THE CORE FINANCIAL STATEMENTS

Note 1 - Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing, i.e. Minimum Revenue Provision, and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Note 2 – Net Change for the Pensions Adjustments

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

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

Note 3 – Other Differences

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

- **For Financing and investment income and expenditure** – the other differences column recognises adjustments to the General Fund for the timing differences of premiums and discounts.
- **Taxation and non-specific grant income and expenditure** – this charge represents the difference between, what is chargeable under statutory

NOTES TO THE CORE FINANCIAL STATEMENTS

regulations for council tax and NNDR that was projected to be received at the start of the year, and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Segmental Income

Income received on a segmental basis is analysed below:

	2022/23	2021/22
	Income from	Income from
Services	Services	Services
	£000's	£000's
Customer Services & Business Transformation	(120)	(120)
Senior Leadership Team	0	0
Community & Wellbeing	(1,127)	(1,306)
Law & Governance	(406)	(602)
The Built Environment	(1,627)	(1,278)
Finance & Resources	(8,539)	(8,727)
COVID-19 Council Costs	(167)	(974)
Housing Revenue Account	(5,397)	(5,200)
Total Income analysed on a Segmental Basis	(17,383)	(18,207)

32. Expenditure and Income Analysed By Nature

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

	2022/23	2021/22
	£000's	£000's
Expenditure / Income :		
Expenditure		
Employee benefits expenses	9,371	8,583
Other services expenses	13,206	13,458
COVID Grants	15	1,441
Depreciation, amortisation, impairment	2,323	874
Interest payments	2,582	2,067
Precepts and levies	845	560
Payments to Housing Capital Receipts Pool	3	194
Total Expenditure	28,345	27,177
Income		
Fees, charges and other service income	(10,501)	(9,849)
Interest and investment income	(1,305)	(813)
Income from council tax, non-domestic rates and district rate income	(5,765)	(5,169)
Government grants and contributions Non-COVID	(9,357)	(9,406)
Government grants and contributions COVID	(73)	(907)
Gain on the disposal of assets	(258)	(138)
Total Income	(27,259)	(26,282)
Surplus or (Deficit) on the Provision of Services	(1,086)	(895)

NOTES TO THE CORE FINANCIAL STATEMENTS

33. Members Allowances

As a result of the pandemic a review of the Members Allowance scheme was not undertaken and the 2020/21 scheme was carried forward into 2022/23.

In 2022/23, the Council paid allowances to members totalling £172,906 (2021/22 £170,596).

34. Audit Costs

In 2021/22 Oadby and Wigston Borough Council incurred the following fees relating to external audit and inspection:

	<u>2022/23</u>	<u>2021/22</u>
	£000's	£000's
Fees payable to the Council's auditors for external audit services carried out by the appointed auditor.	91	79
Fees payable to the Council's auditors for the certification of grant claims and returns.	15	10
Fees payable in respect of other services.	6	1
	<u>112</u>	<u>90</u>

A significant increase in audit fees was levied in both 21/22 and 22/23 due to the impact of the COVID-19 pandemic, both on the Council, and upon the audit process.

35. Related Party Transactions

The aim of this note is to demonstrate that any material transactions between the Council and those in a position to influence decisions are properly disclosed.

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.

The Council is also required to disclose interests it holds in companies and other entities.

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 substantial funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, housing benefits). Grant funding received from central government is shown within Note 39 to the accounts.

NOTES TO THE CORE FINANCIAL STATEMENTS

As Members and Chief Officers are considered to be related party, a Register of Interest is used to record and monitor related party transactions. Disclosure forms were also completed by both Members and Chief Officers.

Any declarations made by members are listed below. Leicestershire County Council, Leicestershire Police and the Leicestershire Local Government Pension Scheme are considered to be related party transactions, their year end balances being as follows:

	<u>2022/23</u>	<u>2021/22</u>
	Payments	Payments
	£000's	£000's
Leicestershire County Council		
Leicestershire County Council, Pension Fund	1,579	1,445
Leicestershire County Council - Year End Debtor	816	898
Leicestershire Police Authority	146	159
	<u>2,541</u>	<u>2,502</u>
	Precepts	Precepts
	£000's	£000's
Leicestershire County Council	25,760	24,620
Leicestershire Police	4,545	4,332
Leicestershire and Rutland Fire Authority	1,317	1,217
	<u>31,622</u>	<u>30,169</u>
Total	<u>34,163</u>	<u>32,671</u>

Entities controlled or significantly influenced by the Council:

The following grants were given to, or received from, external organisations in-year. These transactions do not imply that the Council controls or is controlled by any of the following organisations, but are disclosed for purposes of transparency.

	<u>2022/23</u>	<u>2021/22</u>
	Receipts	Receipts
	£000's	£000's
Leicestershire County Council		
Household Support Fund	0	88
Smarter Travel Grant	0	5
Lockdown Support Grant	0	0
Winter Grant Scheme	0	0
	<u>-</u>	<u>93</u>
	2022/23	2021/22
	Payments	Payments
Community/Youth Grants		
South and West Leicestershire CAB	0	14
Senior Citizens Action Group	6	0
Helping Hands	57	41
Total	<u>63</u>	<u>55</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

36. Remuneration of Senior Staff

The Council is required to disclose payments made to senior employees, by post, whose remuneration is in excess of £50,000 per annum. The situation for 2022/23 is as follows:

Senior Officers' Salary - £50,000 to £150,000

2022/23

Post holder information	Salary (Inc fees & allowances)	Expense Allowances	Compensation for loss of office	Total remuneration excluding pension contributions	Total Pension contributions	Total remuneration including pension contributions
Chief Executive	111	0	0	111	22	133
Strategic Director - Section 151 Officer	87	0	0	87	18	105
Head of Legal	77	0	0	77	14	91
Strategic Director	83	0	0	83	17	100
Head of The Built Environment	65	0	0	65	12	77
Head of Customer Services & Transformation	51	0	0	51	10	61
	474	0	0	474	93	567

2021/22

Post holder information	Salary (Inc fees & allowances)	Expense Allowances	Compensation for loss of office	Total remuneration excluding pension contributions	Total Pension contributions	Total remuneration including pension contributions
Chief Executive	109	0	0	109	19	128
Strategic Director - Section 151 Officer	14	0	0	14	3	17
Head of Finance & Acting Section 151 Officer	82	0	0	82	10	92
Head of Legal	76	0	0	76	13	89
Head of Customer Services & Business Transformation	62	0	0	62	11	73
Head of Community & Wellbeing	39	0	0	39	7	46
Head of The Built Environment	62	0	0	62	11	73
	444	0	0	444	74	518

NOTES TO THE CORE FINANCIAL STATEMENTS

The Head of Finance acted up as Section 151 Officer throughout most of 2021/22, with the position Of Strategic Director and Section 151 Officer being filled on a permanent basis from February.

Officers Salary Exceeding £50,000

The Council's other employees receiving more than £50,000 remuneration for the year 2022/23 were paid in the following bands:

Salary Bands	Number of Employees	
	2022/23	2021/22
£50,000 - £55,000	2	0
£55,000 - £60,000	1	1
£60,000 - £65,000	0	2
£65,000 - £70,000	1	0
£70,000 - £75,000	0	0
£75,000 - £80,000	1	2
£80,000 - £85,000	1	0
£85,000 - £90,000	1	0
£90,000 - £95,000	0	0
£95,000 - £100,000	0	0
£100,000 - £105,000	0	0
£105,000 - £110,000	0	1
£110,000 - £115,000	1	0
	8	6

Remuneration for these purposes includes all sums paid to or receivable by an employee, sums due by way of expense allowances and the money value of any other benefits received other than in cash, but excludes pension contributions payable by either the employee or the Council.

Exit Packages

No exit packages were paid in 2022/23. The numbers of exit packages for 2021/22 with the total cost per band and total cost of the redundancies are set out in the table below:

NOTES TO THE CORE FINANCIAL STATEMENTS

Exit Package Cost Band	Number of Compulsory Redundancies	2021/22 Number of Other Departures Agreed	Total Number of Exit Packages by Cost Band	Total Cost of Exit Packages in Each Band
				£000's
£0 - £20,000	2	0	2	35
£20,001 - £40,000	2	0	2	71
Total	4	0	4	106

37. Termination Benefits

No employees had their contracts terminated in 2022/23.

38. Defined Benefit Pension Schemes

The Council participates in the Local Government Scheme administered by Leicestershire County Council. This is a defined benefit funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level estimated to balance the pension liabilities with investment assets.

In 2022/23 the Council paid an employer's contribution of £1,543,026 (2021/22 £1,365,673) into the Leicestershire County Council Superannuation Fund, representing 28.628% (2021/22 31.946%) of Pensionable Pay.

In addition, the Council made payment into the Leicestershire County Council Superannuation Fund relating to added years benefits of £36,204 (2021/22 £79,491), representing 0.672% (2021/22 0.186%) of Pensionable Pay.

The annual report of the Leicestershire County Council Pension Fund is available from County Hall, Glenfield, and Leicester.

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the change we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement.

NOTES TO THE CORE FINANCIAL STATEMENTS

The following transactions have been made in the Comprehensive Income and Expenditure Statement and General Fund Balance via the Movement in Reserve Statement during the year:

Comprehensive Income and Expenditure Statement

	2022/23 £000's	2021/22 £000's
Cost of Services		
Service Cost comprising		
Current Service Cost	2,420	2,159
Past Service Costs	0	21
(Gain)/Loss from Settlements		
Financial and Investment Income and Expenditure		
Net interest expense	604	592
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	<u>3,024</u>	<u>2,772</u>

Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement.

Remeasurement of the net defined benefit liability comprising		
Return on plan assets (excluding the amount included in the net interest expense)	833	(3,873)
Actuarial gains and losses arising on changes in demographic assumptions	(436)	(524)
Actuarial gains and losses arising on changes in financial assumptions	(21,883)	(3,760)
Other	3,606	(599)
Transfer to Pension Reserve for Post Year Actuaries Adjustment		
Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement.	<u>(17,880)</u>	<u>(8,756)</u>

Movement in Reserves Statement

Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the code.	(877)	(793)
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Actual amount charged against the General Fund Balance for pension in the year

Employers contribution payable to scheme	1,613	1,394
Retirement benefits payable to pensioners	36	36

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plan is as follows:

	2022/23 £000's	2021/22 £000's
Present Value of the Defined Benefit Obligation	45,607	64,131
Fair Value of the plan assets	(40,270)	(42,289)
Net liability arising from Defined Benefit Obligation	<u>5,337</u>	<u>21,842</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

	2022/23	2021/22
	£000's	£000's
Opening fair value of scheme assets	42,289	40,366
Interest Income	1,213	805
Remeasurement gain/ (loss)		
The return on plan assets, excluding the amount included in the net interest expense	(3,430)	1,297
Contributions from employer	1,613	1,394
Contribution from employees into the scheme	326	279
Losses/(gains) on curtailment (where relevant)	0	0
Benefits paid	(1,741)	(1,852)
Closing fair value of scheme assets	40,270	42,289

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	2022/23	2021/22
	£000's	£000's
Opening balance	64,131	69,622
Current Service Costs	2,420	2,159
Interest cost	1,817	1,397
Contributions from scheme participants	326	279
Remeasurement (gain) and loss		
Actuarial gain/loss arising from changes in demographic assumptions	(436)	(524)
Actuarial gain/loss arising from changes in financial assumptions	(21,883)	(3,760)
Other	1,009	(3,175)
Past Service Costs	0	21
Losses/(gains) on curtailment (where relevant)	0	0
Benefits Paid	(1,777)	(1,888)
Closing balance	45,607	64,131

NOTES TO THE CORE FINANCIAL STATEMENTS

Local Government Pension Scheme assets comprised

Fair Value of Scheme Assets	Fixed Value of Scheme Assets	
	2022/23	2021/22
	£000's	£000's
Cash and cash equivalents	2,033	2,135
Equity Securities	336	353
Debt Securities	2,097	2,202
Private Equity	2,693	2,828
Real Estate	3,098	3,254
	10,257	10,772
Investment Funds and Unit Trusts:		
Equities	18,542	19,471
Bonds	0	0
Hedge Funds	0	0
Commodities	1,011	1,061
Infrastructure	2,105	2,211
Other	8,271	8,686
	29,929	31,429
Derivatives: Foreign Exchange	84	88
Total Assets	40,270	42,289

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 31st March 2019.

NOTES TO THE CORE FINANCIAL STATEMENTS

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	<u>2022/23</u>	<u>2021/22</u>
Mortality assumptions		
Longevity at 65 for current pensioners		
Men	21.4	21.5
Women	24.3	24.4
Longevity at 65 for future pensioners		
Men	21.7	22.3
Women	25.8	25.9
Rate of Inflation		
Rate of increase in salaries	3.0%	3.2%
Rate of increase in pensions	3.5%	3.7%
Rate for discounting scheme liabilities	4.8%	2.7%

Impact on the Defined Benefit Obligation in the Scheme

	<u>Increase in Employer's Liability</u>	<u>Appropriate Monetary Amount</u>
	<u>%</u>	<u>£000's</u>
Change in Assumptions at 31st March 2023		
0.5% decrease in Real Discount Rate	2%	763
1 Year increase in member life expectancy	4%	1,934
0.5% increase in the Salary Increase Rate	0%	50
0.5% increase in the Pensions Increase Rate	1%	724

NOTES TO THE CORE FINANCIAL STATEMENTS

39. Revenue and Capital Grants

The Council has credited the above grants and contributions to the Comprehensive Income and Expenditure Statement (CIES) during 2022/23:

	2022/23 £000's	2021/22 £000's
Revenue:		
Tenant Satisfaction Measures New Burdens	6	0
New Business Inspection Grant	0	2
Food Information Grant	0	2
Local Authority Delivery 2 Revenue	33	33
Green Grant	150	0
Smarter Travel Grant	0	5
Homelessness Grant	140	140
Domestic Abuse Grant	32	32
Domestic Abuse New Burdens Grant	3	0
Parkinsons Grant	2	0
Rough Sleeping Grant	0	5
Cold Weather/ Protect Plus Fund Grant	0	11
Protect & Vaccinate Grant	0	10
Asylum Dispersal Grant	14	0
Homes for Ukraine	54	0
Bin-frastructure Grant Scheme	0	22
Additional Audit Costs Grant	0	17
Remond Review Implementation	17	0
Youth Engagement Grant	0	10
COVID-19 Emergency Funding Grants	0	242
Local Tax Loss Grant	0	56
COVID-19 Test, Track and Contain Grants	91	212
COVID-19 Resident Support Schemes Grants	0	2
COVID-19 Business Grant Administration Grants	0	131
COVID-19 Loss of Income Grants	14	152
COVID-19 Business Support Grants	0	88
COVID-19 Self-Isolation Grants	0	24
Energy Bills Support Grant	203	0
Council Tax Family Annexe Discount	2	2
Council Tax New Burdens Grant	36	0
Council Tax Rebates Final Assessment	83	0
Business Rate Relief New Burdens	22	0
Rent Allowance	3,898	4,365
Housing Benefit Hardship	45	69
Rent Rebates	1,927	1,960
Housing Benefit New Burdens Grants	15	0
Supported Housing New Burdens	2	0
Housing Benefit Accuracy Award	5	0
Verify Earnings & Pensions Grant	6	16
Benefit Administration	128	131
Council Tax Support Grant	0	137

£000's

NOTES TO THE CORE FINANCIAL STATEMENTS

	<u>2022/23</u> £000's	<u>2021/22</u> £000's
Revenue:		
Electoral Integrity New Burdens	9	0
Local Elections Funding	0	15
Transparency Code	8	8
Local Authority Data Sharing	6	6
Biodiversity Net Gain Grant	0	10
UK Shared Prosperity Fund Revenue	163	0
Taxi License New Burdens	1	1
Pavement Licensing New Burdens Grant	2	12
Physical Activity Development Grants	125	101
Blue Prescribing Contribution	24	18
	<u>7,266</u>	<u>8,047</u>
Capital:		
Local Authority Delivery 2 Capital	496	92
UK Shared Prosperity Fund Capital	20	0
Improvement Grants	247	349
	<u>763</u>	<u>441</u>
Total	<u>8,029</u>	<u>8,488</u>

40. Capital Expenditure

The Council's in year capital expenditure was financed as follows:

	<u>2022/23</u> £000's	<u>2021/22</u> £000's
Opening Capital Financing Requirement	37,614	37,107
Capital Investment		
Property, Plant, Equipment and Intangible Assets	4,584	3,447
Revenue Expenditure Funded from Capital under Statute - Other	467	4
Sources of Finance		
Capital Receipts	(744)	(280)
Government Grants and Other Contributions	(449)	(176)
Revenue Contribution	(922)	(1,655)
Revenue Provision	(530)	(833)
Closing Capital Financing Requirement	<u>40,020</u>	<u>37,614</u>
Explanation of Movement in Year		
Increase/Decrease in underlying need for supported Borrowing	0	0
Increase/Decrease in underlying need for unsupported Borrowing	2,406	507
	<u>2,406</u>	<u>507</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

General Fund capital expenditure in 2022/23 resulted in a net increase in the underlying need for unsupported borrowing of £2,405,147 (2021/22 £507,536 increase).

41. Minimum Revenue Provision (MRP)

Under the Capital Finance Regulations, this Council has a duty to set aside a Minimum Revenue Provision (MRP) for the repayment of external debt that it considers "prudent".

For this financial year in respect of debt that is supported by the Revenue Support Grant the method chosen is the Capital Financing Requirement (CFR) method. The CFR method calculates MRP as 2% of the non-housing CFR at the end of the preceding financial year.

In the case of new borrowing for which no government support has been given and is therefore self-financed, the Asset Life method has been used. This method requires MRP to be made in equal annual instalments over the estimated life of the asset for which the unsupported borrowing is undertaken.

The annuity asset life method requires that the MRP for each year be the amount presumed to be the principal element of the equal amounts that would be payable each year in respect of a loan at a specified rate of interest that would reduce the outstanding principal amount to zero at the end of the estimated useful life of the asset. This results in an MRP charge that rises over time. This is deemed to be particularly appropriate for assets which generate increasing revenues over time. This has been chosen for the leisure facilities project.

	<u>2022/23</u>	<u>2021/22</u>
	£000's	£000's
General Fund Charge	530	833
HRA Charge	0	0
Minimum Revenue Provision	<u>530</u>	<u>833</u>

The provisions for depreciation and impairment should be regarded as part of the minimum revenue provision with the balance being treated as a transfer to or from the Capital Adjustment Account.

	£000's	£000's
Minimum Revenue Provision	530	833
Amount Charged as Depreciation	(1,790)	(1,846)
Amount Charged as Impairment	(527)	1,029
Additional Charge to/from the General Fund Balance	<u>(1,787)</u>	<u>16</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

42. Analysis of Net Assets Employed

	31st March 2023 £000's	31st March 2022 £000's
General Fund	15,538	2,145
Housing Revenue Account	59,202	50,675
	74,740	52,820

43. Information on Assets Held

Number of fixed assets held by the council classified by type.

	No. as at 31st March 2223	No. as at 31st March 2122
Operational Buildings :		
Allotment Sites	4	4
Car Parks	11	11
Cemeteries	2	2
Cemetery Buildings	4	4
Council Offices	1	1
Community / Day Centres	2	2
Depots & Garage	1	1
Garages	179	179
Garage Spaces	54	54
Homelessness Shelter	1	1
Pavilions	7	7
Public Conveniences	4	4
Sports Centre	2	2
Swimming Pools	0	0
Sports Grounds & Parks	17	17
Vehicle Workshop	1	1
Brocks Hill Visitor Centre	1	1
Brocks Hill Country Park	1	1
Investment Property: Shops	3	3
Council Dwellings	1,183	1,191
Total	1,478	1,486

NOTES TO THE CORE FINANCIAL STATEMENTS

44. Financial Instruments Balances

A financial Instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. 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 fair value and carried at their amortised cost and comprised of long-term loans from the Public Works Loans board and inter-Local Authority lending, 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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Financial Assets

	Non-Current				Current				Total	
	Debtors		Cash & Equiv		Investments		Debtors			
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Fair value through profit & loss	0	0	0	0	0	0	0	0	0	0
Amortised cost	84	92	577	348	3,206	17,871	1,465	1,442	5,332	19,753
Fair value through comprehensive income - designated equity instruments	0	0	0	0	0	0	0	0	0	0
Fair value though other comprehensive income	0	0	0	0	0	0	0	0	0	0
Total Financial Assets	84	92	577	348	3,206	17,871	1,465	1,442	5,332	19,753
Non Financial Assets									0	0
Total	84	92	577	348	3,206	17,871	1,465	1,442	5,332	19,753

Financial Liabilities

	Non-Current				Current				Total	
	Borrowings		Creditors		Borrowings		Creditors			
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Fair value through profit & loss	0	0	0	0	0	0	0	0	0	0
Amortised cost	18,063	19,155	0	7	16,126	19,549	2,025	1,628	36,214	40,339
Total Financial Liabilities	18,063	19,155	0	7	16,126	19,549	2,025	1,628	36,214	40,339
Non Financial Liabilities	0	0	0	0	0	0	0	0	0	0
Total	18,063	19,155	0	7	16,126	19,549	2,025	1,628	36,214	40,339

NOTES TO THE CORE FINANCIAL STATEMENTS

45. Financial Instruments Gains/Losses

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

	Financial Assets	
	Loans and Receivables	
	2022/23	2021/22
	£000's	£000's
Interest Expense	765	670
Interest Income	(92)	(8)
Net (Gain)/Loss for the Year	673	662

46. Fair Value of Assets and Liabilities Carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated interest rates at 31 March 2023 for loans and investments, including those loans from the Public Works Loan Board, are based on a rate equivalent to that of the outstanding period of each loan or investment.
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values calculated are as follows:

Financial liabilities

	31st March 2023		31st March 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000's	£000's	£000's	£000's
Financial liabilities held at amortised cost - Public Works Loans	(36,214)	(35,518)	(40,332)	(43,277)
Long term creditors	0	0	0	0
PFI & finance lease liabilities	0	0	(7)	(6)
Total	(36,214)	(35,518)	(40,339)	(43,283)

The fair value is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher

NOTES TO THE CORE FINANCIAL STATEMENTS

than the rates available for similar loans at the balance sheet date. This commitment to pay interest above current market rates increases the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

Financial assets

	31st March 2023		31st March 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000's	£000's	£000's	£000's
Financial assets held at amortised cost	5,321	5,321	19,734	19,734
Long term Debtors	11	11	19	19
Total	5,332	5,332	19,753	19,753

The fair value is represented by the carrying amount as the Council has no material long-term investments.

47. Nature and Extent of Risks Arising from Financial Instruments

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

- **Credit risk** – the possibility that other parties might fail to pay amounts due to the Council;
- **Liquidity risk** – the possibility that the Council might not have funds available to meet its commitments to make payments;
- **Re-financing risk** – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- **Market risk** - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

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

Overall these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the Code of Practice;
- By approving annually in advance prudential indicators for the following three years limiting:
 - The Council's overall borrowing;
 - The maximum and minimum exposures to fixed and variable rates;
 - The maximum and minimum exposures to the maturity structure of its debt;

NOTES TO THE CORE FINANCIAL STATEMENTS

- The maximum annual exposures to investments maturing beyond a year.
- By approving an Investment Strategy for the forthcoming year, setting out its criteria for both investing and selecting investment counterparties, in compliance with the Government Guidance:

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual Treasury Strategy and Plan which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported at least annually to Members.

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

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are only made with UK banks and "top 20" building societies with a minimum long-term rating of 'A' and a short-term rating of F1. In addition, investments in money market funds may be made, provided that such funds have a long-term rating of 'AAA'. Top 20 is defined as building societies with a minimum asset base of £1 billion. The Council has a policy of not lending more than £1.5 million of its surplus balances to one institution.

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions. For sundry debtors, other debtors and housing rents the historical experience of default is based on the provision for bad and doubtful debts according to generally accepted accounting practice. This is adjusted to reflect current market conditions.

NOTES TO THE CORE FINANCIAL STATEMENTS

	Amount at 31st March 2022	Historical Experience of Default	Market Conditions at 31st March 2022	Maximum Exposure to Default and Uncollectibility
	£000's	%	%	£000's
	A	B	C	(A x C)
Deposits with banks and financial Institutions				
Local Authorities	0	0.00	0.00	0.00
A'AA' Rated Counterparties	0	0.00	0.00	0.00
'AA' Rated Counterparties	0	0.00	0.01	0.00
'A' Rated Counterparties	0	0.01	0.05	0.00
BBB' Rated Counterparties	0	0.00	0.20	0.00
Sundry Debtors *	387	0.04	0.04	15.48
Other Debtors	732	0.04	0.04	29.28
Housing Rents	308	0.02	0.02	6.16
				50.92

* **Sundry debtors** includes the overpayment of housing benefits, building control fees and charges, licensing fees and other service fees and charges.

Whilst the current credit crisis in international markets has raised the overall possibility of default, the Council maintains strict credit criteria for investment counterparties. As a result of these high credit criteria, we have maintained historical default rates as a good indicator under these current conditions.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council does not allow credit for customers, such that all of the debtor's balance is past its due date for payment. The past due amount can be analysed by age as follows:

	2022/23	2021/22
	£000's	£000's
Less than three months	127	387
Three to six months	15	8
Six months to one year	11	42
More than one year*	234	234
	387	671

* The majority of debt that has been outstanding for more than one year relates to the overpayment of housing benefit where instalment payments have been set up.

Liquidity Risk

Liquidity risk is defined in IFRS 7 as “the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset”. This includes the concept referred to as refinancing risk in the CIPFA Treasury Management Code.

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the Treasury Strategy and Plan and Investment Strategy reports), as well as through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the Public Works Loan Board (PWLB) provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose action is unlawful).

The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for the maturity structure of debt, and the limits placed on investments placed for greater than one year in duration, are the key parameters used to address this risk. The Council approved the Treasury Strategy and Plan and Investment Strategy to address the main risks, and the central treasury team addresses the operational risks within the approved parameters.

This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments to provide stability of maturities and returns in relation to the longer term cash flow needs.

NOTES TO THE CORE FINANCIAL STATEMENTS

The maturity analysis of financial liabilities is as follows:

Restated	<u>2022/23</u>	<u>2021/22</u>
	£000's	£000's
Less than one year	18,151	21,177
Between one and two years	1,006	1,013
Between two and five years	3,019	3,019
More than five years	14,038	15,130
	<u>36,214</u>	<u>40,339</u>
Short Term Creditors*	(2,025)	(1,628)
Short Term Borrowing	(16,126)	(19,549)
Long Term Creditors (Leases)	0	(7)
Long Term Borrowing	(18,063)	(19,155)
	<u>(36,214)</u>	<u>(40,339)</u>

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

***Amounts owing to and from central government and other local government agencies** are not deemed financial instruments, as they represent statutory obligations, rather than tradable instruments. Consequently, the short-term creditors figure here is lower than the Balance Sheet figure.

Market Risk

Interest Rate Risk

Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- **Borrowings at variable rates** – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise
- **Borrowings at fixed rates** – the fair value of the liabilities borrowings will fall
- **Investments at variable rates** – the interest income credited to the Comprehensive Income and Expenditure Statement will rise
- **Investments at fixed rates** – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. Movement in the fair value of fixed rate investments will be reflected in the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance.

The Council has a number of strategies for managing interest rate risk. The policy is to have no more than 25% of its borrowings in variable rate loans. The risk of loss is

NOTES TO THE CORE FINANCIAL STATEMENTS

ameliorated by the fact that a proportion of Government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out should be fixed or variable.

According to this assessment strategy, at 31 March 2023, if interest rates had been 1% higher with all other variables held constant, the financial effect would have been:

	<u>2022/23</u> <u>£000's</u>	<u>2021/22</u> <u>£000's</u>
Increased return on money market investments	(54)	(47)
Impact on Income and Expenditure Account	<u>(54)</u>	<u>(47)</u>
Share of Overall Impact Credited to the HRA	<u>(19)</u>	<u>(20)</u>

The current Bank of England Base Rate is 4.25%. Market predictions are at present for one, perhaps two more 25 basis point rises, before rates start to decline in the medium term.

- **Price Risk**

The Council is not exposed to price risk as it does not invest in equity shares.

- **Foreign Exchange Risk**

The Council has no financial assets or liabilities denominated in foreign currencies and thus no exposure to loss arising from movements in exchange rates.

48. Agency Services

The Council does not normally act as an agent for other entities, beyond its role as a billing authority, collecting Council Tax and Non-Domestic Rates on behalf of Central Government and local precepting authorities. These transactions are reflected in the Collection Fund, details of which are disclosed later on in these financial statements.

However, during 2022/23, the Council was obliged to act on behalf of Central Government, for the administration and distribution of various monies related to relief payments to local people and businesses, to alleviate the economic effects of the cost of living crisis.

NOTES TO THE CORE FINANCIAL STATEMENTS

All funding relief grant funding received in 2022/23 was distributed in accordance with criteria determined by Central Government. As such, they are deemed *Agency* transactions, and are excluded from the primary financial statements.

Below is a table listing the grant schemes and the volume and amount paid out by the Council in 2022/23.

	<u>Number</u>	<u>Value</u> <u>£000s</u>
Council Tax Rebate Grant	20,136	3,020
Total Processed as Agent	<u>20,136</u>	<u>3,020</u>
Grant Total	<u>20,136</u>	<u>3,020</u>

During 2022/23, the Department of Business, Energy and Industrial Strategy acted to recover £2.693M of unspent grant funding allocated to the Council during the course of the COVID-19 pandemic for business relief. This recovery reflects the fact that block relief grant allocations during the pandemic erred on the size of generosity. £189k of this repayment is reflected in the financial statements, as it relates to grants for which the Council was acting as principal. The remaining £2.504M is excluded, as it relates to grants for which the Council was merely acting as an agent.

49. Contingent Liabilities & Assets

Municipal Mutual Insurance

The Scheme of Arrangement was enacted in 2012/13. The impact upon the Council as a scheme creditor is not clear, nor is the consequential impact on future funding for unknown claims incurred but not reported between 1974 and 1992. Whilst the Council has so far fulfilled its obligations to the scheme, the total liability going forward is uncertain, and there thus remains the possibility of future demands on Council funds.

Litigation

The Council is involved in no outstanding litigation as at 31/03/23.

Truck Cartel

The Council has joined a possible collective compensation claim (coordinated by the LGA) against certain truck manufacturers who engaged in price fixing between 1997 and 2011. The potential claim is in the early stages of gathering information and at it is still unclear the potential value of any claim or the strength of any claim. The Council has to date incurred no costs.

NOTES TO THE CORE FINANCIAL STATEMENTS

39-41 Canal Street

In 2018, after many attempts to identify, locate and contact the owners of the property, the Council compulsorily purchased an Edwardian factory building in South Wigston that had lain derelict for many years. The property was cleaned up and sold at auction to a property developer. The proceeds of this sale, approximately £350K net of the Council's relevant costs, are being held in escrow. If the owners of the property cannot be identified within seven years of the Compulsory Purchase Order, these funds will be available to the Council as a capital receipt.

50. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

There are no prior period adjustments which relate to the 2022/23 Accounts.

THE HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

This account summarises the resources that have been generated and consumed in providing services and managing the Council's Housing Revenue Account (HRA) during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

	<u>2022/23</u>	<u>2021/22</u>
Note	£000's	£000's
Expenditure		
Repairs and maintenance	1,080	1,394
Supervision and management	850	584
Rents, rates, taxes and other charges	5	49
Depreciation and impairment of non-current assets	6, 7 (459)	53
Debt management charges	9	9
Increase/(decrease) in bad debt provision	(3)	35
Total Expenditure	<u>1,482</u>	<u>2,124</u>
Income		
Dwellings rent	(5,108)	(4,924)
Non dwellings rent	(71)	(73)
Charges for services and facilities	(217)	(203)
Total Income	<u>(5,396)</u>	<u>(5,200)</u>
Net Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	(3,914)	(3,076)
HRA services share of Corporate and Democratic Core	1,306	1,162
HRA Share of other amounts included in whole authority net expenditure of continuing operations not allocated to specific services	<u>0</u>	<u>2</u>
Net Income of HRA Services	(2,608)	(1,912)
HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement :		
(Gain)/Loss on the Sale of HRA non-current assets	(121)	(272)
De-recognition of Non-Current Assets	127	163
Interest and investment income	(32)	(3)
Interest payable and similar charges	546	506
Pensions interest cost and expected return on pension assets	55	47
(Surplus) / Deficit for the Year on HRA Services	<u><u>(2,033)</u></u>	<u><u>(1,471)</u></u>

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

This reconciliation statement summarises the differences between the outturn on the HRA Income and Expenditure Account and the HRA Balance.

	<u>2022/23</u>	<u>2021/22</u>
Note	£000's	£000's
Balance on the HRA at the end of the previous reporting period	(1,155)	(1,332)
(Surplus) / Deficit for the year on the HRA Income and Expenditure Statement	(2,033)	(1,471)
Adjustments made between Accounting Basis and funding basis under statute	1 2,079	1,648
Net (increase) or decrease before transfers to or from reserves	46	177
Transfers to or (from) Reserves	(310)	0
(Increase) or decrease in year on the HRA	(264)	177
Balance on the HRA at the end of the current reporting period	(1,419)	(1,155)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Adjustment Between Accounting Basis and Funding Basis Under Statute

	<u>2022/23</u>	<u>2021/22</u>
	£000's	£000's
Impairment of non-current assets	2,213	1,640
(Gain) / loss on the sale of non-current assets	121	272
Accumulating compensating absences	2	4
De-recognition of non-current assets	(127)	(163)
Net charges made for retirement benefits in accordance with IAS 19	(272)	(221)
Transfer (to) / from major repairs reserve	0	0
Revenue contribution to capital	0	0
Employers contribution payable to the Leicestershire Pension Fund and retirement benefits payable direct to pensioners	142	116
Adjustments made between Accounting Basis and Funding Basis under Statute	<u>2,079</u>	<u>1,648</u>

2. Balance Sheet Value of Authority's Housing Stock

	<u>2022/23</u>	<u>2021/22</u>
	£000's	£000's
Operational Assets		
Dwellings	78,298	72,121
Other Land and Buildings	1,365	1,279
	<u>79,663</u>	<u>73,400</u>
Non Operational Assets		
Investment Property	139	138
Total	<u>79,802</u>	<u>73,538</u>

The vacant possession value of dwellings on 31 March 2023 was £186,423,100 (2021/22 £172,994,888), against a balance sheet value of £78,297,702 (2021/22 £72,120,547) at the same point in time.

The difference reflects the fact that social housing rents generate a lower income stream than could be obtained in the open market. The value placed on assets in a commercial environment will reflect the required economic rate of return in relation to income streams that the assets might be expected to generate throughout their economic life. To the extent that income streams are constrained to serve a wider social purpose, the value of capital assets employed for council housing will be reduced.

NOTES TO THE HOUSING REVENUE ACCOUNT

3. Housing Stock

The Council was responsible for managing on average 1187 dwellings during 2022/23. The stock at year end was as follows;

	<u>2022/23</u>	<u>2021/22</u>
	Number	Number
Houses / Bungalows	656	661
Flats / Maisonettes	527	530
Total Stock	<u>1,183</u>	<u>1,191</u>

The change in stock can be summarised as follows;

	<u>2022/23</u>	<u>2021/22</u>
	Number	Number
Stock at 1 April	1,191	1,199
Sales	(8)	(10)
Additions	0	2
Stock at 31 March	<u>1,183</u>	<u>1,191</u>

4. Major Repairs Reserve

	<u>2022/23</u>	<u>2021/22</u>
	£000's	£000's
Balance at 1 April	449	411
Amounts Transferred In	1,752	1,693
Transfers to/(from) HRA	0	
Used for Capital Expenditure	(906)	(1,655)
Balance at 31 March	<u>1,295</u>	<u>449</u>

5. Funding of HRA Stock

A total of £906,293 was spent on the Authority's housing stock in 2022/23 (£1,933,085 in 2021/22).

This was funded as follows:

	<u>2022/23</u>	<u>2021/22</u>
	£000's	£000's
Major Repairs Reserve	906	1,654
Capital Receipts	0	279
Unsupported Borrowing	0	0
Balance at 31 March	<u>906</u>	<u>1,933</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

HRA Capital Receipts retained by the Authority for 2022/23 totalled £642,476 (2021/22 £562,033). These were entirely attributable to the sale of council houses under the Right to Buy Scheme.

6. Depreciation and Amortisation

The total charge for non-current assets within the Authority's HRA during the financial year 2022/23 is £1,753,201 (2021/22 £1,692,939)

	<u>2022/23</u>	<u>2021/22</u>
	£000's	£000's
Dwellings	1,639	1,457
Other Land & Buildings	90	208
Plant, Equipment & Vehicles	1	2
Intangibles (Computer Software)	23	26
Total	<u><u>1,753</u></u>	<u><u>1,693</u></u>

7. Impairment of HRA Assets

Due to Central Government changes in valuation guidelines, there was no net impairment charge made to the HRA for 2022/23. Instead, there was a considerable reversal of impairment charged in previous years.

	<u>2022/23</u>	<u>2021/22</u>
	£000's	£000's
Dwellings	<u>(2,212)</u>	<u>(1,640)</u>
Total	<u><u>(2,212)</u></u>	<u><u>(1,640)</u></u>

8. Rent Arrears

During the year rent arrears have decreased by £13,000.

	£000's	£000's
Arrears at 31 March	336	349

A bad debt provision has been made in the accounts in respect of potentially uncollectible rent arrears. The value of the provision on 31 March 2023 is £250,412 (31 March 2022 £264,171).

9. HRA Share of Contribution To or From the Pension Fund

To Comply with IAS 19 the current service costs for the HRA are incorporated into Supervision and Management and Repairs and Maintenance costs shown.

These Items are then reversed by the net effect of the following items:

- (i) **Net Charges Made for Retirement Benefits** in Accordance with IAS 19. This amounted to £272,160 in 2022/23 (£221,760 in 2021/22).
- (ii) **Employers Contributions** to Leicestershire County Council pension fund and retirement benefits paid direct to pensioners. This amounted to £142,131 in 2022/23 (£115,613 in 2021/22).

Explanatory Foreword

The Collection Fund is an agent's statement that reflects the statutory obligation of billing authorities such as Oadby and Wigston Borough Council to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and National Non-Domestic Rates (NNDR) and its distribution to preceptors, who are other local government bodies and the Government.

The Council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund therefore, is to isolate the income and expenditure relating to Council Tax and National Non-Domestic Business Rates. The administrative cost associated with the collection process is charged to the General Fund.

For Oadby and Wigston, the Council Tax precepting bodies are the Leicestershire County Council (LCC), the Police and Crime Commissioner for Leicestershire (PCCL) and the Leicester, Leicestershire and Rutland Combined Fire Authority (LLRCFA).

In 2013/14, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give councils a greater incentive to grow businesses in the borough. It does, however, also increase the financial risk due to non-collection and the volatility of the NNDR tax base.

The scheme allows the Council to retain a proportion of the total NNDR received. The Oadby and Wigston share is 40% with the remainder paid to precepting bodies. For Oadby and Wigston the NNDR precepting bodies are Central Government (50% share), County Council (9%) and Fire Authority (1% share).

NNDR surpluses declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year.

The national code of practice followed by Local Authorities in England stipulates that a Collection Fund Income and Expenditure account is included in the billing authorities accounts. Whilst each preceptors incorporates their share of the collection fund balance sheet into their individual consolidated balance sheet.

THE COLLECTION FUND ACCOUNT

0	34,875	34,875	Council Tax Payers	0	36,400	36,400
			Transfers from General Fund -			
0	23	23	Council Tax Benefits	0	50	50
10,723		10,723	Business Ratepayers	3	11,268	
			Apportionment of Previous Year Deficit -			
2,781	0	2,781	Central Government	1,056	0	1,056
2,179	35	2,214	Oadby & Wigston Borough Council	845	0	845
416	152	568	Leicestershire County Council	190	0	190
			Police and Crime Commissioner for			
0	26	26	Leicestershire	0	0	0
			Leicester, Leicestershire & Rutland			
54	8	62	Combined Fire Authority	21	0	21
			Police and Crime Commissioner for			
0		0	Leicestershire	0	0	0
<u>16,153</u>	<u>35,119</u>	<u>51,272</u>	Total Income	<u>13,380</u>	<u>36,450</u>	<u>38,562</u>
			Expenditure			
13,007	34,464	47,471	Precepts and Demands	4	11,778	47,422
55	0	55	Costs of Collection	53	0	53
0	0	0	Court Costs	0	0	0
			Bad and Doubtful Debts -			
(739)	0	(739)	Write Offs	0	0	0
360	256	616	Provisions	14	225	239
0	0	0	Appeals	(575)	0	(575)
			Apportionment of Previous Year Surplus -			
0	0	0	Central Government	0	0	0
0	0	0	Oadby and Wigston Borough Council	0	31	31
0	0	0	Leicestershire County Council	0	185	185
			Leicester, Leicestershire & Rutland			
0	0	0	Combined Fire Authority	0	9	9
			Police and Crime Commissioner for			
0	0	0	Leicestershire	0	33	33
			Disregarded Amounts - Renewable			
8	0	8	Energy	0	0	0
(11)	0	(11)	Transitional Relief	(12)	0	(12)
<u>12,680</u>	<u>34,720</u>	<u>47,400</u>	Total Expenditure	<u>11,258</u>	<u>36,127</u>	<u>47,385</u>
(3,473)	(399)	(3,872)	Movement on Fund	(2,122)	(323)	(2,445)
6,005	210	6,215	Balance at Beginning of Year	2,532	(189)	2,343
<u>2,532</u>	<u>(189)</u>	<u>2,343</u>	(Surplus)/Deficit on Fund at End of Year	<u>410</u>	<u>(512)</u>	<u>(102)</u>
			Allocated to -			
1,266	0	1,266	Central Government	209	0	209
1,013	(22)	991	Oadby and Wigston Borough Council	159	(60)	99
228	(136)	92	Leicestershire County Council	38	(367)	(329)
			Leicester, Leicestershire & Rutland			
25	(7)	18	Combined Fire Authority	4	(19)	(15)
			Police and Crime Commissioner for			
0	(24)	(24)	Leicestershire	0	(66)	(66)
<u>2,532</u>	<u>(189)</u>	<u>2,343</u>		<u>410</u>	<u>(512)</u>	<u>(102)</u>

NOTES TO THE COLLECTION FUND ACCOUNT

1. Council Tax Balance and Transactions at Year End

For the purpose of the Balance Sheet, it is considered that this authority acts as an agent, collecting Council Tax on behalf of the major preceptors and itself. Council Tax transactions and balances are therefore allocated between this authority and the other major preceptors.

Shown below are the allocations to all preceptors as at 31st March 2023.

Authority	Arrears £000's	Bad Debt Provision £000's	Over & Pre payments £000's	(Surplus) /Deficit £000's	Balance Payable £000's	Balance 2021/22 £000's
Leicestershire County Council	2,579	(913)	(597)	(367)	702	784
Leicestershire PCCO	462	(163)	(107)	(66)	126	140
Combined Fire Authority	134	(47)	(31)	(19)	37	40
Total Other Major Preceptors	3,175	(1,123)	(735)	(452)	865	964
Oadby & Wigston Borough Council	421	(148)	(96)	(60)	117	130
Total All Preceptors	3,596	(1,271)	(831)	(512)	982	1,094

2. Council Tax

Council Tax derives from charges raised according to the value of residential properties, which have been classified into 9 valuation bands (A-H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the Council Tax base (i.e. the equivalent numbers of Band D dwellings).

The Council Tax base for 2022/23 has increased to 17,602.15 (17,558.70 in 2021/22).

Band	Estimated No. of Taxable Properties after Effect of Discounts	Ratio	No. of Band D Equivalent Dwellings
Z	6.00	5/9	3.30
A	2636.10	6/9	1,757.40
B	4997.80	7/9	3,887.20
C	6140.60	8/9	5,458.30
D	2829.30	9/9	2,829.30
E	1854.10	11/9	2,266.10
F	493.40	13/9	712.70
G	440.00	15/9	733.30
H	70.50	18/9	141.10
Total	19,467.80		17,788.70
Add Adjustment**			80.10
Deduct Allowance for Losses in Collection			(266.65)
Council Tax Base			17,602.15

NOTES TO THE COLLECTION FUND ACCOUNT

**** Adjustment**

The adjustment relates to anticipated changes during the year for successful appeals against valuation bandings, new properties, demolitions, disabled persons relief, exempt properties, and crown contributions.

3. Income from Business Ratepayers (Non – Domestic Rates or NDR)

In 2013/14, the administration of NNDR changed following the introduction of a business rates retention scheme which aims to give councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to the central pool, local authorities retain a proportion of the total collectable rates due. In the case of Oadby and Wigston the local share is 40%. The remainder is distributed to preceptors and in the case of Oadby and Wigston these are Central Government 50%, Leicestershire County Council (LCC) 9% and 1% to the Leicester, Leicestershire and Rutland Combined Fire Authority (CFA).

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect Oadby and Wigston paid a tariff in 2022/23 to the value of £3,761,260 (£3,761,260 in 2021/22) (see Note 10, Notes to the Core Financial Statements).

A further Safety Net or Levy system acts to ensure that any local authority is protected from a net localised business rate yield of less than 92.5% of its Baseline Funding. A Safety Net grant is paid if the authority's yield falls below this with a Levy being imposed if it is greater. In 2022/23, the Council was in a Levy position of £336k (Levy of £206k for 2021/22). (see Note 10, Notes to the Core Financial Statements).

As part of the business rates retention scheme, all local authorities were given the opportunity to work with neighbouring and partner authorities to develop a bid to become a local authority business rate "pool". Oadby and Wigston Borough Council is part of the Leicestershire NDR pool, which is administered by Leicestershire County Council. Member authorities are treated as a single authority for the purpose of certain calculations under the business rates retention scheme. The advantage of a pool is to potentially generate additional business growth through collaborative working and to smooth out the impact of volatility in business rates income across a wider economic area.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by the Valuation Office Agency, and hence business rates outstanding as at 31 March 2023. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares.

The total provision charged to the collection fund for 2022/23 has been calculated at £392,129 (£967,000 2021/22).

Notes to the Accounts

Accounting Policies

1. General

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 2022/23 financial year and its position at the year- end of 31 March 2023. 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 2022/23, 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, The Service Reporting Code of Practice

(SeRCOP) 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.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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:

- **Fees**, charges, and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- **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 inventory on the Balance Sheet.
- **Works** are charged as expenditure when they are completed before which they are carried as works in progress on the Balance Sheet.

- **Interest payable on borrowings and receivable on investments** is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where **income and expenditure** has 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Exceptions to this are:

- **Telephone accounts** are being charged to that year which has most of the quarter to which the rental or the charge relates as appropriate. This is rather than apportioning them between the financial years and as this policy is consistently applied each year it does not have a material effect on the year's accounts.
- **Insurance premiums** are due on the 30 September each year and are charged to the year that the payment is made and not adjusted between the years.
- **Rentals and maintenance** agreements are consistently charged to the year where the period starts and are not apportioned between the years.

Exceptions to the accrual's principle are consistently applied each year, and therefore do not have a material effect on the year's accounts.

3. 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 within one month period or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the authority's cash management.

4. Exceptional Items

Exceptional items are material items which derive from individual events that fall within the ordinary activities of the Council and are identified as exceptional items by virtue of their size, nature, or incidence. 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

Service revenue accounts, support services and trading accounts are debited with the following charges to record the real 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 and other losses where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- **Amortisation** of intangible fixed assets attributable to the services.

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue (known as the Minimum Revenue Provision - MRP) to contribute towards the reduction in its overall borrowing requirement. For this year, in respect of debt that is supported by Revenue Support Grant (RSG), the provision is calculated using the Capital Financing Requirement (CFR) method. For new borrowing for which no Government support has been given and is therefore self-financed, the asset life method has been used for the 2022/23 accounts.

The CFR method calculates the provision as 2% of the non-housing supported CFR at the end of the preceding financial year (2% of the capital expenditure funded by supported borrowing).

The asset life method requires MRP to be made in equal annual instalments over the estimated life of the asset for which the unsupported borrowing is undertaken.

The annuity asset life method requires that the MRP for each year be the amount presumed to be the principal element of the equal amounts that would be payable each year in respect of a loan at a specified rate of interest that would reduce the outstanding principal amount to zero at the end of the estimated useful life of the asset. This results in an MRP charge that rises over time. This is deemed to be particularly appropriate for assets which generate increasing revenues over time.

Depreciation, impairment losses and amortisations are therefore replaced by

revenue provision in the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

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.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

8. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits (those that fall wholly within 12 months of the year end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits such as car loans for current employees, are recognised as an expense in the year in which employees render service to the Council.

An accrual is made against the service in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and flexitime earned by employees but not taken before the year end and which employees can carry forward into the next financial year. The accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Un-useable Reserve – Accumulated Absence Account in the Movement in Reserves Statement so that holiday

entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of 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 Scheme is accounted for as a defined benefits scheme: -

- The liabilities of the pension scheme 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 projections of future earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.8% and 2.9% dependent on the duration of the liability. (A Corporate Bond yield curve is constructed based on the constituents of the iBoxx Corporates AA bond index and using the UBS delta curve fitting methodology. The discount is set based on the employer's own weighted average duration).
- The assets of 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 result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the

revenue accounts of services for which the employees worked.

Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.

Net interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.

- Remeasurements comprising;
The return on plan assets – excluding amounts included in net interest on the net defined benefit liability – 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 – debited to the Comprehensive Income and Expenditure Statement.

Contributions paid to the 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 in the year, not the amount calculated according to the

relevant accounting standards. In the Movement in Reserves Statement this means that there are appropriations 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 any amounts payable to the fund but unpaid at the year end.

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.

Financial Assets

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

and their cash flow characteristics. The Council holds financial assets measured at:

- amortised cost, and
- fair value through profit or loss (FVPL)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e., where the cash flows do not take the form of a basic debt instrument) [tailor as appropriate where the business model for any financial assets is not to hold investments solely to collect cash flows].

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to 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 and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has made several loans to employees as part of its assisted car purchase scheme at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement 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 at a marginally higher effective rate of interest than the rate receivable from employees, 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 Comprehensive Income and Expenditure Statement to the net gain against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement on the General Fund Balance.

Where assets are identified as impaired because of the likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

Any gains or losses that arise on de-recognition of the asset are credited or debited to the Comprehensive Income and Expenditure Statement.

11. Government Grants and Contributions

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

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

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

Monies advanced as grants 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 (non-ring-fenced revenue grants and contributions 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. Items in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment

Account once they have been applied to fund capital expenditure.

Covid-19 Grants

As part of the Covid-19 pandemic the government provided a range grant schemes to support businesses that has been administered by the Council (Small Business Grant Fund, Retail, Hospitality and Leisure Grant Fund, multiple Local Restrictions grant (open/closed sectors). The Council is responsible for paying over the grants to the businesses and are then reimbursed by the government using a grant under section 31 of the Local Government Act 2003 (S31). Some of the schemes are fully reimbursed, others are a set allocation.

The Council is required to use their Business Rates system to identify the properties that meet the eligibility criteria. These grants are not Collection Fund transactions.

12. Heritage Assets

Tangible heritage assets are defined as those tangible assets with historical, artistic, scientific, technological, geophysical, or environmental qualities and are held and maintained for their contribution to knowledge and culture.

Heritage assets are recognised where they meet these criteria and are valued in excess of the de-minimus threshold of £3,000. Heritage assets are measured in the Balance Sheet at insurance value which is based on market value. An impairment review is carried out each year to assess any physical depletion of the assets. All heritage assets held by the Council are deemed to have indefinite lives and are therefore not depreciated. Any disposal of assets will be treated in the same

manner as other Property, Plant and Equipment.

13. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are identifiable and controlled by the Council (e.g., software licences) is capitalised when it will bring benefits to the Council for more than one financial year.

Intangible assets are measured initially at cost. Amounts are carried at amortised costs and the depreciable amount of the 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 Work in Progress

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works

15. Investment Properties

An investment property is one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property.

Investment properties are measured at fair value, with gains and losses recognised in surplus or deficit within the Comprehensive Income and Expenditure Statement rather than through the Revaluation Reserve. Investment properties held at fair value are not depreciated.

Fair value is to be interpreted as the amount that would be paid for the asset in its highest and best use which is market value. The fair value of investment property held under a lease is the lease interest.

16. Leases

The Council accounts for leases as finance leases where the terms of the lease transfer substantially all the risks and rewards relating to the leased property to the Council. All other leases are classed 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

Where a lease is classified as a finance lease, then the substance of the transaction is considered to be the same as if the authority had purchased the asset and financed it through taking out a loan.

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 (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the authority 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 authority at the end of the lease period).

The CIPFA LAS AAC Local Authority Code Board defer the implementation of IFRS 16 Leases in the Code of practice on local Authority Accounts. In the UK (the code) until the 2024/25 financial year.

Operating Leases

If a lease meets the Code's definition of an operating lease, the property in question is not required to be recognised as an asset in the authority's Balance Sheet and the payments under the lease will be a charge to revenue.

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense to 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).

The Council as lessor

Finance Lease

If the authority is the lessor in an operating lease, it will retain the property either as an item of property, plant and equipment or as an investment property on the Balance Sheet and credit rentals to income as

they become payable, subject to any requirement to smooth the payments and/or the lease incentives.

Where the authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, 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. A gain, representing the authority's net investment in the lease, is 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), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement).

Operating Leases

If the authority is the lessor in an operating lease, it will retain the property either as an item of property, plant and equipment or as an

investment property on the Balance Sheet and credit rentals to income as they become payable, subject to any requirement to smooth the payments and/or the lease incentives.

Where the authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the other operating expenditure line in the Comprehensive Income and Expenditure Statement. Credits 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 premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

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.

The cost of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2022/23 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, except for:

- **Corporate and Democratic Core** – costs relating to the Council's status

as a multi-functional, democratic organisation.

- **Non-Distributed Costs** – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Cost of Services.

An appropriate charge has been made from the General Fund to the Housing Revenue Account for Corporate and Democratic Core costs. This has been based on the proportion of committee time spent on Housing Revenue Account business.

Segmental Reporting

The Council's operating segments are organised into seven service areas. These were determined to give both members and the general public a clear picture of the services the Council provides and will assist the making of decisions about allocating resources and assessing performance. For the purposes of the 2022/23 financial statements, an eighth segment was added to separate out the extraordinary income and expenditure related to the Council's activities in respect of the COVID-19 pandemic. The eight segments are

- Customer Services & Business Transformation
- Senior Leadership Team
- Community & Wellbeing
- Law & Governance
- The Built Environment

- Finance & Resources
- Housing Revenue Account
- Covid 19 Council Costs

Measurement of segmental income and expenses is in accordance with the Council's accounting policies. Shared costs are included in segments based on the actual recharges made.

The Council does not report on segmental asset and liability internally, therefore it is not required to report segmental information on assets and liabilities.

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 equal to or in excess of £3,000 (De Minimis level) on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accrual's basis, provided that it yields benefits to the Council for more than one financial year. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (e.g., repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising the purchase price and any expenditure that is directly attributable

to bringing the asset into working condition for its intended use.

The council does not capitalise borrowing costs incurred while 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.

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

- 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).

Assets included in the Balance Sheet at current value are revalued each year by either a desktop revaluation or by the major revaluation exercise which occurs 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 Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service revenue account.

The Revaluation Reserve contains revaluation gains 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:

- **Council dwellings and other buildings** – straight-line allocation over the useful life of the property as estimated by the valuer. Generally, a prudent view has been taken on the life of the Council's **operational buildings** and as such they have been depreciated over a period of between 5 and 20 years. However, it is recognised that the Leisure Centres which are a new build, therefore the expected life is greater, and these have been depreciated over 40 years.

- **Vehicles, plant, furniture, and equipment** – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer. Council currently is using the straight-line allocation method over the useful life of the asset. The useful life of the plant, equipment and vehicles has fallen into a range of between 5 and 10 years.

Newly acquired or operational assets are depreciated for a full year in the first year, although assets during construction are not depreciated until they are brought into use

No depreciation is provided on assets in the year of disposal

Depreciation is not charged on freehold land, investment properties or assets held for sale.

Where an asset has major components with different estimated useful lives, these 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

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the Comprehensive Income and Expenditure Statement as part of the

gain or loss on disposal (i.e., netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account

Amounts received for a disposal more than £10,000 are categorised as capital receipts. A proportion of capital receipts relating to Housing Revenue Account disposals (75% for dwellings, 50% for land and other assets, net of deductions and allowances) is payable into a government pool. The Council also retains an amount relating to the building of new houses in the One-for-One replacement agreement the Council has signed up to as well as Council House Buy-Back should these occur.

The balance of receipts received from disposals are credited to the Useable Capital Receipts Reserve, which 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 Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Movement in Reserves Statement.

Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account

for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g., dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- **Instruments** with quoted market prices – the market price.
- **Other instruments** with fixed and determinable payments – discounted cash flow analysis.
- **Equity shares** with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Comprehensive Income and Expenditure Statement. Where impairment losses have been incurred – these are also debited to the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of the likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

Any gains or losses that arise on de-recognition of the asset are credited or debited to the Comprehensive Income and Expenditure Statement, along with

any accumulated gains or losses previously recognised.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Componentisation

A component is a part of a larger asset that must be separately identified and depreciated, for the purposes of assisting more accurate financial reporting and asset management.

A component must have the following factors:

- A significantly different useful life from the parent asset
- A significantly different value to the parent asset
- Provide an economic or service benefit to the Council, which is materially different to the rest of the asset.

The Council will recognise significant components of an item of property, plant and equipment where the asset's value is greater than £1,000,000 or where the component is more than 25% of the total asset's value.

Componentisation takes place at valuation, acquisition, and enhancement of the parent asset.

The following assets have been componentised (as per 2022/23)

- Wigston Swimming Pool
- Brocks Hill Visitor Centre
- Blaby Road Park
- Parklands Leisure Centre

Council Dwellings are not componentised, other than the separations of the land value, as the

internal components, individually, do not form a significant enough part of the value to be material. However, where components are replaced, the Council derecognises the replaced components in the accounts.

19. Provisions, contingent liabilities, and contingent assets

Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. 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 to the appropriate revenue account when the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes more likely than not that a transfer of economic benefits will not be required, the provision is reversed and credited back to the relevant service revenue account.

Where some or all the payment required to settle a provision is expected to be met by another party (e.g., from an insurance claim), this is only recognised as income in the relevant revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority 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 authority. 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 authority.

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 appropriating amounts in the Movement on Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Comprehensive Income and

Expenditure Statement. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

21. Revenue Expenditure Funded from Capital under Statute

Revenue expenditure funded from capital under statute results from expenditure of a capital nature where no fixed asset is created for the Council. They include private sector renewal grants and advances to other parties to finance capital investments.

This also includes exceptional revenue expenditure for which a capitalisation direction can be granted to allow this expenditure to be funded from capital. Capitalisation direction gives the Council the flexibility to treat specified revenue expenditure as capital expenditure, the Council must meet strict criteria and should only be sought for costs which are due largely to factors beyond the control of the Council and are unavoidable.

The Council generally writes off revenue expenditure funded from capital under statute to revenue in the year in which it is created.

Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Movement in Reserves Statement so there is no impact on the level of council tax.

22. Value Added Tax (VAT)

Income and expenditure exclude any amounts related to VAT, as all VAT

collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

23. Revenue Recognition

Revenue (excluding non-exchangeable transactions) represents the amount receivable in respect of services provided to customers. The diagram showing the recognition principles for the main types of income in the Code is used to determine how the income is accounted for in the Council's accounts.

Revenue is recognised only when payment is probable.

Revenue from services is recognised as the services are provided.

The total consideration on arrangements with multiple revenue generating activities is allocated to those components that can operate independently based on the estimated fair value of the components. When the fair value of components cannot be assessed, the revenue is spread over the term of the service.

Revenue arising from the provision of other services is recognised evenly over the periods in which the service is provided.

24. Related Party Transactions

Are circumstances where an authority might have the potential either to be controlled/influenced or to exert control/influence, the following specific related parties can be identified.

- Pension fund
- Assisted organisations
- Controlled companies
- Associated companies and joint venture partners.

Material related party relationships and transactions, outstanding balances between the Council and its related parties are disclosed within notes to the Statement of Accounts.

GLOSSARY OF TERMS

For the purposes of the Code of Practice the following definitions have been adopted:

ACCOUNTING POLICIES

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- (i) Recognising
- (ii) Selecting measurement bases for, and
- (iii) Presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or loss is to be recognised; the basis on which it is to be measured; and where in the Revenue account or Balance Sheet it is to be presented.

ACQUIRED OPERATIONS

Operations comprise services and divisions of service as defined in the Best Value Accounting Code of Practice. Acquired operations are those operations of the local authority that are acquired in the period.

ACTUARIAL GAINS AND LOSSES

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

- (a) Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or
- (b) The actuarial assumptions have changed.

ASSETS HELD FOR SALE

Assets which are being marketed for sale in their current condition.

***BUSINESS RATE RELIEF S31 GRANT (2020-21)**

This is the compensation from the government paid to the billing authorities and major preceptors for the cost of reliefs announced by government for 2020/21.

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CAPITAL EXPENDITURE

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

CLASS OF NON CURRENT ASSETS

The classes of non-current assets required to be included in the accounting statements are:

Operational assets

- Council dwellings
- Other land and buildings
- Vehicles, plant, furniture and equipment
- Community assets
- Intangible assets

Non-operational assets

- Investment properties
- Heritage Assets
- Assets under construction
- Assets held for sale

Further analysis of any of these items should be given if it is necessary to ensure fair presentation.

COMMUNITY ASSETS

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

CONSISTENCY

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

CONSTRUCTIVE OBLIGATION

An obligation that derives from an authority's actions where:

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- (a) by an established pattern of past practice, published policies or a sufficiently specific current statement, the authority has indicated to other parties that it will accept certain responsibilities; and
- (b) as a result, the authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

CONTINGENT ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the local authority's control.

CONTINGENT LIABILITY

A contingent liability is either:

- (a) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control; or
- (b) a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

CORPORATE AND DEMOCRATIC CORE

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

COUNCIL TAX REBATE GRANT (2022-23)

A £150-per-peropty central-government funded rebate on council tax paid to households in bands A-D in England due aid with the cost of living crisis.

CURRENT SERVICE COST (PENSIONS)

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

CURTAILMENT

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

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

DEFINED BENEFIT SCHEME

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

DEFINED CONTRIBUTION SCHEME

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

DEPRECIATION

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

DISCONTINUED OPERATIONS

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

- (a) the termination of the operation is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved;
- (b) the activities related to the operation have ceased permanently;
- (c) the termination of the operation has a material effect on the nature and focus of the local authority's operations and represents a material reduction in its provision of services resulting either from its withdrawal from a particular activity (whether a service or division of service or its provision in a specific

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geographical area) or from a material reduction in net expenditure in the local authority's continuing operations;

- (d) the assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes.

Operations not satisfying all these conditions are classified as continuing.

DISCRETIONARY BENEFITS

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

ESTIMATION TECHNIQUES

The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses, and changes to reserves.

Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique.

Estimation techniques include, for example:

- (a) methods of depreciation, such as straight-line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a tangible fixed asset consumed in a period;
- (b) different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXCEPTIONAL ITEMS

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

EXPECTED RATE OF RETURN ON PENSIONS ASSETS

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

FAIR VALUE

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

FINANCE LEASE

A finance lease is a lease that transfers substantially all the risks and rewards of ownership of a fixed asset to the lessee. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract.

GENERAL FUND

The main revenue account of the Council covering all services apart from housing landlord functions.

GOING CONCERN

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

GOVERNMENT GRANTS

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

HERITAGE ASSETS

An asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. Examples of heritage assets are historical buildings, civic regalia, and antiques.

IMPAIRMENT

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A reduction in the fair value of a fixed asset below its carrying amount on the Balance Sheet. Destruction or damage to fixed assets will result in an impairment.

INTANGIBLE ASSETS

Assets that have no physical substance, primarily intellectual property. The most common examples for local authority purposes are computer software licenses.

INTEREST COST (PENSIONS)

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Accounting Standards now applicable to local authorities from 2010/11 onwards, replacing the UK GAAP regime.

INVESTMENT PROPERTIES

Interest in land and/or buildings:

- (a) in respect of which construction work and development have been completed; and
- (b) which is held for its investment potential, any rental income being negotiated at arm's length.

INVESTMENTS (PENSIONS FUND)

The investment of the pensions fund will be accounted for in the statements of that fund. However authorities are also required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

LIQUID RESOURCES

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

Eligibility for support is determined by the government and authority payments are reimbursed by government through S31 grant.

LONG-TERM CONTRACTS

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

NET BOOK VALUE

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

NET CURRENT REPLACEMENT COST

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

NET DEBT

The authority's borrowings less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference should be to net funds rather than net debt.

NET REALISABLE VALUE

The open market value of the asset in its existing use (or market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

NON CURRENT ASSETS

Non-current assets that yield benefits to the local authority and the service it provides for a period of more than one year.

NON-OPERATIONAL ASSETS

Fixed assets held by a local authority but not used or consumed in the delivery of services or for the service or strategic objectives of the authority. Examples of non-operational assets include; investment properties and assets that are surplus to requirements, pending their sale. It should be noted that the incident of rental income does not necessarily mean that the asset is an investment property, it would be deemed an investment property only if the asset is held solely for investment purposes and does not support the service or strategic objectives of the authority and the rental income is negotiated at arm's length.

OPERATING LEASES

In a finance lease agreement, ownership of the property is transferred to the lessee at the end of the lease term. But, in operating lease agreement, the **ownership of the property is retained during and after the lease term** by the lessor under an operating lease, the lessee does not have this option.

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OPERATIONAL ASSETS

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

PAST SERVICE COST

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

PRIOR PERIOD ADJUSTMENTS

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROJECTED UNIT METHOD

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

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

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

RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:

- (i) one party has direct or indirect control of the other party; or
- (ii) the parties are subject to common control from the same source; or

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- (iii) one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- (iv) the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Examples of related parties of an authority include:

- (i) central government;
- (ii) local authorities and other bodies precepting or levying demands on the council tax;
- (iii) its subsidiary and associated companies;
- (iv) its joint ventures and joint venture partners;
- (v) its members;
- (vi) its chief officers; and
- (vii) its pension fund.

Examples of related parties of a pension fund include its:

- (i) administering authority and its related parties;
- (ii) scheduled bodies and their related parties; and
- (iii) trustees and advisers.

These lists are not intended to be comprehensive.

For individuals identified as related parties, the following are also presumed to be related parties:

- (i) members of the close family, or the same household; and
- (ii) partnerships, companies, trusts or other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

RELATED PARTY TRANSACTION

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Examples of related party transactions include:

- (i) the purchase, sale, lease, rental or hire of assets between related parties;

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- (ii) the provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the pension fund;
- (iii) the provision of a guarantee to a third party in relation to a liability or obligation of a related party;
- (iv) the provision of services to a related party, including the provision of pension fund administration services;
- (v) transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as council tax, rents and payments of benefits.

This list is not intended to be comprehensive

The materiality of related party transactions should be judged not only in terms of their significance to the authority, but also in relation to its related party.

REMUNERATION

All sums paid to or receivable by employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than cash. Pension contributions payable by the employer are excluded.

RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

SCHEME LIABILITIES

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

SETTLEMENT

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

Settlements include:

- (a) a lump-sum cash payment to scheme members in exchange for their rights to receive specified pensions benefits
- (b) the purchase of an irrevocable annuity contract sufficient to cover vested benefits, and
- (c) the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme

STOCKS

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

- (a) goods or other assets purchased for resale;
- (b) consumable stores;
- (c) raw materials & components purchased for incorporation into products for sale;
- (d) products and services in intermediate states of completion;
- (e) long-term contract balances; and
- (f) finished goods.

USEFUL LIFE

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

VESTED RIGHTS

In relation to a defined benefit scheme, these are:

- (a) for active members, benefits to which they would unconditionally be entitled on leaving the scheme;
- (b) for deferred pensioners, their preserved benefits;

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(c) for pensioners, pensions to which they are entitled.

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